

EIR

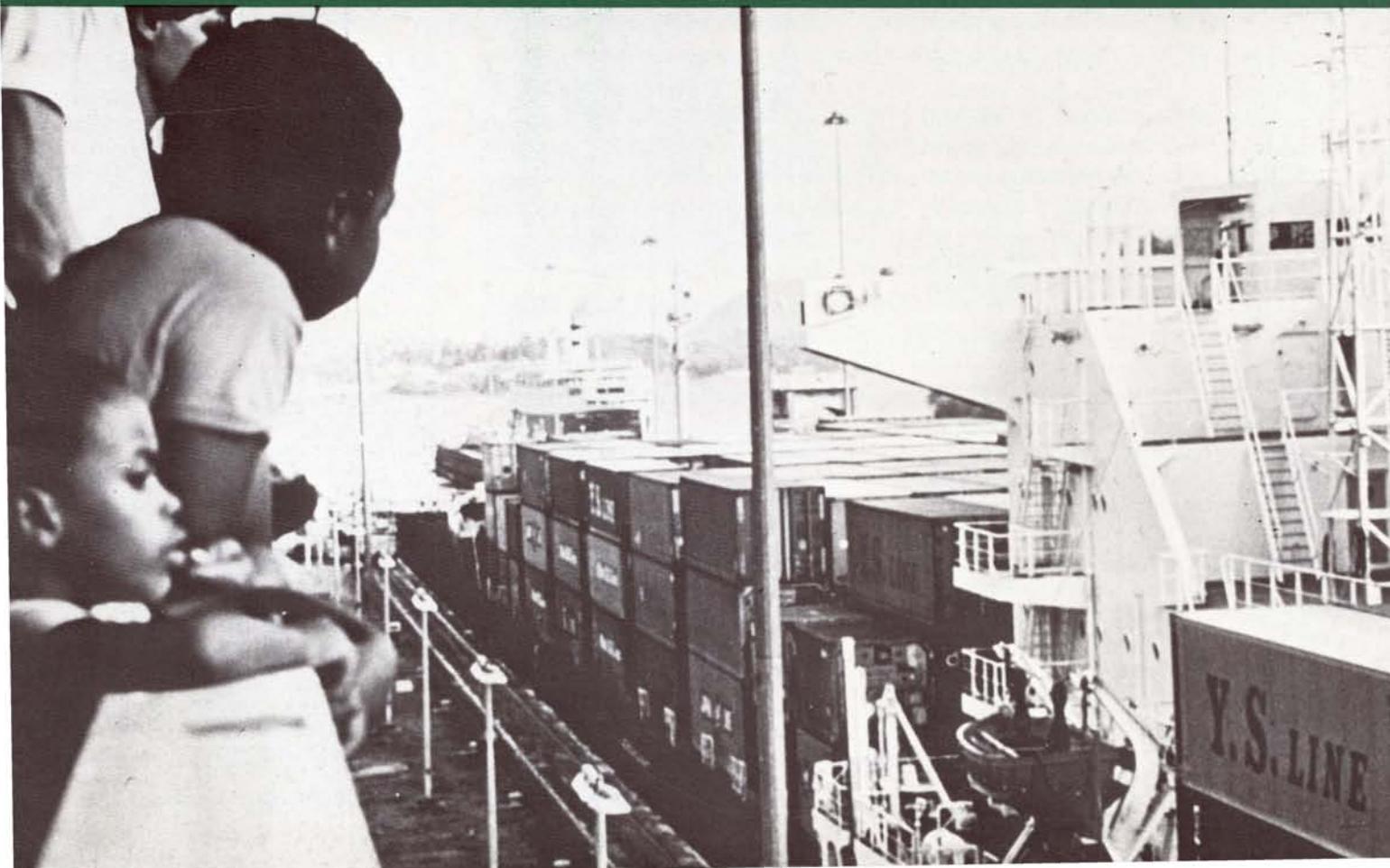
Executive Intelligence Review

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Reagan backs Weinberger: Save cities, not missiles
An Egyptian tells how IMF 'conditions' stop growth
Beam-weapons spinoff could help feed the world

A winning strategy for the second Panama Canal





Flags from 50 countries led the 3,000 person parade to the White House at the Third Schiller Conference on November 25.

FOURTH INTERNATIONAL CONFERENCE OF THE SCHILLER INSTITUTE

“The Inalienable Rights of All People”

“I am calling upon all republican forces worldwide—all trade-unionists, students, parents, teachers, ministers, farmers—all human beings of good will, to join the Schiller Institute in conference January 12th-14th in Virginia and in demonstration on Tuesday, January 15 in the nation’s capital for the building of a new international movement for the Inalienable Rights of Man.

“This Declaration was adopted at the Third International Conference of the Schiller Institute on November 24-25 in Crystal City, Virginia, where 2000 participants from over 50 countries joined together, and then marched in front of the White House in a powerful parade of over 3000 in order to send a message to President Reagan that his second administration must change economic policy, both foreign and domestic, if the world is to survive.

“Especially in the face of an ever-growing danger of Soviet establishment of world hegemony, a Soviet drive which is nourished by the apparent economic collapse

*We will not
quit, until we
have won!*

of the West most sharply visible in Africa, Ibero-America and Asia, it is urgent that the Strategic Defense Initiative of President Reagan be adopted and that the murderous economic policies of the International Monetary Fund be dumped

and replaced by technological and economic growth in both the U.S. and her national allies.

“Our movement, the movement for the Inalienable Rights of Man, must and will become bigger than the old Civil Rights movement. We will grow and swell and increase in new demonstrations and parades in the coming weeks, until we represent millions and millions. We will not quit, until the Inalienable Rights of all human beings are realized and guaranteed.

“Join us—you have no other moral choice. This time, we must not just overcome; this time we must win!”

—Helga Zepp-LaRouche

Conference:
Saturday/Sunday/Monday
January 12-14, Virginia

Demonstration:
Tuesday
January 15, Washington, D.C.

Pre-registration required. For more information, write The Schiller Institute, 1010 16th Street, N.W., Room 300, Washington, D.C. 20036, or telephone (202) 955-5938.

Registration: \$25 per day. Checks payable to The Schiller Institute

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EIR

From the Managing Editor

The Schiller Institute, founded by Helga Zepp-LaRouche, which will hold its fourth international conference in Richmond, Va., Jan. 12-14, has announced the goal of bringing 100,000 people to Washington, D.C. on Jan. 15, Martin Luther King Day, for a march and rally on the theme: "Use American Technology to Feed Africa and Kill Missiles." It is an extraordinary campaign, and like Schiller Institute conferences in the past, has brought former supporters of George Wallace in the south together in common cause with northern ministers active in the civil rights movement, farmers from the High Plains together with students from the inner city—to express their shared interest in the future of this country and its leadership role in the world.

That rally, by design, intersects the most heated factional battle—over the most important issue—of Ronald Reagan's time in office: the fight for the Strategic Defense Initiative, the development of beam-weapon systems capable of killing nuclear missiles in flight.

Our *Special Report* on a plan to build a new Panama Canal was prepared under the direction of Uwe Henke von Parpart, by a research team including Sylvia Brewda, Peter Rush, and Carlos Wesley.

As this week's *National* section reports, in the face of Soviet ultimatums and howls of lying rage from the Eastern Establishment press, the President has stood firm in his commitment to render offensive nuclear weapons obsolete. Secretary Weinberger, for his part, has been consistently defending and explaining the beam-weapon program in the outspoken terms heard from no political figure before except *EIR* founder LaRouche. This week's *National* section carries the slightly abridged text of Weinberger's excellent address to the Foreign Press Club Dec. 19.

The venom with which such "Neville Chamberlains" as James Reston of the *New York Times* accuse the President and defense secretary of "Churchillian" hubris, assures us that those who, for example, killed Kennedy when he threatened such a break with the doctrine of "Mutually Assured Destruction," those who use the *New York Times* as a mouthpiece, will do everything in their considerable power to sabotage U.S. defense. This battle is not yet won. The Schiller Institute aims to win it.

Vin Berg

EIR Contents

Interviews

8 Dr. Stephen Matthews

The Livermore scientist explains how a spinoff of beam-weapon research can help feed the world.

Departments

17 Andean Report

Colombia: Integration or the IMF.

45 New Delhi

The Qaddafi connection.

46 Report from Bonn

Weinberger keeps the Germans buzzing.

47 Middle East Report

The PLO's new horizons.

48 Northern Flank

How long will Olof Palme last?

49 Dateline Mexico

PAN calls for insurrection.

64 Editorial

Lessons of the Indian election.

Economics

4 World Bank enforces debt-for-equity grab

Contributing Editor Christopher White examines a pilot project for a policy that would lead directly to recolonization of Third World debtor-nations.

6 U.S. trade deficit means loot for American banks

The strength of the dollar has reversed the traditional role of the U.S.A. as an industrial nation.

12 How IMF 'conditions' stop economic growth: the case of Egypt

Prof. Gouda Abdel-Khalek's presentation at the Nov. 24-25 Schiller Institute conference.

18 Gold

The Soviets and the price collapse.

19 Domestic Credit

Machine tools and national security.

20 Agriculture

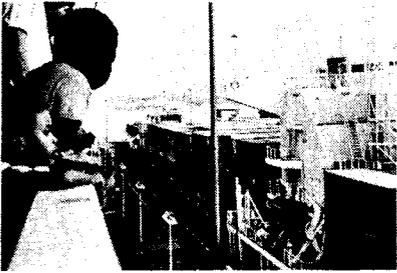
The farm bank disaster.

21 Debt Moratorium

Hamilton turns debt into credit.

22 Business Briefs

Special Report



A ship passes through the Miraflores lock of the Panama Canal. The construction of a new canal could provide the motor for developing the entire surrounding region.

24 A winning strategy for the second Panama Canal

A new *EIR* study, reported in summary fashion here, demonstrates that a second canal is urgently needed, if the Isthmus of Panama is not to become a critically congested bottleneck by the end of this century, rather than a center for facilitating world trade.

26 How the new Panama Canal will expand world trade by the year 2000

30 A two-way, sea-level canal: the biggest excavation project in history

33 Canal would provide the motor for industrial development of the region

International

36 Terrorism strikes in Europe, U.S. troops hit

A brutal terrorist wave which is far from finished is proving to be closely linked to Soviet strategy.

38 Who is Moscow's new defense chief?

Konstantin George profiles Marshal Sergei Sokolov.

39 IMF and Russian wolves on the prowl

Their aim: the dismemberment of Yugoslavia.

40 Knives are being sharpened in Pakistan

Will Zia be the next casualty of the 'Great Game'? Susan Maitra reports from New Delhi.

42 Soviets try to block Weinberger peace bid

Thierry Lalevée looks at the Middle East.

43 *The Times* demands fascism in Israel

44 A Mediterranean Grenada in the making

The Soviets take over Malta.

50 International Intelligence

National

52 Reagan backs Weinberger: Save cities, not missiles

The President is not flinching in the face of Soviet ultimatums and wild howls from the Eastern Establishment press.

54 Graham's *Post* caught 'aiding the enemy'

55 The fraud of the new anti-apartheid drive

Jesse Jackson is always for sale cheap; the ADL is purchasing his services.

56 Weinberger on the strategic doctrine

The slightly abridged text of the defense secretary's address before the Foreign Press Club Dec. 19.

61 Kissinger Watch

Kiss of death in the Dominican Republic.

62 National News

World Bank enforces debt-for-equity grab

by Chris White

Since October of this year, the International Financial Corporation of the World Bank has been implementing experimental policies of grabbing especially Third World equity, in private industry in particular, in exchange for debt. Under this pilot scheme, the World Bank has reaffirmed its role as clearing house and enforcer for the International Monetary Fund, and for the allied private banks which make up the creditors' collection committee known as the Ditchley Group.

Additionally, the World Bank is moving in to help out the banks that are part of the creditors' cartel, as those banks prepare their year-end statements for their auditors and the regulatory agencies. Now, October's pilot project is being applied more generally against the debt-strapped nations, especially of Ibero-America.

The pilot project, known as "The Korea Fund," was set up immediately after participants at the annual conferences of the International Monetary Fund and World Bank had heard IMF director Jacques de Larosière, Bank of America head A. W. Clausen, and Henry Kissinger outline what policy for the next year would be. They had specified, as Kissinger did in his speech to the Mocatta Metals September birthday gathering, and de Larosière earlier in Austria, that the principal obstacle to what they considered continued progress in the international economy, is the existence of the nation-state as an institution.

The resulting establishment of pilot-project debt-for-equity schemes within the World Bank was the implementation of the policy they had outlined.

The Korea Fund was capitalized to the tune of \$60 million for just this purpose, under the ostensible prodding of the First Boston Bank. This bank is one of the principal movers on the U.S. side of the Ditchley Group's operations, and is the private bank which handles banking operations for the

International Monetary Fund. The \$60 million subscription for equity purchases—in debt-strapped private Korean corporations—was backed up with the safety net of a World Bank International Financial Corporation offer to put up 15% of the funding, if private investors were not forthcoming.

Third World nations have been forced to the wall during the last years to pay their debt. Their economies have been gutted by the continuing effect of high interest rates, and by the continuing appreciation of the dollar against local currencies. This, in turn, has permitted the collapsing United States economy to maintain the pretext of a recovery, through the loot thus gouged from populations outside the United States. Now the proceeds of that looting are to be reinvested in purchasing the corporations, and ultimately the nations, that have been thus bankrupted and destroyed, at knock-down prices.

The Korea Fund pilot project, according to leakers at various Washington, D.C. cocktail parties, is now going to be expanded. Similar operations are now to be launched against especially the private sector corporations of Mexico and Brazil, as the debt-for-equity swindle is extended into the major nations of Ibero-America.

Under its new director, Sir William Ryrie, former senior career officer in the British Treasury who took over from Hans Wuttke of the Warburg interests this October, the agency already has paid in capital of \$650 million available for expansion, and is planning to double this to \$1.3 billion. This fund is to be supplemented with borrowings. The IFC intends to directly invest \$7 billion in \$30-billion worth of projects over the next five years. The leverage of this investment pool is significantly enhanced by the massive over-valuation of the dollar vis-à-vis the equity of the local corporations that will be invested in, denominated in local currencies.

IFC investments are primarily targeted into the areas of mining and private agricultural projects in Third World countries. These projects can be drug production projects, for when private-enterprise agriculture is encouraged, as in the case of Jamaica, for example, or other Central American or Caribbean littoral nations, it is drug production that is meant. In the past, World Bank officials have not been shy in discussing these questions. They argue that expanded drug production—for U.S. markets—provides ready access to hard-currency earnings permitting debts to be paid under depression conditions.

For Ibero-American nations, the IFC is reported to be studying the idea of setting up a special fund, a kind of investment trust, to help convert private-company debt to equity. Following the “Korea Fund” model, the fund would be jointly financed by Western banks and the IFC. In a parallel and related development, the World Bank is also moving to implement a scheme, proposed most recently by Henry Wallich of the Federal Reserve Board of Governors, to establish a program “to insure foreign investors in less developed countries against political risks.”

Both of these schemes can be characterized as “foot-in-the-door” initiatives. But their implementation will begin to sound the death knell of the sovereign nation-state, especially in the so-called developing sector. As Henry Kissinger specified in his Mocatta Metals speech last September, the world will be turned back to the kind of 19th-century economic system which Kissinger and his friends call “liberalism,” but is more correctly known as classical imperialism.

It is not accidental that news of the World Bank’s expanded activities on behalf of, and together with, the Ditchley Group creditors’ cartel, is made public at precisely the moment that what is called the debt crisis goes into a new phase, and U.S. commercial banks, are once again faced with their quarterly crisis, putting their creative writing departments to work to coming up with a balance sheet of assets to liabilities which will maintain the appearance of solvency for just a bit longer. The December tally on this account is the most severe of the year: The banks have to come up with a yearly statement.

Now it becomes increasingly clear that the intent to swap holdings of non-performing debt for holdings of equity in, first, Third World corporations, and then Third World nations themselves, is how the banks, the regulatory agencies, the Federal Reserve, and the international institutions hope to unload their non-performing liabilities into the asset side of their accounts.

Meanwhile, Peru, no longer able to maintain the fiction that it is capable of paying its debt, is now threatened with seizure of its assets overseas by those who employ the *New York Times* as their mouthpiece. This same threat has been deployed against Venezuela in efforts to force that government to back up the indebtedness of its private sector. Argentina is coming down to the wire in its latest effort to come up with a debt refinancing package that will satisfy both banks

and the IMF, and has agreed that litigation arising from disputes about the debt should be handled in U.S. courts.

To back up the asset grab, a new lobbying group has been formed within the United States. To be known as the “Bretton Woods group.” The group is designed, according to the *Wall Street Journal*, to “muster public support for the International Monetary Fund and World Bank.”

The organizers of this are the same bunch of degenerates responsible for the wreckage of the United States and the world, particularly in the period since the assassination of President John F. Kennedy. Among the organizers are Harold Brown, Jimmy Carter’s secretary of defense; Lloyd Cutler, Carter administration counsel and prominent opponent of the U.S. constitutional form of government; Robert Strange McNamara, leader of the Malthusian genocide lobby within the United States and business partner of Henry Kissinger; former Carter Treasury Secretary G. William Miller; Robert Strauss of Billygate fame; and Elliot Richardson of the liberal wing of the Republican Party and the Russophile arms-control lobby around the United Nations Association. Co-chairmen of the group will be Henry Fowler, partner of Kissinger and McNamara at Goldman Sachs and a former secretary of the treasury, and Charles Walker, another former Republican Treasury official.

This new organization overlaps significantly with such other outfits as the Citizens’ Committee to Cut the Budget, also chaired by Fowler. Its members are united in their insistence that the United States defense budget be cut, and that the President’s Strategic Defense Initiative be scrapped. It also happens to be the case that this collection of individuals represent the institutions who market and hold U.S. government debt. They insist that the United States, like Third World countries they have destroyed, cut all elements of its budget to safeguard their right to collect interest payments on \$160 billion in U.S. debt over the next year.

It is about time that the lessons were learned from all this. The World Bank and IMF are destroying the nations which ought to provide, and often want to provide, a global base of support for U.S. policy. Those nations are being forced into the arms of the Soviet Union as they are left to die, or in the case of the nations of Western Europe and Japan, into suicidal trade wars with the United States in competition for declining world markets. Furthermore, the people who give most aid and comfort to such policies within the United States, apart from the psychotics and ignoramuses of the free enterprise cult, as the above listing shows, are also the people who oppose everything of good that the United States as a nation has ever represented in its historical existence, and have devoted their lives to destroying that legacy. But their views continue to be considered part of the spectrum of national consensus in such areas as economic policy. This must be changed, before the United States is itself put under the World Bank’s debt-for-equity schemes, in the service of resurgent Russian imperialism.

The U.S. trade deficit means American banks loot Third World

by Richard Freeman

Recently reported trade figures for the United States show the effects of America's vastly overvalued dollar: the biggest trade deficit in history. They thereby show the principal underpinning of America's so-called economic recovery: buying from the world at prices so low it amounts to thievery.

October did show a drop in U.S. import of manufactured goods, but the U.S. deficit in merchandise trade (real physical goods) became \$9.18 billion. The U.S. trade deficit for the first ten months of the year is \$105.5 billion. Moreover, Commerce Secretary Baldrige predicts a deficit for the entire year of \$130 billion.

Perhaps the enormity of this figure doesn't register. Never in its history has the United States had a \$100 billion trade deficit. The previous highest amount ever registered was \$69.4 billion for 1983. Before that the deficit never exceeded \$43 billion.

The United States, the mightiest industrial power on earth, should be shipping floating nuclear power plants, dredging equipment, electricity grids, tractors, rail locomotives and tracks, construction equipment, to the rest of the world to industrialize it—it should, in short, be running \$100 billion per year trade *surpluses*. But the United States achieved its current status not through chance, but deliberate policy design. It reversed the role of an industrial power—supplying capital goods to the Third World and running huge trade surpluses on this account.

The ten-year Dollar Reich

To understand the dilemma of the United States as a net manufactured-goods importer, one must start with the genesis of this admittedly perverse policy.

"It is very probable that the dollar will remain strong through the end of the rest of the decade." So proclaimed U.S. Treasury Secretary Donald Regan in an interview with *BusinessWeek* in October. Regan had the misfortune to have been proven right over the last few months, as the dollar has risen against all other currencies, and the once haughty pound sterling, worth \$2.40 a few years ago, is now worth \$1.17 and likely will soon be on a one-to-one parity with the dollar.

Regan's reason for proclaiming a strong dollar had less to do with economic predictions, than an attempt to make the case that the United States should model itself on the 19th-century British Empire. Long past its industrial prime, that Empire used a strong currency to loot the world. Don Regan and his colleagues from the Council on Foreign Relations,

like Paul Volcker, designed a foreign and economic policy that makes America a fortress which, instead of developing the world and acting as a "beacon of hope," cheaply picks up those manufactured and capital goods which cannot be produced domestically. To do this, Regan and company used high interest rates to drive a strong dollar.

The Council of Economic Advisers (CEA), in its February 1984 yearly economic review, "The President's Economic Report to the Congress," also predicted that the United States could finance its gigantic federal budget deficit for the next ten years by having the strong dollar attract foreign investors to buy 40% of all U.S. Treasury debt, which is the rate at which foreigners bought in 1983.

This is the generalized economic policy that the Volcker-Regan-Stockman-CEA team foisted on President Reagan. Use a strong dollar, which will allegedly be strong through the end of the decade, to attract capital flows from abroad with high dollar yields, to finance simultaneously a trade and budget deficit, and to buy goods cheap from the rest of the world.

Otherwise the economic recovery was a fragile hoax recently disproven by the three-month fall in housing starts, the plunge in capital spending, and the bankruptcy of farming. Apart from falsification of figures and an excessive generation of consumer credit, the "recovery" depended upon the overvalued dollar looting the world.

The pillage and tithes that are being extracted from abroad can be tangibly seen in the case of Mexico. Under International Monetary Fund "conditionality" policies, Mexico cut its imports from \$24 billion in 1981 to \$10 billion in 1983, a drop of two-thirds. Since many of Mexico's imports were of American capital goods—oil-drilling equipment, construction tools, etc.—America's exports began to fall. Likewise, the IMF told Mexico to export everything that was not nailed down. Mexico had been forced to devalue its peso from 40 to the dollar in 1982 to 200 to the dollar today. Thus, a Mexican product that cost \$1 in 1982 costs only 20 cents today, because of Mexico's devaluation.

So now Latin America is dutifully paying its tithe to the New Imperial Dollar and the IMF. According to a Commerce Department report, for the first nine months of the year, Latin American exports to the U.S. rose to \$15.8 billion, a 34% increase over the \$11.8 billion level for first nine months of last year. If one figures that the U.S. dollar has appreciated by about 30-35% this year alone against a basket of Latin

Currency Rates

American currencies, then Ibero-America exported the real equivalent of \$21 billion in hard physical goods as against \$11.8 billion for the same period last year, *actually a doubling of exports.*

Paul Levy, a vice-president for Latin American research at Merrill Lynch (Donald Regan's former firm) boasted, "One very basic reason for the growth in exports is the drop in real wages and the devaluation of currencies. These are at the heart of the adjustments that governments made in response to their external debt crisis."

The United States got the goods it could not produce at home because of Paul Volcker's high interest rates. Ironically, once these foreign manufactured goods, stolen at two-thirds to one-half the cost because of the strong dollar, came in, they in turn stimulated a modest upturn in a few selected categories of U.S. production.

For the first three quarters of 1984, U.S. exports of manufactured goods, excluding autos, totaled \$95.2 billion. For the same three quarters, the United States imported \$117.6 billion worth of manufactured goods, excluding autos. The United States thus ran a \$22.4 billion deficit on manufactured goods. Even in 1983, the United States still ran a manufactured goods trade surplus.

U.S. imports of both cheap goods and foreign capital flows showed up in the current account, which for the first three quarters of the year is \$77.3 billion in deficit. The current account includes the trade balance, plus services, plus "invisibles," plus capital flows. The United States, even during the most recent trade deficit years, still managed to normally run a positive current account. But the "invisibles," which include earnings from U.S. foreign investments, are not big enough to offset the trade deficit plus the borrowing of the United States abroad, which counts as a deduction from the current account.

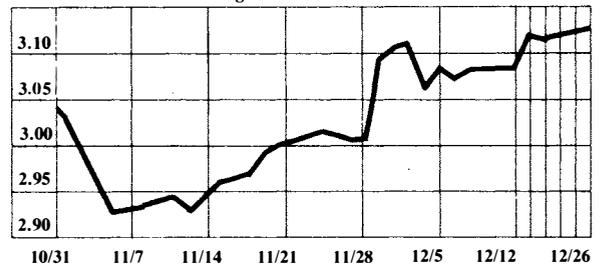
At the beginning of December, Paul Volcker told a meeting: "When we import more goods and services than we export, we must pay for it in the only way we can, by borrowing capital from abroad." The result is that "The United States is borrowing so fast that the largest and richest country in the world is well on its way to becoming the largest international debtor as well." Volcker should know: he helped create the mess.

But the warning he delivers is accurate. The U.S. trade and budget deficit, both the results of an unhealthy physical economy, total \$350 billion. They depend on buying cheaply abroad with financing from abroad, which depends on the strong dollar, which created this mess.

It can't go on. In October, the steady line of monthly increases in U.S. imports of manufactured goods halted, the Commerce Department reported. Non-petroleum imports dropped 14.4% in October to \$22.48 billion from \$26.25 billion the previous month. Among the declining imported items were communications equipment and electrical machinery. Imports of capital equipment dropped 14.7%.

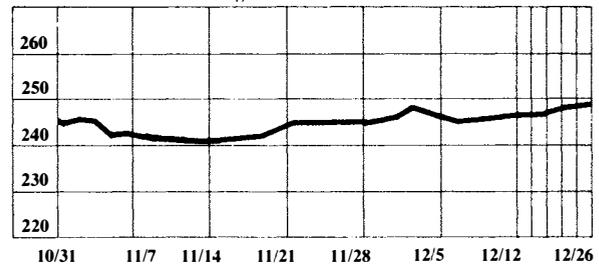
The dollar in deutschemarks

New York late afternoon fixing



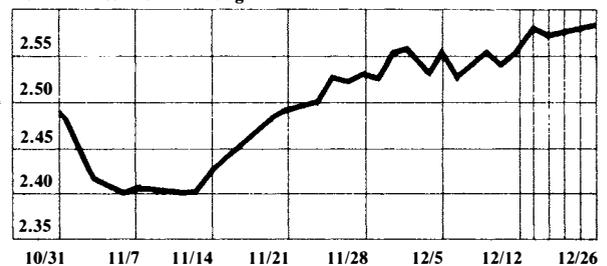
The dollar in yen

New York late afternoon fixing



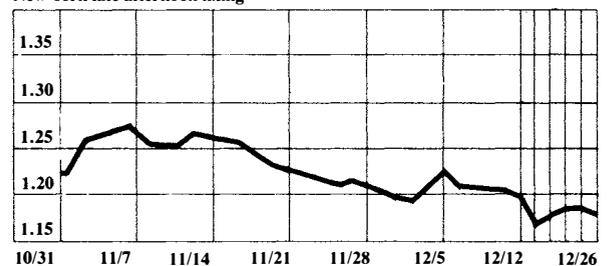
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Electron beam accelerator can boost food irradiation, help feed the world

The first generation of commercial food irradiation plants will use cobalt-60 or cesium-137 as the source of radiation. But if this technology is to fulfill its promise and increase the world food supply by lengthening the shelf life of produce and eliminating the spoilage caused by insects and fungi, these radionuclide sources will not be able to keep up with the demand.

Thanks to the beam defense program, a new type of electron beam accelerator—an induction linear accelerator—is being developed. It has a modular design and can be mass produced; it can operate with a 1-megawatt portable generator; and it can process food efficiently and cheaply at a rapid rate. Lawrence Livermore National Laboratory is now collaborating with the University of California at Davis to develop this accelerator for use in commercial food irradiation.

Dr. Stephen M. Matthews, a senior physicist at Lawrence Livermore who has been working on the development of this beam defense spin-off, is interviewed here by Marjorie Hecht, managing editor of *Fusion* magazine.

Hecht: What's most exciting to me is that this food irradiation project is a spin-off of the beam defense program. Two years ago we did a study that showed that if the United States applied the technologies from the beam defense program to industry, this would create an enormous increase in productivity. What you have done is actually quantify this process in the area of food irradiation.

Matthews: That's true. Any time one deals with new technology, there are all kinds of spin-offs. I believe that's the way it's been throughout the history of mankind, starting with the invention of bronze.

To me, it's an evolution of an old idea: that is, that man is driven to learn how to control the forces of nature. That's very constructive work for him. And with these beam technologies, we now have the capability to control, for the first time, unprecedented amounts of power. Of course, the driving force to develop these technologies—as was the driving force to develop bronze or many of the other things we've developed—is to protect ourselves from hostile invaders. It's always been that. But if we can put the threat of nuclear war behind us, then I see these technologies as providing a new opening for doing things that could not be done before. . . .

Hecht: What is your technical background?

Matthews: I'm a physicist and my background is very varied; I have spent periods of time in different subfields. I have had a lot of experience in designing and building detectors and detection equipment for various types of nuclear radiation. I have been involved with some very advanced technologies, which are the types of things that we're looking at now, and I have always been interested in ways of utilizing these technologies for commercial benefit.

Hecht: As you calculated in a paper you presented in November 1983 at a food irradiation conference in Hawaii, an electron beam accelerator of the sort Lawrence Livermore Laboratory is developing can mass process irradiated food at a cost of \$5.98 per ton.

Matthews: I've just done a reevaluation of that. . . . Dr. Manuel Lagunas-Solar at the University of California at Davis and I have gone over the costs of processing food with cobalt and cesium as the nuclear sources compared to doing it electrically—with electron beams. It turns out that the price electrically, according to the assumptions we've made, is significantly better than the \$5.98. . . . For using a portable electron beam accelerator facility, we've now found that the operating cost of processing a ton of produce at 100 kilorads is \$3.25 per ton. That's a little more than half of what we had before, because we now have a better estimate of the accelerator cost.

Hecht: That makes it much cheaper than current chemical methods of disinfestation and fumigation for grains, for example, and for fruits.

Matthews: Yes. I'll give you some details from a table in our current paper titled "Comparative Processing Costs for Pest Control in Raisins." We picked raisins because there is available comparative data in a University of California report on alternative processing techniques for raisins.

When EDB, ethylene dibromide, was removed from use by the EPA, the growers went into a little bit of a panic here. They have compared the costs of alternative fumigants—methyl bromide, phosphene, low-oxygen atmospheres, and nitrogen atmospheres—and we just added to that table the

cost of doing it with radiation. For the current processes, methyl bromide is \$8.37 a ton, phosphene is \$10.75 a ton, and the other alternatives go way up to as high as \$17.83 using liquid nitrogen. The fumigation costs include a charge of \$5.42 per ton to stack the raisins so that the processing atmosphere can circulate through the stack. Stacking is not required with radiation processing.

For the radiation technologies, even the cobalt is cheaper than the bromide. It's possible that people may disagree with some of the assumptions we've used. Nevertheless, I think the costs are reasonable here.

Hecht: How does the accelerator differ from the electron beam accelerators that have been used in the past for testing with food irradiation?

Matthews: There are a number of different types of electron accelerators. The types that have been used in the past for

commercial applications have been radio frequency linear accelerators—they're called RF Linacs. These linacs have a resonant cavity, which is basically a metal box—a waveguide, if you like. A radio frequency standing wave, an electromagnetic wave, is placed inside the box, and this wave accelerates electrons down the length of the box, and they come out one end.

This type of machine has been used very successfully in the past. However, it has certain problems if you try to make the beam intensity high, which arise from the fact that the accelerator has a resonant cavity. All cavities have what is called the *Q* factor, which is how well they can support the wave before it damps out. Since the cavity for a high-intensity machine will have to have a very intense radio frequency wave, the *Q* factor has to be very high.

This means that the mechanical tolerances for building the cavity are severe. You have to build that cavity just right; it has to be precisely the right size, and you can't handle it too roughly. Also, the material out of which the box is built has to have a very high conductivity. Otherwise the *Q* begins to drop, and this means that some of the energy goes into heating up the walls of the accelerator and you lose energy from the propagation of the beam.

Now, at let's say 5 megavolts—which is the voltage you'd want to have an electron beam accelerator to drive an x-ray machine—a typical accelerator machine that you can buy will put out a power on the order of 1 to 2 kilowatts, and that machine will cost about \$1 million. For the same price, we can build a machine that will put out 1,000 times the power at 5 megavolts and has far better commercial properties.

For example, an induction linear accelerator doesn't depend upon a resonant cavity. There are no high voltages that are built up inside the machine. The machine is made out of a modular construction, so that all you have to do is put together a bunch of parts and then link them together.

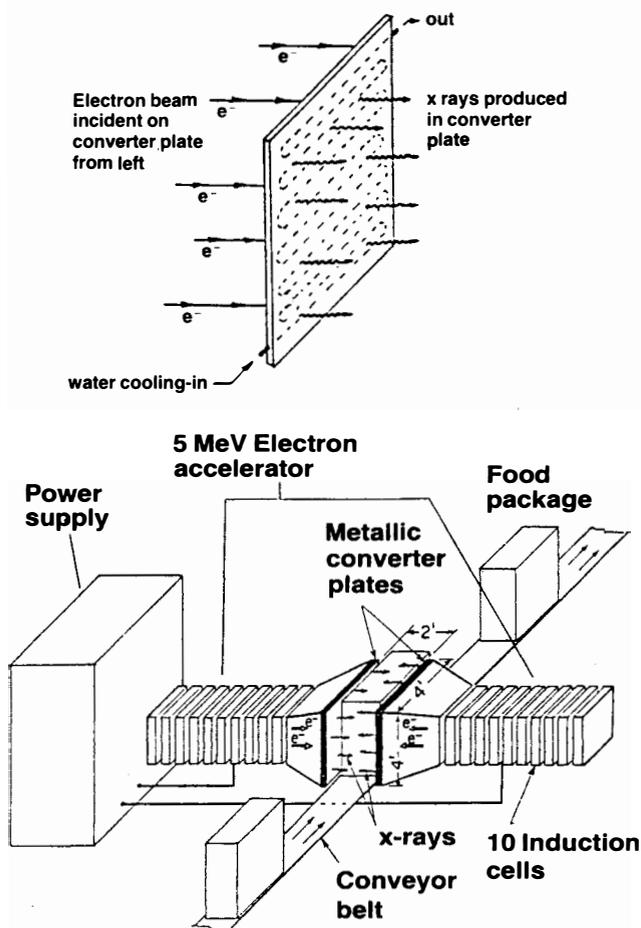
Hecht: Can the accelerator therefore be mass-produced?

Matthews: It can be mass-produced.

Also, the vacuum tolerances are very relaxed. For example, a radio frequency accelerator has to have extremely good quality vacuums; otherwise you get a breakdown and you get an arcing inside the machine. Since relatively low voltages are used inside this machine, the vacuum tolerances are relatively mild, and you can have what is called a commercially obtainable vacuum. A dirty vacuum, so to speak, something like 1 micron is perfectly sufficient. You can obtain this with a mechanical pump; you don't need fancy oil-diffusion pumps or vac-ion pumps.

Hecht: Did this new accelerator come specifically out of the beam program?

Matthews: It was an outgrowth of the beam program, that's right. We needed to have an accelerator that could produce intense beams to study, and this is what came out of it.



Electron beams can be used directly for food processing or to produce x-rays for the processing. Shown here is an induction linear accelerator design, where electrons from two accelerators are stooped in a metal plate and converted to x-rays. A two-foot-wide conveyor belt moves pellet-sized containers through the radiation zone.

Hecht: How does the induction linear accelerator work?

Matthews: It works as a series of one-to-one transformers. You have a group of modules, and each module will increase the voltage of an electron beam that passes through it by 500 kilovolts, half a megavolt. In exactly the same way that a transformer works, you have a primary and a secondary circuit. In this accelerator, the primary circuit is a 500-kilovolt pulse, which is placed through the module.

The secondary circuit is the electron beam itself passing through the module. You hook up a whole bunch of these modules—one module for each 500 kilovolts that you want to increase the beam energy. For a 5-megavolt machine you need 10 modules. You hook up the 10 modules and launch an electron pulse at one end of the accelerator. Every time the electron pulse passes through a module, you then pulse that module with an external current. In this way, the electron beam will be increased in energy by 500 kilovolts, or by half a megavolt at each of the 10 modules.

Hecht: How high is your outside current?

Matthews: The outside current is delivered by a capacitor through a switch that puts a pulse into the external circuit. The pulse is 10 kiloamps. So you've got a 1/2-megavolt, 10-kiloamp pulse which increases the energy of the electron beam by half a megavolt. Now you have to fire these modules in succession. You have to fire the first module when the electron pulse gets to that module, and then a very short time later you fire the second module, and then the third module—exactly the same way that the lights on a theater marquee march down the marquee. You fire the modules one after the other, as the electron pulse gets to the particular module.

When the electron pulse gets to the far end of the machine, it has picked up the energy it has accumulated after traveling through all these modules.

To make 5 million volts, you only need voltages of half a million volts, and you just keep building it up. Then you have to launch one pulse after the other in rapid succession, so that you have a whole bunch of pulses coming out of the end of the machine.

In order to do that, you have to have a special type of switching technology called *magnetic modulators*—a magnetic switch. It's a new type of switch—actually it's a very old type of switch but uses new materials—that enables the linear accelerator to deliver pulses in very rapid succession. That's what gives it the very high average power.

You see, the idea of a linear accelerator has actually been around since about 1968, and we built linear accelerators here around that time. The problem with them was that they could only put out one pulse at a time. Now, with the magnetic switches, the accelerator can put out 1,000 pulses per second, for long periods of time.

Hecht: What dose will you use for food irradiation?

Matthews: We are considering applying doses of 100 kilorads to fresh produce. And in order to do 100 kilorads, we had considered a little portable machine that was rated at 100 megarad/tons per day. This is what we presented in a paper last year in Hawaii. Now we've upped that to closer to 200 megarad/tons per day, and the only reason we can't make it higher is that we're limited to a 1 megawatt portable generator. If you could get a bigger portable generator, we could run the thing higher; the limit on it now is how much electricity we can feed through it.

Hecht: Why are you limited to a 1-megawatt generator?

Matthews: A 1-megawatt portable generator is what's easily available. And if you use a 1-megawatt portable generator, then the machine will put out half a megawatt of electron beam. And 8% of that energy gets converted to x-rays. It sounds like a very wasteful thing, energetically, but it turns out that even that amount, even 8% of the energy converted to x-rays, is far, far better than what you can do with radioactive isotopes.

For example, let's take the portable accelerator that I just described, with a 1-megawatt generator. Even suffering the fact that half the energy is lost when you convert from the electrical energy to the electron beam, and that of the energy in the electron beam only 8% is converted to x-rays—even then, the amount of x-rays available for processing is equivalent to 4.5 megacuries of cobalt, which is something like 5% of the world's supply.

Hecht: You mentioned that if all the cobalt and cesium available in the world were used to irradiate food, we would be able to process only 6 ounces per person in the United States—hardly enough to do anything with.

Matthews: That's right. Now, I have so far described only the portable facility. A fixed electron beam accelerator in a fixed location could irradiate the food so fast that you could not move it through the machine fast enough—almost a ton per second. In other words, the limitation with a fixed facility is not in the radioactive material nor in the radiation source: The limitation now is how fast you can move the food through the machine!

Hecht: One other thing that impressed me was that you are able to give a uniform dose to a much thicker quantity of food.

Matthews: That's true, but there's also a problem here. The Food and Drug Administration (FDA) has limited the energy of the radiation to 5 megavolts, no higher. And at 5 megavolts, you're still limited somewhat by the penetrability of the radiation through the food. We are now in the process of calculating the maximum/minimum dose ratios in pallet-size containers of various thickness and density.

Although the 5 megavolts of electron beam radiation is superior to cobalt, and certainly superior to cesium, it's still

not really good enough, I think, for doing pallet-size containers. The FDA has said you cannot put any more than 100 kilorads into most food. Now, using this technology, you have to ask yourself, if you put no more than 100 kilorads at the surface of the pallet, what is the dose deposited deep inside the pallet, at the center of the pallet. It turns out that it could be only about 20 kilorads, depending on density and pallet thickness, using 100 kilorads at the surface.

If you're going to do pallets of grapefruit or oranges, then you want to be able to put more than 20 kilorads in the center of the pallet without exceeding 100 on the surface.

Hecht: And how would you do that?

Matthews: In order to do that, 5 megavolts might not be enough. We would like to argue with the FDA to do one of two things, or maybe a combination of both: We would like to be able, number 1, either to raise the 100 kilorad limit, or to increase the energy of the x-rays from 5 megavolts, to, let's say 10 megavolts, so that we would get a much more uniform dose. Whether the FDA will allow that or not is an open question; we don't know.

Hecht: The FDA still hasn't given final approval on 100 kilorads.

Matthews: I know they haven't, and I'd like them to go with that. The World Health Organization already allows 1,000 kilorads.

Hecht: It seems that food irradiation technology is near to commercialization, after 40 years of research.

Matthews: I believe that when and if food irradiation comes of age in this country, it certainly will start off with radionuclide sources—cesium and cobalt. When people see the benefit of that, there'll be a tremendous demand for cobalt. Now, already, the cobalt people are having a hard time just keeping up with the supply. It's very difficult to see where new cobalt will come from. There is cesium that is available, but that will get used up very quickly. And although I think the radionuclide sources will initiate food irradiation, when the technology really takes off, it's going to have to be the electric sources.

For example, these machines that we are considering at 5 megavolts, 10 of these machines, at a cost of a million dollars each, can equal the entire world capability of cesium and cobalt combined.

Hecht: That's an incredible statement! How long do you think it would take to produce one of those machines?

Matthews: They should be able to be built very rapidly: For a 10-megavolt machine, you bolt 20 modules together; for a 5-megavolt machine you bolt 10 modules together. All you have to do is get a company that makes modules, and bolt them together. It's exactly the kind of thing that lends itself to mass production.

Hecht: Will you be actually testing 10 megavolts versus 5 on fruit and vegetables?

Matthews: The first thing that we're going to be doing is testing the 2 megavolts on fresh produce—grapefruit, oranges, whatever California produces; and we will check to see how that works compared to cobalt. There is a lot of history on cobalt. And there is a difference between the radiation that comes from these machines and the radiation that comes from a nuclide source.

A nuclide source puts its radiation out in a continuous manner; the accelerator machines put their radiation out in pulses. You may have, for example, 1,000 pulses a second, but each pulse is on only for about 80 nanoseconds—a nanosecond is a billionth of a second. So although you may have 1,000 pulses a second, the amount of time that the machine is on, compared to the amount of time that it's off, is really very small.

This means that the food is actually being irradiated by extremely intense radiation for very short periods of time. We don't really know what the effect of the extremely high dose rate is on the food. You see, cobalt food irradiation, if it is done commercially, will irradiate at something like 1 kilorad per second. These beam machines will irradiate the food at tens of *megarads* per second.

This intense radiation in a very short time may create a different photon interaction in the food that may alter the radiolytic chemistry, so that the food might behave differently at a 100-kilorad dose of high-dose-rate irradiation than it would with a 100-kilorad dose of cobalt. Some people believe that by using such intense radiation, you actually do a much better job on the food, making fewer undesirable radiolytic products than with cobalt. However, this is an open question which can only be determined by experiment. This question is the first issue to be addressed in our joint study with the University of California at Davis.

Hecht: Is Lawrence Livermore going to promote this application as well as the food irradiation?

Matthews: The laboratory never seems to do these things itself. It always has to wait for somebody on the outside to come in, and it's always been done in a rather haphazard manner. It has always been true that the most effective way to transfer technology is for people who work for the lab to get up and leave and go work somewhere else.

When I came here and started trying to get the laboratory interested in food irradiation, they thought I was a crackpot. Physicists know even less about food technology than the food people know about irradiation. But during the past two years there has been an increasing interest, not only in food irradiation but in other applications as well. Now we have reorganized the technology transfer department. We are going to have, sometime later in the year—possibly in February or March—a workshop for the commercial aspects of induction linear accelerators.

How the IMF's 'conditions' stop economic growth: the case of Egypt

by Prof. Gouda Abdel-Khalek

The following is an abridged form of the policy paper "Egypt's Aid Experience, 1974-83," submitted to the Schiller Institute for its Nov. 24-25 international conference in Washington, D.C. by Prof. Gouda Abdel-Khalek, Cairo University, Cairo, Egypt. Footnotes have been omitted from this version but may be obtained from EIR on request.

I. Introduction

Many policy makers and planners in developing countries believe that *the more resources the better*. This is echoed in the terms of reference and recommendations of the now famous Pearson and Brandt Commissions. Thus, in 1968 the recommendations of the Pearson Commission report read:

- 1) Each developed country should increase its resource transfers to developing countries to a minimum of 1 per cent of its Gross National Product as rapidly as possible, and in no case later than 1975.
- 2) Each developed country should increase its commitments of official development assistance to the level necessary for net disbursements to reach 0.70 per cent of its Gross National Product by 1975 or shortly thereafter, but in no case later than 1980.

Twelve years later, in 1980, the Brandt Commission report reads:

There must be a substantial increase in the transfer of resources to the developing countries. . . .

The flow of official development finance should be enlarged by:

- 1) An international system of universal revenue mobilization, based on a sliding scale related to national income. . . .
- 2) The adoption of timetables to increase Official Development Assistance from industrialized countries to the level of 0.7 per cent of GNP by 1985, and to one per cent before the end of the century.
- 3) Introduction of automatic revenue transfers through international levies on some of the following:

international trade, arms production or exports; international travel; the global commons, especially seabed minerals.

The plea for increasing the flow of official development assistance (for brevity, we shall henceforth call it "aid") from developed to developing countries was a key element in the declaration of the New International Economic Order (NIEO). Such significant developing countries as India and Egypt have made external borrowing a cornerstone of their national development plans. The logic underlying this orientation is both straightforward and, at least seemingly, appealing: More resources will enable the developing country to increase the rate of investment and hence raise the growth rate of its economy.

But such logic is not as sound as it looks. The tenet that the more resources the better is based on a fundamental implicit *ceteris paribus* assumption. Such assumption is highly doubtful when a developing country relies heavily on foreign "aid" to finance its development effort. In such case, factors relevant to development other than investment will change in a way not conducive to development.

In this paper we make a case against heavy reliance on foreign aid. Such a case will be based on Egypt's experience during the last decade. The analysis will be organized in four additional parts. Part II will outline the analytical logic of the case against foreign aid. In part III we shall examine the extent of Egypt's reliance on such aid. Part IV documents and analyzes the strings attached to aid received by Egypt in order to provide empirical evidence to back up the theoretical arguments of part II. The final part V draws the lessons and pertinent issues from Egypt's experience.

II. Aid and the developing economy: partnership in development or bonds of dependency?

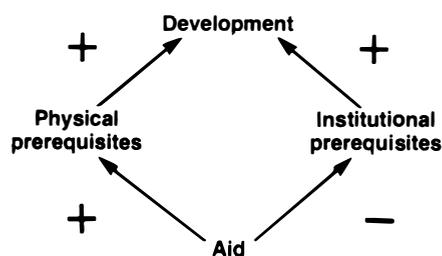
The relationship of aid to development has been at the heart of the discussion of development theory and policy throughout the postwar period. Most of the emphasis in the

discussion was placed, however, on the gap-filling function of aid. The now famous two-gap model is reminiscent of this. It is crucial to realize that the assumption of *ceteris paribus* is indispensable for the two-gap model to provide justification for increasing the aid flows to developing countries.

Here we drop the *ceteris paribus* assumption. If aid flows on a significantly large scale, *other things cannot remain constant*. In order to expound this point, we have to define development first. For the sake of the argument of this paper, and in line with recent trends in development thinking, development is here perceived as a process of comprehensive social change that releases latent energies for creative behavior.

Development thus defined implies emancipating both the individual and the societal will, not just raising the rate of economic growth. Self-reliance as a negation of the state of dependency becomes a basic element of development. This is why over-reliance on foreign aid becomes inhibiting to development. We may use the schematic illustration (Figure 1) to make this point.

Figure 1



Aid eventually affects development through two intermediate links. The first link embodies the physical prerequisites of development, basically capital formation, and the second embodies institutional prerequisites—mainly the country's system for decision-making and setting national priorities. It is self-evidently clear that both the physical and the institutional prerequisites affect development in a positive way. It is also assumed that aid affects the first type of prerequisites positively and the second negatively.

That aid improves the situation with regard to availability of factors of production (basically capital) needs no emphasis. It does not mean relieving all physical constraints, but at least it does not make some more binding. In this respect more aid means more physical prerequisites and hence more development. This analysis has so frequently been propagated that it seems widely accepted.

It is the aid-institutional prerequisites link that has often been overlooked, and needs clarification. One could think of many elements to go under this catch-all expression. Most

important among these are the ability to set national priorities and to decide autonomously on allocation of resources and pricing in both commodity and factor markets. It is with regard to such elements that the effect of heavy reliance on foreign aid may not be beneficial. The country receiving aid may find itself subject to conditions put by the donor that are costly to meet but difficult to reject.

However, in the current international setting, aid is usually linked to sanctions of the politics of the receiving country. Such sanctions are usually placed by the IMF, the aid consortia, or consultative groups.

Under such circumstances, it becomes open to question whether aid is—on balance—of real benefit to the receiving country.

III. Extent of Egypt's aid dependence

It may be said that, generally speaking, there has been an increasing trend in Egypt to finance development through foreign resources. Such a trend may be ascertained by referring to Figure 2.

Figure 2

Extent of reliance on foreign resources 1960/61-62

Period	Annual average foreign borrowing (millions of \$)	Percentage of investment	Percentage of imports
1960/61-1964-65	129.2	38.1	38.2
1965/66-1969/70	104.5	27.4	25.1
1970/71-1975	516.6	80.0	64.1
1978-1982	487.0	70.1	—
1960/61-1982	309.3	53.9	42.5

Sources: Gouda Abdel-Khalek, "Development, self-reliance and equity: queries raised by the Egyptian experience of heavy reliance on foreign aid," in *Economic Development and Social Justice*. Proceedings of the Fourth Egyptian Economists' Conference (Cairo: Société Egyptienne d'Economie Politique, de Statistique et de Legislation, 1981).

It may be concluded from the data in the table that the extent of dependence on foreign financing (basically foreign aid) has been on the rise. There is evidence for more recent years of an intention to lower such dependence. Thus, in Egypt's current five-year plan (1982/83-1986/87), one reads a specific guideline to lower the proportion of foreign finance significantly over the plan horizon. Actual performance does not, however, show a significant improvement on that score.

Compelling as it may look, aggregate evidence does not really tell the whole story. For the last decade, Egypt has grown heavily dependent on one country, the United States

of America, for economic and military assistance. American annual economic aid flow to Egypt has risen from a negligible amount in 1974 to over one billion dollars in recent years. Over the decade 1974-83, total commitments by the U.S. Agency for International Development (USAID) totalled \$8.518 billion. Disbursement amounted to \$5.991 billion. Perhaps even more significant, the U.S. provides Egypt with a significant proportion of its wheat consumption. Thus, in 1980 total wheat consumption in Egypt was 4,471 thousand tons and wheat imports from the U.S. amounted to 1,035 thousand tons, in addition to 389 thousand tons of wheat flour. This makes Egypt very heavily dependent on the U.S. for basic staple food supplies.

All this raises the issue of effective independence in setting national priorities. So long as those priorities as seen by the Egyptian government are in line with American perceptions, there is no problem. But in the more likely circumstances of diverging views between the two sides of the aid relation, stress, and even tension develops. We may reach the breaking point and aid is cut, slowing down the pace of national programs. The experience of Egypt in the mid-sixties should not go unnoticed. But before the breaking point, the relation has to continue. It will only do so if the receiving party submits to conditions set by the donor. It is our contention that Egypt has been subjected to very stringent non-financial conditions of aid from both bilateral and multilateral sources. This is the political toll of economic "assistance," as will be shown in the next part of the paper.

IV. Non-financial conditions of foreign aid

There are various mechanisms through which heavy dependence on foreign aid may affect national priorities with regard to socio-economic development. Such mechanisms are due to the nature of the very *conditions* which are the *sine qua non* of the aid received. Before dealing with the conditions of aid, by the various donors, it is important to stress that they do complement each other in a reinforcing pattern. We shall naturally start with the conditions of the IMF.

A. IMF conditions: IMF conditions are embodied in the *stabilization programs* that are usually spelled out in a *letter of intent*. That letter is a document issued by the country suffering balance of payments problems to the director of the IMF detailing its intentions regarding measures in various policy areas such as the exchange rate, budget deficit, subsidies, inflation, trade policy, pricing of domestic goods, etc. . . . It is well known that national governments do not produce letters of intent on their own initiative. Extensive and often protracted bargaining and discussion between the Fund staff and representations of the government of the country concerned usually result in a draft of the letter. The document represents a *commitment* by the government of the country concerned to implement the set of measures which make up the stabilization program.

On the basis of this document, the IMF signs a stabilization agreement with the member country.

The government of Egypt has issued several letters of intent to the IMF; most significant perhaps is that of June 10, 1978. It was the basis of a stabilization agreement whereby Egypt was to receive SDR 600 million (U.S. \$720 million) of Fund support over three years. In return, the government of Egypt committed itself to a program of economic reform. Since IMF approval of the country's policies is a prerequisite for getting aid from any source, it is relevant to the discussion of non-financial conditions of aid to dwell on the main elements of the program. There are two parts: one outlining *structural reform* and the other specifying certain measures for the first year of the program.

1) *Structural reform:* There are four basic components of the suggested reform: eliminating cost-price distortions in the economy, encouraging agriculture, reducing subsidies, and giving public-sector projects the power to hire and fire.

First. With regard to elimination of cost-price distortions, the program stipulates transferring the power of pricing products from the cabinet to the management boards of industrial public-sector companies. Moreover, prices of industrial products of public-sector companies are to be periodically revised to reflect increased costs. The ultimate goal is to place the operations of public-sector companies on a commercial basis, and to relegate subsidy giving to the government budget. Reform of the public sector in Egypt has been the subject of debate and discussion for a long time. The issues at hand are so intricate and involved that a piecemeal approach may only exacerbate the problems. Specifically, raising the prices of industrial sector products coupled with import liberalization will put the national industries in unequal competition with foreign industry in the domestic market.

Second. With regard to agriculture, the program of structural reform stresses vertical expansion as a means for utilizing the great potential in this sector. This includes improving drainage and irrigation, developing agricultural extension services, revising agricultural pricing policy, and rationalizing the distribution system for agricultural inputs. Although one cannot belittle the import of agriculture for any genuine development effort in Egypt, property relations cannot be taken as given with emphasis placed only on the means proposed in the reform package.

Third. As for subsidies, the program of structural reform entails reducing the growth rate of subsidy expenditure much below the growth rate of aggregate current government expenditure. Such measures would definitely have negative redistributive effects, since it would raise the prices of staple food items without a matching increase in the incomes of the socio-economic groups affected.

Finally. The program of structural reform suggests giving government departments and public-sector companies the authority of hiring according to their needs. This means that large numbers of fresh university graduates will not find

employment. The program does not suggest any measures to compensate for this blocking of employment opportunities.

These are the basic elements of structural reform included in the letter of intent. They amount to redefining national priorities and in particular re-instating market forces both as the allocative and distributive mechanism.

2) *Policy measures in different areas*: The measures suggested in the letter of intent reflect the usual IMF package: restrictive fiscal and monetary policies and exchange-rate adjustment. These measures have been analyzed in detail before. It is significant to draw the implication for Egypt's development. The IMF package reshapes the system of priorities in the Egyptian economy. It gives preference to agriculture over industry, the private sector over the public sector, the foreign enterprise over the national enterprise, and commercial activities over productive activities. All this reflects a fundamental economic and social philosophy which we think is inimical to any genuine development. It can only be expected to distort the economy and further its dependence on the outside world. This is no surprise, since a combination of neo-classical and monetarist medicine is prescribed for a structural illness.

B. Consultative Group conditions: The Consultative Group is a euphemism for the creditors' cartel or the association of aid donors. The Egypt Consultative Group was composed of countries, regional, and international organizations concerned with providing aid to Egypt. It held its first meeting in May 1977.

The preparations for the meeting, and the discussions and negotiations that took place during the meeting are very enlightening with regard to the institutional set-up for, and the non-financial conditions associated with, aid-giving. Hence the impact on what we termed "institutional prerequisites" for development.

The head of the Egyptian delegation to the meeting (the three Deputy Prime Ministers for Financial and Economic Affairs) reported to the conference regarding the economic conditions in Egypt, the problems facing the country, and policies suggested to deal with these problems. The policies represented the elements of an economic reform package included in a letter of intent issued to the IMF in March 1977. It included:

- balancing the government budget as much as possible;
- attempting to close the deficit in the foreign exchange budget;
- undertaking some internal economic reforms such as reforming the tax system and the tariff system;
- making necessary changes in the Housing Act to allow raising rents such as to increase investors' expected return;
- amending the law for Investing Arab and Foreign Capital to eliminate ambiguities in its articles.

The IMF Executive Director for Middle East Operations addressed the conference, declaring that the Fund has en-

dorsed Egypt's economic reform package, and pointing in a carrot-and-stick fashion that *if Egypt implemented this package, this will be a justification for receiving new facilities*. It is interesting to observe that the above package is an honest application of the IMF *recipe*, which involves liberalizing trade and payments, currency devaluation, adopting contractionary monetary and fiscal policy, and encouraging private investment.

The Egyptian delegation was quizzed by members of the Consultative Group with regard to: Egypt's plan for social and economic development and its priorities with respect to industry and agriculture; its plan to deal with the population problem; education policy; external borrowing policy; foreign-exchange policy; and the role of the private and public sectors. It is blatantly obvious that such matters transcend discussions of socio-economic policies, and go to the heart of the socio-economic system itself.

Under the pressure by the members of the Consultative Group, the head of the Egyptian delegation announced that Egypt, in the context of the open-door policy, has taken several measures to encourage the private sector. They include amending the law for Investing Arab and Foreign Capital (Law 43 for 1974); breaking public-sector monopoly of foreign trade; activating the stock exchange; reducing government intervention in commodity pricing, and raising interest on savings in addition to granting tax exemption to interest income.

The above provides concrete evidence to the pressures placed by aid donors collectively and in concert. Although it may be the subject matter of various analyses, we shall only concern ourselves with its impact on the institutional framework for development. The upshot of all these pressures is simply to reduce the role of the state in economic affairs to the barest minimum. Correspondingly, the role of the private sector within a dominantly market set-up will rise. One may then legitimately pose the question as to the kind of development that is achievable under these conditions. More resources through foreign aid may thus mean more investment. But that does not automatically mean more development; for development to be in a developing country, there must be a big role for the state.

The contribution of the Keynesian revolution of almost half a century with regard to the role of the state in economic affairs is deliberately ignored by aid donors. In place of it, they reach out to a neo-classical and monetarist theoretical framework. It is not proven beyond any doubt that the latter is better than the former. In fact, in view of the dearth of entrepreneurial talent and the large disparity between social and private cost and benefits in developing countries, a good case may be made for a larger role of government and planning vis-à-vis the private sector and market forces.

C. Project-loan conditions: The "macro-conditions" analyzed above are supported by "micro-conditions," or con-

ditions on the project level. Although there has been a lot of discussion and analysis of conditions in the context of "tying practices," the non-financial conditions with bearing on the institutional prerequisites of development have been largely ignored.

Loan agreements signed between Egypt and various lenders contain several main conditions. We shall focus on non-financial conditions of aid by examining two examples of American aid to Egypt just as illustrative examples.

1) *The Qattamiah Cement Project Agreement*: The loan agreement for this project stipulates that the United States Agency for International Development (USAID) provide a loan for \$95 million to the government of Egypt (GOE) to finance a cement project in Qattamiah by the Suez Cement Company. The most significant non-financial conditions for this loan are:

- The GOE provides for the project no less than \$35.1 million and LE (Egyptian pound) 46.5 million.
- The borrower (GOE) relends \$58.5 million out of the loan to the Suez Cement Company, with the balance (\$36.5 million) given as a grant.
- Selling at least 20% of the stock of the Suez Cement Company to the private sector, with foreign currency sales of at least \$4.6 million.
- Raising the price of locally produced cement, and consulting periodically with USAID for cement pricing.
- Submitting a detailed plan for cement distribution in Egypt to USAID covering the period 1980-85.

An examination of these conditions clearly indicates that they are inhibiting to development. For although the project increases capital formation and hence productive capacity, it involves raising prices of cement and interfering with national priorities. Cement is a vital commodity for investment and any control of either its allocation or price means, in the planning jargon, controlling a national parameter. In addition, raising cement prices will have negative distributive effects since the cost of housing for the low-income groups will rise as a result. Moreover, the implementation of the loan agreement amounts to de facto denationalization of public-sector enterprises. It is here that the "micro-condition" has macro-implications.

2) *Loan for the Rationalization of Industrial Sector and Reduction of Environmental Effects*: This is an agreement signed (in August 1978) by the Egyptian Ministry of Industry (MOI) as borrower and USAID as lender. According to the agreement, MOI receives a loan of \$46.445 million. This was later supplemented by a grant of \$7.5 million. Both the loan and the grant were aimed at raising the institutional capacity of the MOI to manage resource allocation in the industrial sector. The most pertinent non-financial conditions are:

- The borrower is to provide matching funds of not less than LE 21 million for the loan and not less than LE 21.5 for the grant.

- The borrower agrees to adopt a long-term policy to abolish subsidies which stand in the way of developing the industrial sector. The borrower also agrees to meet with USAID officers from time to time to discuss the progress in implementing the said policy, and to consider USAID remarks as part of a continuous exchange to develop the industrial sector.

- The loan and the grant are to be exempted from any taxes or duties, and also any contractor to be financed therefrom or any purchase of goods to be financed therefrom are to be exempted from taxes or duties.

Perhaps the most significant condition is that of abolishing subsidies for the industrial sector. It is to be noted that the IMF has also put the same condition to Egypt. In fact, if not coupled with other measures to support the Egyptian industrial sector, abolishing subsidies will have detrimental effects: raising the prices of industrial products hence causing a contraction in industrial activity, and exposing public industrial enterprises to outside competition. This may snowball to endanger *employment* in the industrial sector. Thus both the consumers and the workers may be harmed because of these conditions. Moreover, continuous consultation with USAID means that Egypt does not effectively act as a sovereign country. The considerations of equity, of having a national industry and or acting as a truly sovereign entity, are all sacrificed at a price of some \$50 million. This is a very bad deal indeed.

V. Concluding remarks

In the foregoing analysis we have shown that when a country depends heavily on foreign assistance, it is bound to accept conditions that frustrate its national efforts for development. We argue that was Egypt's experience since the mid-seventies. Egypt based its development effort on the belief that investment is the determinant of growth and that domestic resources are insufficient. It is interesting to observe that Egypt has continued to tread this path, despite evidence from recent studies that it is sector institutional factors, not material factors, that restrain development.

We have also shown that although foreign funds obtained by Egypt may have *augmented resources* available for development, they have at the same time undermined its capacity to set its own priorities and to chart its own development path. The outcome of the conditions mentioned above is to further integrate Egypt's economy in the current international division of labor. This is reminiscent of Egypt's experience since the second half of the 19th century.

Perhaps the most important lesson that may be drawn from Egypt's experience of excessive reliance on foreign aid is that self-reliance may be an alternative development strategy worthy of consideration. But beyond this point is a theme for another paper.

Colombia: integration or the IMF

The great debate in Colombian political circles is between the integration faction of Betancur and that of the IMF.

A false contradiction between the need for adjustment and the commitments to integration has surfaced," declared President Belisario Betancur in his inaugural address to the Dec. 17 extraordinary sessions of the Andean Parliament.

Describing with precision the "divide and conquer" strategem of the International Monetary Fund, Betancur added, "I say false because saving a little foreign exchange by reducing imports from our neighbors will reduce their buying power and thus the regional export potential of each and every one of our countries. . . . Lamentably, such a policy has led to a shutting down of borders and to retaliations which have . . . only benefited third countries to our own disadvantage."

In the same speech, the Colombian President identified himself as "an obsessive advocate of integration" and supported the recent efforts toward implementation of an "Andean peso" which would allow the Andean nations to trade among themselves without having to spend hard currencies.

Similarly, in his speech before the Colegio de Mexico in Mexico City Dec. 6, Betancur stressed that the economic integration of the continent must be realized if Ibero-America's industrialization was ever to be achieved, "even though they have told us time and again that it is impossible."

And yet Betancur's integration dream does not even have the support of his own cabinet.

According to one ministerial offi-

cial, "There are two currents of economic thought [in the government]: one is that which only thinks of the 'here and now,' that the fiscal deficit must be resolved today, no matter what the long-term consequences of the measures taken. This is the same faction that defends the program of the International Monetary Fund and which wants to put the country through a recession. The other is that which believes in the necessity of growth, that industrialization must be encouraged through the integration of the Latin American countries. This is the faction which thinks to the future."

"An example of what this second faction is doing," continued the official, "is the multinational electricity grid that is being elaborated with Central America and Mexico. The peace agreements of the Contadora group for Central America absolutely depend on this electricity network being constructed. In addition, the government plans to reactivate the San José accords to send Colombian coal to the Central American countries."

Representative of this second faction is the Mines and Energy Ministry which is directly participating in the energy grid, as well as the Agriculture Ministry which, at the Aug. 13 conference of the U.N. Food and Agricultural Organization held in Buenos Aires, called for a common food front for the continent.

The same ministerial source concluded, "Undoubtedly Finance Minister Junguito belongs to the first current." In fact, Junguito has done ev-

erything in his power to force the Colombian government into the arms of the IMF, even leaking his own private memorandum to the President in which the minister urged signing a formal letter-of-intent with the Fund in order to get Colombia's credit line restored by the international banking community.

The fiscal package approved by the Colombian Congress Dec. 15 and 16 is perhaps the cruelest expression of Junguito's triumph in the arena of internal economic policy. A whole range of service cutbacks and new income taxes was legislated into existence, courtesy of the IMF's pressure tactics. The year-end holiday mist will soon lift and the Colombian population will get a full dose of the kind of "adjustments" Junguito would impose against their family incomes.

If Junguito should also succeed in imposing a minimum wage increase below the inflation rate, as the IMF has demanded, the unions will probably opt for a national strike.

Already labor leaders like UTC vice-president Jorge Carrillo are fighting mad. According to the daily *El Espectador* of Dec. 19, Carrillo told a meeting of the tripartite National Wages Council (unions, government, and business) that "The fiscal deficit is a great farce intended to obtain new resources for paying the foreign debt. The IMF has stabbed the baby Jesus of the workers, because the deficit packet corresponds exactly to [the Fund's] specifications. . . . The workers are working to pay interest on the foreign debt."

Direct intervention by Betancur to rein in Junguito will thus be critical not only for realizing his integration dream, but to prevent the country itself from being plunged into a nightmare of social and economic chaos.

The Soviets and the price collapse

The crashing of the gold price is of political benefit to the Russians and their allies in London.

The collapse of the gold price by over \$35 during December, breaking all barriers to fall below \$299 in Australia on Dec. 20, is the result of political warfare by the Soviet Union and its allies in Britain against President Ronald Reagan. While the simple might think that "the Russian," the world's second largest gold producer, would always act to keep prices high, the men in Moscow can see far beyond mere narrow economic interests.

Knowing they cannot stop Reagan from building his beam-weapon defense system, the Anglo-Soviet faction has decided to destroy the rest of NATO's economies and those of the Third World, by collapsing their currencies and commodity prices.

It is only this bashing of every other currency which explains why the dollar is strong for the moment, despite a 2% drop in the Fed Funds rate to the 7% range, and the lowest prime rate since August 1983. More small drops in the prime will come soon if the Fed lowers its discount rate as is expected.

The Soviets are acting to depress the prices of many commodities sold by U.S. allies, beginning with the joint Anglo-Soviet dumping of oil. Not only have real oil prices—what customers pay on the spot market after discounting—dropped \$3 from OPEC's \$29 posted price, but grain and other commodity prices are dropping. The *Financial Times* commodity index is down from 295 in late November to 285. This will hurt Latin American and African exporters badly.

Since Reagan's landslide election victory, the President and Secretary Weinberger have forcefully promoted a new beam-weapon defense of the United States. While the Soviets have 100 billion U.S. dollars to dump, they seem to fear that to crash the dollar now and let gold rise might provoke Reagan into declaring a bank holiday and putting the dollar back on gold.

For now, the Soviets have opted for destabilizations in a wide band of Asia, the Mideast, and Europe. Since the assassination of Indira Gandhi, all of Asia and the Mideast have been politically destabilized. India has been wracked by strikes and disasters such as the Bhopal gas leak. Not only Mrs. Gandhi, but Prime Minister Zia of Pakistan, King Fahd of Saudi Arabia, and King Hussein of Jordan are on Soviet-asset Qaddafi's hit list.

It is thus pure politics to encourage "safe haven" flight-capital to the United States, since economics shows the dollar is worthless, given the rotten U.S. economy and banking system. Now, with the collapse of oil prices, begun with British Petroleum's November price cut that is threatening to flatten the Gulf economies, Mideast flight capital is accelerating.

The Soviets are simultaneously bashing Europe, where again, smart money is getting out for political reasons. Since the Soviets "warned" Mrs. Thatcher with near-assassination, the oil price collapse and threatened collapse of the British economy has brought sterling down 20¢ to the \$1.15

range. Top British analysts think it could fall to \$1.00. Flight capital is still leaving Germany. U.S. Ambassador to Bonn Arthur Burns, who began the collapse of the German mark last December by predicting Germany will leave NATO, made a similar speech in mid-December, and the pro-Soviet Green Party is getting closer to toppling the conservative Kohl government. The Bundesbank dumped close to \$1 billion in December to strengthen the mark, but still the dollar sticks at the DM 3.10 level.

Even Switzerland is being hit, as its franc fell to 2.57 on Dec. 27, a 10% drop since June and a seven-year low, because Arabs and others are moving out of low-rate Swiss investments into dollar investments.

Deflation explains only some of the weakness of gold. Much of Asia-Mideast savings are held in gold, which must be and is being dumped as the gold price collapses—first in Hong Kong each morning—in order to buy dollars for capital flight.

In 1979, gold collapsed from the \$800 level when a Swiss consortium raised over \$10 billion to short gold. *EIR* thinks an Anglo-Soviet combine may be shorting it now. The combine may be led by the directors of Kissinger Associates at S.G. Warburg's in London, which recently sold a 9% interest in its Mercury Securities holding company to Harry Oppenheimer's Consolidated Goldfields, which works the London gold market in partnership with the Russian Gosbank there.

The pro-Soviet faction in London has been in the ascendancy over the "Churchillian" defense hardliners. The recent collapse of Johnson Matthey and Deak, Perrera probably consolidated Soviet control over the gold market. The Soviet gold operation was itself reorganized with the Wazchod Handelsbank affair.

Machine tools and national security

The severe decline in the industry bodes ill for America's wartime mobilization capability.

The criminal destruction of the machine-tool industry is a direct threat to national security, a petition brought by the National Machine Tool Builders Association (NMTBA) alleges. "If a war breaks out, there's no guarantee we'll have capacity left to give American factories what they need to build weapons," said Richard Lindren, head of Cross and Trecker, a major machine-tool builder.

The machine-tool industry is the capital-goods maker that produces other capital goods. As such, it is the critical industry for any economy. The American machine-tool industry was always small, relative to the size it should be. Even at its height, annual sales of the machine-tool industry never exceeded \$5 billion, out of total goods sales of \$1.5 trillion, a miniscule fraction.

But the machine-tool industry since 1979, when Federal Reserve chairman Paul Volcker instituted his October "revolution" sending the prime rate into double digits for more than five consecutive years, has experienced disaster. Its condition now, as the NMTBA charges, is unfit for national defense mobilization. The United States could not contemplate a World War II-style mobilization with the industry in its current condition. In fact, and this point is related to the defense issue, the United States cannot even manage peace-time survival.

The machine-tool industry reached its high point in sales in 1981, with \$5,111.3 million. This plunged to \$2,132.6 million in 1983, as the bottom fell out of the economy. But in

the so-called recovery year of 1984, the machine-tool industry for the first six months of 1984 has registered shipments of \$1,063.0 million, or 0.3% less than 1983 on an annualized basis.

In constant 1972 dollars, the picture is even more bleak. 1981 shipments were \$1,940.5 million, while 1983 shipments were \$745.9 million, and on an annualized basis, 1984 shipments will be \$721.3 billion, one-third the 1981 levels.

The work force, one of the most skilled categories of workers in the world, has been decimated: 66,000 workers were employed in the machine-tool industry in 1980. In 1983, this had been halved to 37,577. More layoffs have occurred in 1984 and more will occur in 1985.

The NMBTA petition, filed in March 1983, seeks to have the American President invoke Section 232 of the Trade Expansion Act of 1962. Under the authority of this act, the President can restrict imports that threaten to undermine the country's national security. The NMBTA petition charges that imports are destroying the machine-tool industry and that imports have jumped from 20% of the U.S. market in 1980 to nearly 40% presently. The petition seeks to restrict foreign imports of machine tools to 17.5% of the market. The suit is now back in the news and a final ruling awaits the completion of a National Security Council study on industrial mobilization for a war economy.

Certainly, the NMBTA petition isolates an important element, but

while implicitly targeting the real culprit, it ultimately lets the culprit go scott free, and pushes the petition in a narrow direction. The real culprit is Paul Volcker. His high interest rates, first, have destroyed U.S. capital-goods industries, wrecking the market for machine-tool purchases; and second, made the dollar so strong that imports enjoy a price advantage. For example, over the last two-and-one-half years, the dollar has almost doubled in value against the German Deutschemark, which halves the import cost of a German machine tool.

Many industries are taking advantage of this. In June of this year, General Motors, one of the country's largest purchasers of machine tools, placed a \$75 million machine-tool order with Canada and West Germany; in July, GM placed a \$70 million order with Japan.

But according to the NMBTA's own figures, imports in 1981 totaled \$1,431.5 million, 27% of the U.S. market. Imports this year, on an annualized basis, are only \$1,069 million, or 25% less than the 1981 level, although they command 40% of the U.S. market. Imports have been falling because of the depressed state of U.S. industry in general.

This does not invalidate the national security argument. Far from it, it adds more urgency to it. The United States cannot live with a collapsing machine-tool industry; a World War II-style mobilization, under present conditions, a competent NSC study would have to show, is out of the question. With the Soviets moving aggressively as they are in search of global conquest, it is the height of national folly to tolerate for one moment longer the collapsed state of this critical industry.

Firing Paul Volcker becomes all the more a national security issue.

The farm bank disaster

More farm acreage is being taken out of production, as banks in farm states are closed down.

The latest reports of disaster rates of U.S. farm bank failures and farm foreclosures confirm with shocking clarity what this publication has repeatedly warned: There will be a 1985 crop and livestock decline serious enough to create a national food security threat.

Nearly 100 American banks failed in 1984, many in farm regions where farm loans are simply unpayable. In December 1984, farm banks failed in Wheaton, Illinois; Selden, Kansas; and Uehling, Nebraska. Several agricultural cooperatives (Production Credit Associations) went bankrupt in 1984, including in the top farm states of Nebraska and Washington.

This is a result of the cut-off of credit to the farm sector. George Irwin, the deputy governor and chief economist of the Farm Credit Administration, told *EIR* in September 1984: "There's too much credit . . . that's the problem." This credit cut-off is the deliberate policy of the international grain cartels and their flunkies in the U.S. Department of Agriculture (USDA).

The fall planting of winter wheat is at the lowest acreage level in six years, due to the numbers of farmers who could not plant as much as they wanted or who have gone under. According to the USDA, which notoriously overstates acres and crops, the winter wheat planting is 57.6 million acres, down 9% from last year. The USDA blames the reduction on bad weather, and on the sign-up for the government acreage diversion plan. However, in Nebraska, where the

weather was perfect, the wheat seeding is down 19% from last year. According to the Nebraska Crop and Livestock Reporting Service, the total of 2.6 million acres is the state's smallest seeding since 1971.

High interest rates, plummeting farm incomes, and the huge national farm debt of \$215 billion are ruining the independent family farm.

By May, when many crops are planted, thousands more farmers will be out of operation, and others will lack the money they need to plant. In January, the bank examiners will be going around the country, inspecting status of loans to farmers and the solvency of banks and related institutions. Many more banks will be declared bankrupt and shut down. Farm assets will be seized.

The situation in Nebraska—where 32% of the work force works in agriculture—shows the crisis most dramatically. Six banks and two Production Credit Associations failed in that state in 1984.

Take the farming community of Verdigre. In September 1984, the Federal Deposit Insurance Corporation (FDIC) declared the local bank insolvent.

After the FDIC closes a bank, a new buyer is generally then found for it. The new owner takes the "clean" performing loans and leaves the rest to the FDIC. In the case of 42 Verdigre indebted farm families, the FDIC "went for every cent." On Nov. 28, in the *Omaha World Herald*, Burns Baker, the FDIC official in charge of liquidation, confirmed that the FDIC was

"asking for 100% of the receipts of crops and livestock sales from those who had delinquent loans at the five banks that failed last year."

The FDIC regional bank director in Denver called this policy "doing our duty."

The FDIC froze 100% of the assets of farm families in debt to the banks. Now they have no money for food and are subsisting on handouts from a local church. After the state governor and congressmen demanded a remedy for this pauperization, the FDIC told farm bankers it will try to leave foreclosed families 40%—for grocery money. The governor has asked for food stamps for farmers.

The Farmers' Home Administration (FmHA—the federal government's "lender of last resort" that holds about 15% of the farm debt) has also been foreclosing, and periodically putting the property on the market. In response to adverse publicity and an October 1983 court order, the FmHA has issued new guidelines "regarding the account servicing and supervision of delinquent and problem case FmHA farm borrowers." The public has until Jan. 30 to respond to the provisions, which only provide for more "orderly farm foreclosures."

In practice, the FDIC and FmHA have been selectively putting land on the market, because land values have collapsed. The FmHA has had instructions to hold land until it can be sold without a loss. But everything else is going on the market, regardless of price. Though there is no written policy on the topic, farm bankers have been given orders to apply a "no loss clause" as they review their farm loans. Anyone who has had a series of losses—which means almost every farmer—will be told to liquidate. Fully 30% of the cow-calf producers in the state may be out of operation this spring.

Hamilton turns debt into credit

An essential part of the reorganization of the U.S. debt was the establishment of a national bank.

The first part of this series appeared in this column on Dec. 25, 1984.

The first step in U.S. Treasury Secretary Alexander Hamilton's plan for putting the finances of the United States on a sound basis was to reduce the interest on, and extend the term of, the public debt by turning it into bonds. The second was to create a national bank.

One part of the capitalization of the national bank was the public debt of the U.S. government. The rest was subscription from private citizens or foreigners—Hamilton was careful to ensure that no foreigners ever gained a controlling position in the bank.

Foreign creditors were, however, encouraged to invest in the national bank, as a means of making their money a contribution to the increasing wealth of the nation, reducing their immediate demand for payment, and thereby guaranteeing their eventual repayment.

It is precisely this kind of national bank which Lyndon LaRouche's plan for financial reorganization recommends not only to the U.S.A., but to those Third World republics struggling for development.

Hamilton had to deal with a certain resistance within the U.S. population to the banking community—an understandable prejudice, given their experience with the British looting institutions. Therefore his *Second Report on Public Credit* lays out the advantages of a national bank.

First, Hamilton argues, a bank will augment the active or productive cap-

ital of the country. "Gold and Silver, when they are employed merely as the instruments of exchange and alienation, have been not improperly denominated dead Stock; but when deposited in Banks, to become the basis of paper circulation, which takes their character and place, as the signs or representatives of value, they then acquire life, or, in other words, an active and productive quality."

Let us not confuse Hamilton with Keynes, however. By increasing circulation of money, what Hamilton had in mind was to specifically apply those resources to trade and industry. "And thus by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth: a consequence, as satisfactorily verified by experience, as it is clearly deducible in theory."

Besides this fundamental reason—an increase in the nation's real wealth—Hamilton also notes that a national bank gives "greater facility to the Government in obtaining pecuniary aids," and facilitates the payment of taxes.

The Treasury Secretary then turned his attention to those who attacked the establishment of national banks. Banks were accused of increasing usury, preventing other kinds of lending, furnishing temptations to overtrading, affording aid to ignorant adventurers, giving bankrupt and fraudulent traders a fictitious credit, and banishing gold and silver from the country.

The last "hard money" argument is perhaps the most representative of

those today who argue that the role of the government in finance should be cut down, except to facilitate the payment of debts.

Hamilton takes this argument seriously, and answers it on the fundamental level—that the real wealth of a country depends on putting into motion an ever greater quantity of both labor and industry.

The most common answer to the argument about banks tending to banish gold and silver, Hamilton says, is not destitute of solidity. This answer says that "the intrinsic wealth of a nation is to be measured, not by the abundance of the precious metals, contained in it, but by the quantity of the productions of its labor and industry."

There is a more conclusive answer, however, Hamilton says. "A nation, that has no mines of its own, must derive the precious metals from others; generally speaking, in exchange for the products of its labor and industry. The quantity, it will possess, will therefore, in the ordinary course of things, be regulated by the favourable, or unfavourable balance of its trade; that is, by the proportion between its abilities to supply foreigners, and its wants of them; between the amount of its exportations and that of its importations. Hence the state of its agriculture and manufactures, the quantity and *quality* of its labor and industry must, in the main, influence and determine the increase or decrease of its gold and silver.

"If this be true, the inference seems to be, that well constituted Banks favour the increase of the precious metals. It has been shewn, that they augment in different ways, the active capital of the country. This, it is, which generates employment; which animates and expands labor and industry. . . ."

Business Briefs

U.S. 'Recovery'

Late mortgage payments and foreclosures rise

Late mortgage payments hit an all-time high in the third quarter—5.86% of the 9.2 million homes loans surveyed, the Mortgage Bankers Association reported. A late payment is one at least 30 days past due. The chief economist for the Mortgage Bankers Association said that the slowdown in the increase of housing prices (actually home prices dropped from \$99,400 in September to \$93,700 in October) has made it difficult for those behind in home payments to sell their houses.

The Federal National Mortgage Association, the nation's biggest supplier of home mortgage funds, reported that 6.3% of their conventional mortgages were delinquent or in foreclosure in their third quarter, up from 5.4% in the second quarter. The late payments and foreclosure is bankrupting the mortgage-insurance industry, whose losses, as a proportion of premiums paid, skyrocketed to 79.4% last year from 60.1% in 1982 and only 18.9% in 1980.

The Budget

U.S. deficit is now exploding

The U.S. government's budget deficit is growing at an even faster rate than last year.

In November, the federal government deficit was \$28.46 billion, versus \$21.59 billion for November of last year, a \$7 billion increase. For the first two months of fiscal year 1985, which started Oct. 1, the federal budget deficit is \$57.25 billion, versus \$46.66 billion for the first two months of the fiscal year 1984 budget, an increase of over 20%.

To finance these gigantic sums, the U.S. government sold \$6.2 billion worth of new Treasury 4-year notes Dec. 27, and will sell \$5.75 billion of new 7-year notes on Jan. 2 and \$4.25 billion of 19-year, 10-month notes on Jan. 3. The heavy sale of government

securities is causing the price of these securities to fall and the interest charge to rise.

The deficit explosion is a political time-bomb which Wall Street bankers intend to explode against President Reagan, to force him to cut the defense budget and abandon his Strategic Defense Initiative. The Wall Street-London crowd that runs the Bipartisan Budget Appeal budget-cutting group has predicted that Treasury bond prices will be forced downward, and a controlled financial panic will erupt unless President Reagan shows that he can get the budget deficit under control.

Oil

OPEC establishes self-policing body

Eleven of the 13 member states of the Organization of Petroleum Exporting Countries (OPEC) agreed on Dec. 27 to the creation of a self-policing body that would report on and expose any variance by OPEC members from the official oil price and production quotas set. OPEC has set these quotas to prevent further drops in the price of oil, which has been kept at \$29 per barrel for marker light crude only by OPEC's 1984 three-million barrel-per-day production cut.

Great Britain and Norway, neither of which are OPEC members, have been dumping oil on the spot market in an attempt to break the OPEC price. These two countries have been joined, from time to time, by Nigeria, and in general there has been widespread cheating on the quotas by OPEC nations themselves.

Great Britain is pushing the price of oil down in order to create havoc in the Middle East. The Soviet Union is also dumping oil on the spot market, where the selling price for marker light crude is \$1.50 to \$2 below the OPEC posted price. Great Britain and the Soviet Union want to reap the harvest of the Soviets' whirlwind diplomacy in the Middle East and Mediterranean, where from Algeria through Greece and Libya to Egypt and Turkey, the Soviets are fragmenting the Western Alliance. Mass instability in the oil price would heighten the political instability

in the region the Soviets hope to exploit.

This strategy is given support by the oil multinationals, which are abetting the British-Soviet collaboration by running down oil stocks and keeping the world flooded with cheap oil.

International Trade

U.S. protectionism going nowhere fast

For the first time, the Chinese have reneged on their grain deal with the United States, and will not fulfill their order on \$475 million worth of grain. The action is retaliation to measures taken in September by the Commerce Department to close the loopholes on the textile import quota system. This protectionist measure, which hit most American trade partners in Asia, essentially will work to shut down the Chinese textile-export industry, one of China's major sources of foreign exchange.

In the United States, the Chinese refusal to buy grain, will send the grain price spiraling downward, hurting America's farmers even more.

Press reports also indicate that U.S. demands against Japanese exports will be a focus of the meeting between President Reagan and Prime Minister Nakasone of Japan on Jan. 2 in California. Secretary of State George Shultz would like to make this controversy the subject of the meeting, shelving discussion of U.S.-Japanese defense cooperation and Reagan's Strategic Defense Initiative.

Agriculture

Canadian legislature declares moratorium

On Dec. 20, the Saskatchewan provincial legislature passed, by an overwhelming majority, a 13-month moratorium on farmland and farm-building foreclosures. Called the "Security of Farm Land in Saskatchewan,"

Briefly

the act specifies how "to afford protection to farmers against loss of their farmland." The protection runs from Dec. 4, 1984 to Dec. 31, 1985, but does *not* extend to livestock and equipment.

The high-plains drought in Saskatchewan, on top of the farm-income and debt crisis, has created a farm financial collapse. The new law is a rearguard action to prevent total catastrophe in this wheatbelt region of North America. The measure does not deal with the questions of additional production credits and the current farm grain price collapse. However, the action shows the way for the kind of emergency measures needed in food-export regions around the world to preserve the farm sectors that can provide food for Africa and resume full-scale production.

The number of notices of intent to foreclose filed in Saskatchewan has been soaring. In fiscal 1981-82, there were 196; in 1982-83, there were 282, and in 1983-84, there were 380. From only April 1 to Nov. 30 this year, there were 271. Canadian bankers linked to the "resource scarcity" crowd from the International Monetary Fund and the grain cartels want to shut down whole sections of the Canadian plains food-producing capability. One of the directors of the Royal Bank of Canada has predicted that in the next five years there will be a reduction of farmers in Saskatchewan by 25,000 out of a present total of only 53,000.

Space

NASA budget: good news and bad news

Cuts in funding for the space station will probably not be accepted by the White House since the station was President Reagan's own initiative, according to the Dec. 27 *Defense Daily* and sources at NASA. David Stockman's Office of Management and the Budget (OMB) had proposed cuts of up to one-third for the next three years.

But NASA will not escape the cuts altogether. One target for elimination in the FY 86 NASA budget is funding for aeronautics research. Since 1980, OMB has tried to

make the case that, in the spirit of the "free market," aircraft companies which benefit from the research should pay for it themselves. During the years that NASA pulled out of aeronautical research, the United States lost its international edge in commercial aircraft technology.

Also slated for budgetary attack are new starts that NASA has planned in the planetary exploration program, such as the Mars Geo-science/Climatology Orbiter. The planetary programs were put back on a firm footing in 1983 when a NASA advisory committee outlined a series of new planetary starts over the next decade. Eliminating the Mars orbiter would reintroduce chaos into the space-science planning process and delay a program that is a prerequisite for a manned mission to Mars.

Banking

New Jersey bank invades New York

The First National State Bancorporation of New Jersey, notorious for having committed grand larceny against the campaign funds of Lyndon LaRouche, was given approval by the Federal Reserve to cross state lines and set up a limited service bank in New York on Dec. 19. By taking over smaller banks, First National State has recently become the largest bank in New Jersey.

The Fed has initiated the "final solution" for independent U. S. banks by allowing large banks to set up "non-bank banks" in other states. Since the depression, interstate banking has been prohibited by law.

First Jersey has become the first "limited-service bank" able to take deposits to receive a charter from New York State.

Claiming it wants to make the operation of the "non-bank" subsidiaries as difficult as possible, the Fed will maintain restrictions on the new bank's operations which will not be able to link deposit taking with any other subsidiary of the bank holding company or carry on transactions with other affiliates of First Jersey. Nor will the large bank be allowed to assist its New York subsidiary with check clearing and data processing.

● **BETTINO CRAXI**, the Italian prime minister, is planning to increase the face value of the lira a thousand-fold, his office announced on Dec. 23. Craxi said the government will present a bill to parliament in early 1985 establishing the new face value if signs of economic recovery continue. The new "heavy lira," a term first used by Lyndon H. LaRouche in a plan for restructuring the Italian economy on a productive basis, will be worth 52¢.

● **GERALDINE FERRARO** has just signed a \$1 million contract with Bantam Books for her memoirs.

● **SALEN CORP.**, Sweden's biggest shipping company and the world's largest operator of refrigerated cargo vessels, declared bankruptcy on Dec. 19. The bankruptcy is expected to produce short-term chaos in world food shipping markets as creditors move to impound their worldwide fleet of 140 vessels. Salen shipped 30% of world citrus export and 20% of world bananas. It held the exclusive contract to ship United Fruit bananas from Central America to Europe for years, and is suspected in law-enforcement circles of being linked to the world drug trade.

● **LAWRENCE** Livermore National Laboratory in California, celebrated Christmas early this year. On Dec. 19, 1984 Livermore's new, giant laser system, Nova, put 17,700 joules of blue laser light on target within a billionth of a second, representing the most powerful concentration of coherent energy ever achieved. This technological milestone will open up entirely new realms of basic scientific research and development of laser beam weapons. The Livermore achievement came ahead of schedule.

A winning strategy for the second Panama Canal

by an EIR research team

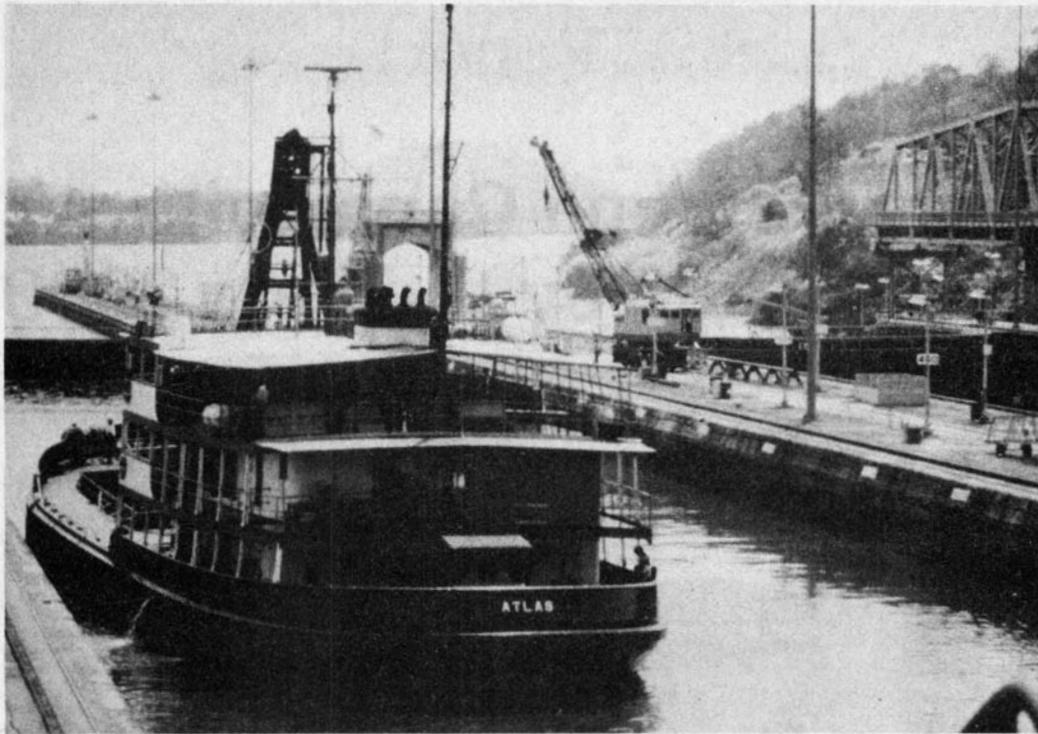
On Dec. 8, the United States, Japan, and the Republic of Panama signed an agreement to carry out a series of feasibility studies to investigate and settle upon the best way of facilitating expanded transport of goods across the Isthmus of Panama. Given the present obvious inadequacy of the Panama Canal and the fact that full feasibility studies have been under discussion since at least the end of World War II, one might initially be inclined to welcome this agreement and hope for its rapid implementation.

However, a closer look shows that this agreement is just another diplomatic maneuver to put off into the indefinite future the urgently needed detailed feasibility study and earliest possible construction of a second sea-level Panama Canal capable of handling the present and future generation of 200-300,000 deadweight ton bulk and cargo carriers. The agreement now in effect will investigate the second canal option only as one of several alternatives—such as building a third set of locks for the existing canal, or a parallel overland transport system—and the required engineering study for a second canal will be postponed until the other options have been ruled out.

As a new *EIR* study—reported in summary fashion below—demonstrates, a second canal is urgently needed, and any steps interposed at this point will make the Isthmus of Panama by the end of this century a critically congested bottleneck rather than a center for facilitating world trade.

A sea-level canal carries the single greatest promise and opportunity for the in-depth economic development of the Central American, Caribbean, and northern South American nations. It presents them with the golden opportunity of taking advantage of their strategic location and resources for the purpose of rapidly attaining the status of modern industrialized nations. Or, in stark contrast, they could continue on the present course of abiding by debilitating International Monetary Fund (IMF) conditionalities, which mean continuing economic decline, increasingly dangerous social instability, and the possibility of military involvement.

It is true that relative to the size of its population and economy, Panama is shouldering a very large foreign debt burden—3.3 billion balboas at the end of



NSIPS/Carlos Wesley

A new sea-level canal provides the best opportunity for launching the economic development of Panama and the surrounding region, since the canal constructed 100 years ago, shown here, will soon become an impossible bottleneck.

1983, which represents 75% of the GNP, almost 1,600 balboas per person. (The Panamanian balboa is equal to one U.S. dollar.) But this debt was quite justifiably incurred and disbursed for the purpose of well-conceived and necessary infrastructure and industrial development projects.

Repayment difficulties did not arise until after 1980, when the high interest-rate policy of U.S. Federal Reserve chairman Paul A. Volcker greatly and arbitrarily inflated the size of the debt and a concomitant large decline in Panama's terms of trade further cut the country's debt-service capability. Still, even in 1982, Panama's debt service as a percentage of exports was only about 14%, which compares very favorably with the large majority of developing-sector nations. Thus even on the basis of its own most questionable criteria, no justification can be found for the IMF's present massive intervention, which undermines Panama's productive capabilities.

Until 1980, Panamanian President Omar Torrijos had systematically prepared the country from the standpoint of infrastructure and social development programs (notably education) to be ready for its next great task—the construction of a second sea-level canal and the simultaneous transition from an “upper middle-income” developing nation (World Bank classification) to a modern industrialized country.

Driver of development

The new canal must be conceived as the principal “driver” for the economic transformation of the entire Central American and North-South American region. As such, it will be a keystone in achieving broader Ibero-American integration,

including the formation of an alliance among debtors to better renegotiate their foreign debt and the establishment of an Ibero-American Common Market as per the policy specifications in Lyndon H. LaRouche's “Operation Juárez.”

Through the development of new and expanded port facilities as well as new industrial processing capabilities, the canal will not only funnel world maritime trade as transit, but raw materials and semi-finished products can increasingly be captured, up-graded, and transshipped.

A percentage of certain raw materials passing through the present canal could be efficiently processed if good port facilities and industrial infrastructure were available. Bauxite, for example, could be refined using the abundant hydroelectric potential of Panama. In other cases, new trade flows will occur, taking advantage of the speed and convenience of a sea-level canal, and in some cases processing could well occur in Panama. Brazilian iron ore and Colombian coal could be combined to create steel in a carefully developed industrial city and then reloaded for export. Even during the construction period, the positive economic impact will be large-scale. Perhaps it is best identified by focusing attention on the close to 15,000 new relatively high-skill jobs that will be created. This amounts to a boost of 10% for the Panamanian industrial workforce—not counting the upgrading of significant parts of the present workforce or the large number of “downstream”-type of new jobs not directly involved in construction.

Even at the time of its excavation, the present Panama canal was only considered a first provisional step. What was then anticipated, can and must be completed now.

How the new Panama Canal will expand world trade by the year 2000

In the year 2000, either the present Panama lock canal will have become little more than a museum piece of 19th-century engineering prowess, carrying only a fragment of the traffic that would properly transit through the Isthmus of Panama, or a new, sea-level canal will have become one of the principal arteries of world commerce, linking two oceans and two hemispheres by a direct sealane, while also serving as the major transportation

artery for a thriving Ibero-American common market and for a northern South America-Central America-Caribbean basin industrialization zone.

Pessimists today have concluded that the expense of a new Panama Canal is prohibitive relative to the benefits to be derived, and that the limitations of the canal can be partially overcome by less expensive half-way measures. But as we show below, major chunks of the natural trade of the canal are already bypassing it out of necessity, and cannot be expected to return unless a new canal is built. Not to build the canal is to permit the Isthmus of Panama to again become the roadblock to efficient world trade that it was prior to the original construction of the canal, as the following analysis of past and projected future cargoes through the canal will demonstrate.

The Panama Canal, now approaching its 100th birthday, has between 1960 and the present been a mirror of the world economy. During the 1960s, total cargo traffic through the canal ballooned from 60 million tons in 1960 to 114 m.t. in 1970. Growth continued through 1975, reaching 140 m.t. before dipping for several years in the wake of the first oil shock. Apart from petroleum shipments from Alaska to the U.S. East Coast, there was only a slight recovery by 1980-81, and in 1983 there was a sharp dip in total traffic back to 1975 levels, based on the completion of an oil pipeline across Panama to carry the Alaskan oil.

Figure 1 shows that for many commodities, the peak



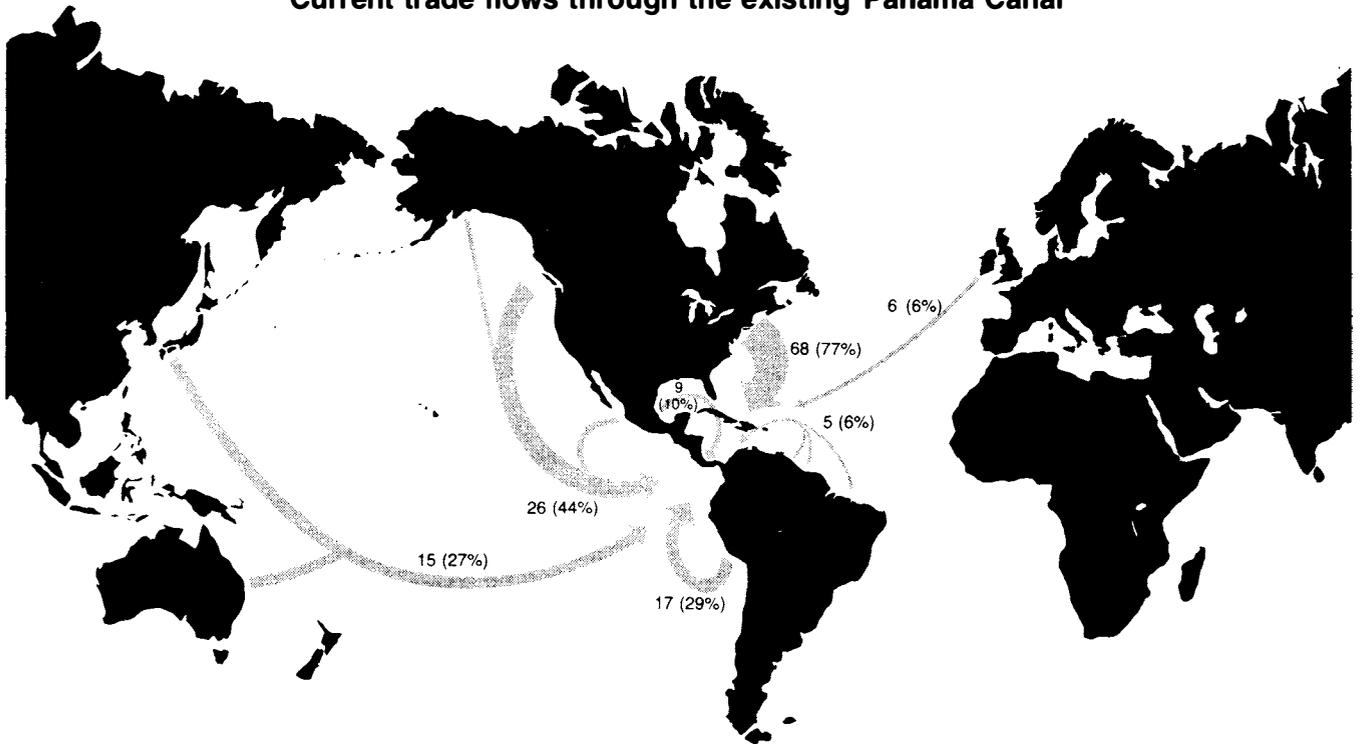
The canal today loses a major portion of its potential traffic because many ships are too large to make the crossing.

year was as early as 1975, and that in general, apart from the two largest categories, petroleum and grain, there has been a relative stagnation in most major cargoes for the past decade.

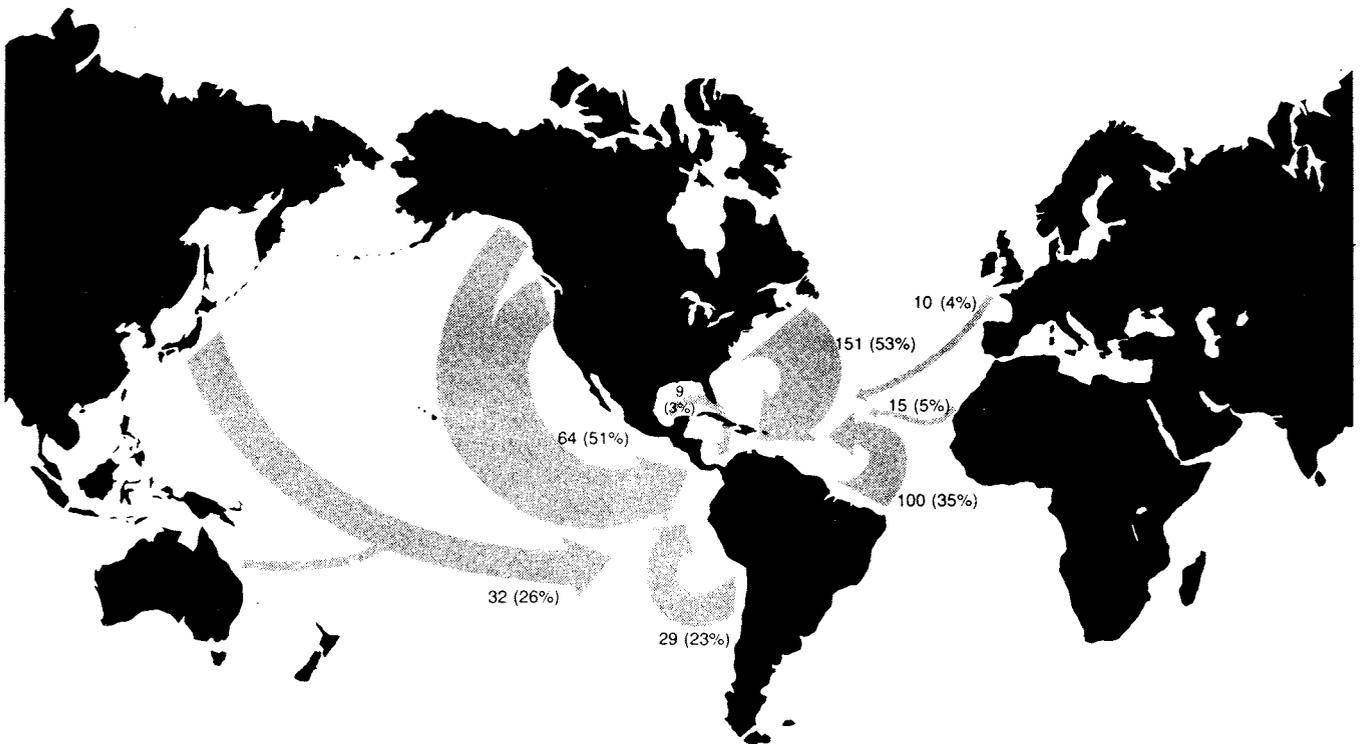
In terms of numbers of ships transiting the canal, a peak was reached in the late 1960s (**Figure 3**), where the theoretical capacity of the canal, around 14-15,000 transits per year, was attained, causing major delays. This prompted the only major study of the feasibility of a new, sea-level canal, in 1970. However, the economics of the shipping industry, especially after the 1974 oil shock, has led to increasing the size of ships carrying bulk cargoes, the major type of cargo that uses the canal, which reduced the number of ships transiting while increasing the total cargo. But by the late 1970s, this process had reached the other limit of the canal, the size of ship that can go through, which is in the range of 40-45,000 deadweight tons (d.w.t.). At present, the most economically sized ships for two of the major bulk commodities in world trade, coal and iron ore, are 90-200,000 d.w.t., while for petroleum tankers, the optimal size is 200-300,000 d.w.t.

Hence, the present canal loses a major portion of its potential traffic because it is cheaper to take an alternate route with one large ship than to use the canal with many smaller ones. Thus Brazil currently exports around 25 million tons of iron ore to Japan via the Cape of Good Hope in South Africa in 200,000 d.w.t. ships, which would use the canal were it large enough. Half or more of the coking coal sent to

Current trade flows through the existing Panama Canal



Projected expansion of trade by the year 2000, through a second Panama Canal



Figures are in million tons. Percentages refer to portion of total Atlantic-to-Pacific or Pacific-to-Atlantic trade. Arrows are drawn roughly to scale.

Japan from the U.S. east coast, which could take advantage of a larger-capacity canal, now goes in 90,000 d.w.t. ships by the same South Africa route. And a pipeline was constructed across Panama to carry Alaskan oil, because that was much more economical than either using the canal in small tankers or taking the longer route around South America. The present canal has been deprived of a large portion of its potential cargo.

The other most striking feature of present canal traffic is that the nations contiguous to the canal derive the least benefit from it. The vast bulk of the Atlantic-to-Pacific trade goes from North America to Asia, and most of the remainder is petroleum and derivatives from the producing and refining centers in Mexico, Venezuela, and the Caribbean. Almost none of the traffic represents intra-Ibero-American commerce that logically would involve Brazil, Venezuela, Colombia, Ecuador, Peru, Mexico, Panama, and the rest of Central America. This is true in both directions.

The projected expansion

The projections in **Figure 2** (see also the maps) were based on two assumptions: a recovery of the world economy and with it world trade, and a sustained period of industrial growth for the economies of the developing sector, especially including the nations of Ibero-America, but also including Asia and Africa. The largest magnitude of increased traffic

assumed to go through a new Panama Canal in the year 2000 is the trade from the east coast of North America to Asia. It is assumed that all of the coal trade will be captured. This is coking coal, whose demand is in direct proportion to demand for steel. Having reached a high point of 22 million tons already, projecting a return to 30 m.t. is a very conservative projection, especially since Taiwan, Korea, and probably the other nations of Southeast Asia will also be importing it. The other major component of growth in this trade is in general products, including chemicals, manufactured items, and metals, which was projected to grow at about 4.5% between

Figure 1
Principal commodities moving through the Panama Canal, 1960-83
(million tons)

ATLANTIC TO PACIFIC	1960	1970	1975	1980	1983
Grain	2	12	17	28	35
Petroleum & products	12	14	16	12	14
Coal & coking coal	5	21	25	28	9
Fertilizers	2	5	7	8	8
Ores	1	2	2	1	1
Chemicals	1	2	2	4	4
TOTAL	23	73	84	85	88

PACIFIC TO ATLANTIC	1960	1970	1975	1980	1983
Petroleum & products	3	3	8	35	20
Lumber & pulp	4	6	5	7	5
Iron & steel	1	6	10	6	4
Ores	10	6	6	6	3
Agricultural products	6	8	9	8	5
Machinery	0	1	1	2	1
TOTAL	32	41	56	82	58

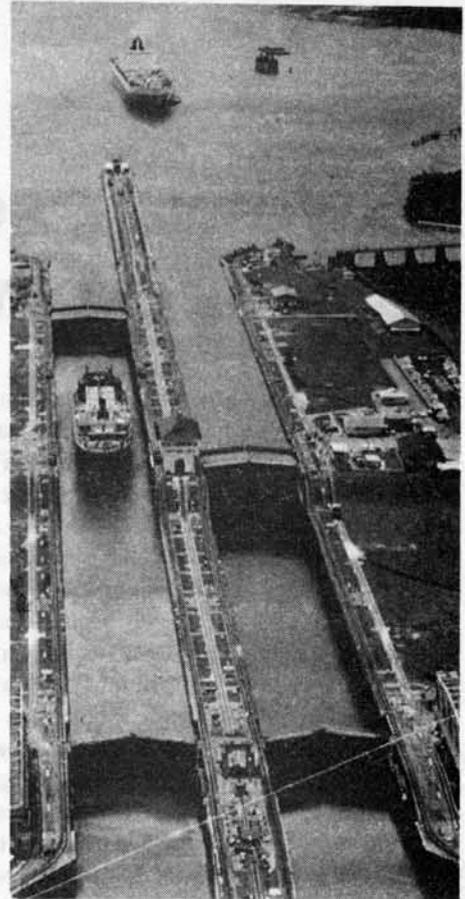
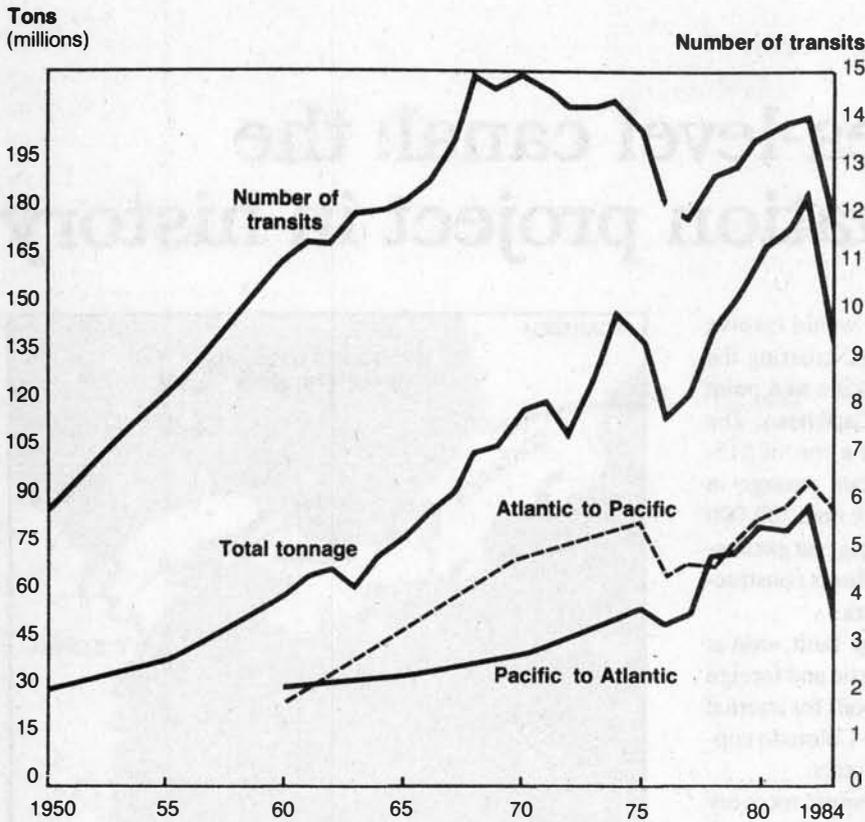
Figure 2
Projected traffic through the Panama Canal in the year 2000
(million tons)

	1983	2000
Atlantic to Pacific		
East Coast North America to:		
Asia	57	120
Grains	29	41
Coal	9	30
Other	19	48
West Coast North America	5	14
West Coast South America	5	17
East Coast South America to:		
Asia	2	75
Iron ore	0	60
Coal	0	10
West Coast North America	2	10
West Coast South America	2	10
Europe to:		
West Coast North America	3	6
West Coast South America	1	4
Africa to Pacific Coast	0	10
Pacific to Atlantic		
West Coast North America to:		
East Coast North America	9	35
Petroleum	6	30
East Coast South America	1	3
Europe	10	17
Africa	2	7
West Coast South America to:		
East Coast North America	8	13
East Coast South America	0	5
Europe	4	11
Asia to:		
East Coast North America	12	23
East Coast South America	0	5

Note: Figures for smaller regions are omitted, so subtotals may not add to totals.

Figure 3

Ocean traffic through the Panama Canal



1983 and 2000, a very modest assumption based on assuming a 4-5% growth in the world economy. The other fast-growing, if smaller item, is the trade with the west coast of South America, whose growth reflects the expected high rates of economic growth of the Colombian, Peruvian, Ecuadorian, and Chilean economies.

The sharpest growth overall is from the west coast of South America through the canal, because we anticipate 60 m.t. of iron ore, most of it going to the Far East, though some will also be used for steel-making on the South American west coast. The coal indicated is from the Colombian Cerejon mining project, which will start operations this year and export 15 m.t. by 1995, of which we expect two-thirds to be sold in Asia. And we anticipate the rapid growth of intra-continental trade from 2 m.t. now (mostly petroleum and products) to 10 m.t., mostly more highly manufactured items, plus some bulk items. Imports from Europe should also grow rapidly as industrialization takes off, and trade from Africa will rise from negligible levels to 10 m.t. as well.

From the Pacific to the Atlantic, the total trade will not grow as dramatically, because other than oil, there are no large bulk commodities that will use the canal. We anticipate a return of most of the Alaskan oil traffic, estimating 35 m.t.

in 2000. Trade from the west coast of South America to the east coast will rise from virtually nothing to 5 m.t., and shipments to Europe will rise to 11 m.t. The imports from Asia to North America will continue to rise, up from almost zero to 5 m.t. by 2000.

Under assumptions of healthy growth of the world economy, with sustained industrialization of the Third World economies, these projections will in fact be extremely conservative, but they can serve as a baseline for determining the feasibility of constructing a new canal. The savings realized by using the new large ships for bulk cargoes will be amplified by making the canal large enough to receive them, and will cut days and sometimes weeks off the travel times. And, while manufactured items such as machinery do not loom large in terms of weight, they are central for the process of industrialization, and the canal will be an essential transportation artery for creating the Ibero-American common market that must emerge if the continent is to develop. The canal route will remain the cheapest means of transport by far between Brazil, Venezuela, Colombia, and the east coast of Mexico, on the one side, and the Pacific coast of Colombia, Ecuador, Peru, Chile, and the west coast of Mexico, on the other, well into the 21st century.

A two-way, sea-level canal: the biggest excavation project in history

The optimal plan for a second Panama Canal would involve the construction of a two-way, sea-level canal crossing the isthmus from the Chorrera district on the Pacific to a point near the mouth of the Lagarto River on the Caribbean. The canal could be finished within 12-14 years at a cost of \$15-18 billion, and would allow the simultaneous passage in opposite directions of two ships of a little more than 300,000 tons apiece. Its construction will require the biggest excavation in history, employing 10,000 workers in direct construction work and another 5,000 in subsidiary work.

Two industrial complexes should also be built, one at each end of the new canal, to transform domestic and foreign raw material into finished and semifinished goods for internal consumption and export. For example, Cerro Colorado copper could be turned into wire and electrical motors.

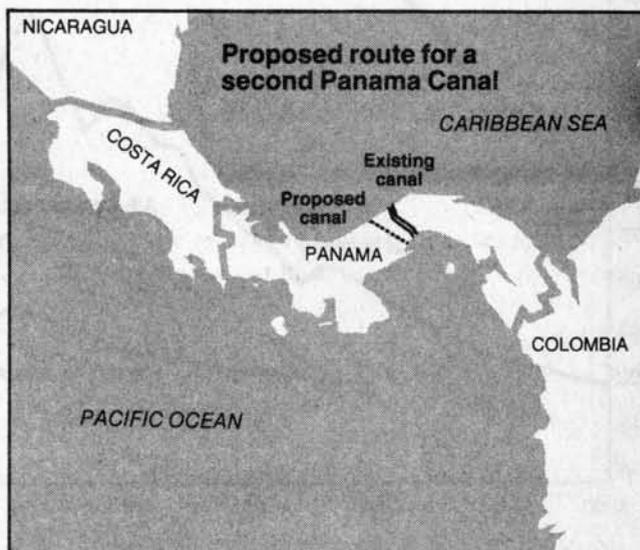
The sea-level canal is the key to the economic recovery of Panama, because it offers immediate possibilities of resolving the country's serious unemployment problem and will introduce new advanced technologies to the country. The main source of investments in the new canal would be from abroad, but the canal would be built, managed, and owned by Panamanians.

The canal design

Panama's present lock canal is one of the engineering marvels of the 19th century, yet today it is becoming more and more a bottleneck to expanding interoceanic traffic (**Figures 1 and 2**). Various competent proposals exist for excavating a sea-level canal, ranging from the use of nuclear explosives to conventional excavation, and the plan for "dredging the mountain," proposed by Panamanian engineer Demostenes Vergara Stanzola. We are ruling out nuclear explosives because the chosen route, known as Route 10, passes close to Panama's major population centers.

A detailed analysis of the various plans and studies led to the conclusion that the immediate start of the construction work is technically feasible, and the cost of building it can be paid off with toll revenues in a period no longer than 30 years after the canal opens.

Route 10 is judged by various experts to be the best for



conventional means of excavation. One of the route's advantages is that it is only 13 kilometers from the present canal, and is accessible by the national highway and the Chorrera road, which facilitates supervision and logistical supplies to the project. The highest point is only 125 meters. From 15 to 20% of the route's surface consists of basalt and other hard materials, which would have to be blasted away, while the rest is soft material, removable with mechanical shovels.

The optimal configuration is a sea-level two lane canal, with each lane capable of admitting a ship up to 300,000 deadweight tons, at an average speed of 7 knots or 13 km/hour. Not including the entrance passages on the Caribbean and Pacific, the total length would be about 82 km, and the crossing through the land part would take only about six hours. (See **Figure 3** for more details on the design). The only design problem presented by a sea-level canal is the difference in tide levels between the Caribbean and the Pacific, a problem resolved with tide gates or by creating big artificial inlets using the material from the dredging and excavation, as proposed by Vergara Stanzola.

The building of the new canal would employ some 10,000 workers, 40% of them engineers and skilled workers, and 60% semiskilled. In the first two years, the period of feasibility studies and design, 500 would be employed. By the third year, when the actual construction begins, the crew goes up to 5,000. From the fifth year to finish, 10,000 would be employed.

Support personnel would also have to be hired, who would not take part directly in the construction but in complementary jobs. It is estimated that these indirect workers would add up to 50% of the personnel hired for the project itself, or 5,000 workers in the period of most intense activity.

Financing the project

The cost of building a two-lane level canal for ships of 300,000 tons is calculated at \$18 billion in 1984 U.S. dollars. Financing would come mainly from four sources: 1) export-import banks, or similar institutions, in Japan, the United States, and elsewhere; 2) interested governments; 3) multi-lateral loan institutions, such as the Inter-American Development Bank, World Bank, etc.; 4) commercial banks.

A short time ago, Japan offered to pay for much of the construction if the contract for all the work were given to Japanese firms. Recent information has it that the Japanese are still very interested, since the canal would facilitate shipping their goods to Europe and the U.S. Atlantic coast. The United Kingdom, Netherlands, West Germany, France, and Italy, have also shown a marked interest in participated with technical aid and financial backing.

The export-import banks would participate via loans to the constructing firms to buy equipment in the loaning country. Governments could supply loans which might later be remitted, while the multilateral institutions and commercial banks would give loans to the Sea-Level Canal Entity of Panama—an autonomous state firm which would be set up to build and manage the canal—backed up by the toll revenues. We calculated that commercial bank loans would be under 50% of the total. But since bank loans have an average term of seven to eight years, with very few exceptions, the financing package has to be structured such that the bank loans are the first to be paid or refinanced.

The financing would be by stepwise loans, the usual method for development projects like this one. The money would not be disbursed at one time, but as needed, to save on interest costs. The payment of the loans would begin in the first year of the canal's operation.

The total cost of the project will depend on what interest rates can be obtained (Figure 4). Real interest rates (interest rates less the inflation rate) prevailing before 1979 were never more than 1.5%; but even presuming a real interest rate of 7.5%, the total debt at the end of the project will rise to a little less than \$30 billion in 1984 dollars, and can be paid with the tolls of a period of 30 years or less (Figure 5). These calculations are based on a maximum of 39,000 crossings

Figure 1

Why the present canal is not adequate

Obsolescence	Upper limit of capacity of 65,000 tons of displacement (32 m. in width; 289.75 m. in length; 12.2 m. of draft) Useless for 8% of the world shipping fleet Panama does not attract all the traffic it should.
Saturation	Maximum saturation expected by 1985. Ships could be forced to wait in line for as long as 1-2 weeks by that time.
Security	Vulnerable to sabotage and accidents

Figure 2

Loss of potential toll income

(partial calculation, 1981 figures)

Cargo that does not go through the canal	Loss
Iron ore —27 million tons	45
Coal —12 million tons	21
Grain —12 million tons	22 (approx.)
TOTAL	85 (approx.)

Note: In 1983 alone, the canal lost 1,500 crossings of oil tankers, which implies a loss in the range of \$50 million in tolls. It is to be expected that a level canal would not only attract this traffic, which now takes other routes, but that it would attract vessels of very large capacity, which the current canal automatically excludes.

Figure 3

Recommended canal design specifications

Optimal configuration	2 lanes for vessels of 300 tons each
Dimensions of the prism	450 meters width at the bottom, and a depth of 29 meters
Length	Approx. 82 kilometers (not including entrance stretch)
Capacity	280,000 annual crossings (almost 20 times the present canal)
Time	2 years of feasibility studies and design 10-12 years of excavation
Speed of crossing	7 knots per hour (13 km/h) Duration of crossing will be 5-8 hours.

Note: The only fundamental design problem which the sea-level canal construction presents is the difference between the tide levels of the Caribbean and Pacific. This can be solved with tide gates and artificial inlets.

Figure 4

Total cost of the project at different interest-rate levels

Real interest rates	(in billions of dollars)		
	Construction costs	Interest payments	Total debt
1.5%	18	1.80	19.80
2.5%	18	3.10	21.10
5.0%	18	6.83	24.83
7.5%	18	11.30	29.30

Figure 5

Projected canal revenues

(in millions of dollars)

Year*	Revenue
1.....	600
2.....	630
3.....	661
4.....	694
5.....	729
6.....	765
7.....	804
8.....	844
9.....	886
10.....	930
11.....	976
12.....	1,025
13.....	1,076
14.....	1,130
15.....	1,186
16.....	1,209
17.....	1,233
18.....	1,257
19.....	1,282
20.....	1,307
21.....	1,333
22.....	1,359
23.....	1,384
24.....	1,413
25.....	1,441
26.....	1,469
27.....	1,498
28.....	1,528
29.....	1,558
30.....	1,589
Total	33,796

*Calculated on the basis of an annual base income of \$600 million which would increase by 5% per year until the 15th year, and 2% from then on. Calculations are based on toll rates prevailing before 1981.

after 30 years, which is far from the potential maximum of 280,000 crossings.

Objections to the project

We have analyzed and refuted, one by one, all the objections that can be presented against this project.

It will cost too much. We have demonstrated that even at usurious interest rates, the sea-level canal will generate sufficient income to pay off the entire debt in no more than 30 years. This money will not come from the national treasury, but from the canal itself.

Moreover, the lock canal will have to be replaced sooner or later. In 1970, when the Commission for the Study of an Interoceanic Canal (CECI) presented its study, the sea-level canal would have cost \$3.5 billion; now it will cost \$18 billion, if begun right away. By the year 2040, when the present lock canal will be useless, it will cost \$100 billion. Doesn't it make sense to start now?

There are other alternatives. Among the "less costly" alternatives to a level canal the following are often mentioned:

1) The "Panamanian alternative," to build a third set of locks for ships of 250,000 tons or more. Its main attraction is that the cost would only be \$3.5 billion. It would postpone the saturation of the canal until the year 2040, but would entail \$15.5 billion in costs which the sea-level canal would not: \$5 billion in wages for operation and maintenance; \$2 billion for tugboats, fuel, and spare parts; \$5 billion for electricity to power the lock mechanism. The savings would thus be only \$2.5 billion.

2) Oil pipelines, highways, railways—These alternatives are even more problematic. First, they add various costly and lengthy steps to cargo movement, increasing the possibility of damages, losses, accidents, and environmental contamination (e.g., oil spills).

These alternatives also violate the most elementary rule of transporting goods: The most expeditious and economical means is always by sea, from the place of production to the destination.

Also, these plans do not take maximum advantage of Panama's unique geography.

The canal might contaminate the environment. One of the worries of environmentalists is that the sea-level canal would permit the passage of flora and fauna from one ocean to the other. On the contrary, this will be impossible with a sea-level canal, since the inland waterway will be mainly fresh water, and marine life will not survive the passage. Even if the canal prism were to use a great deal of water, it would be sufficient to introduce a fresh-water curtain to shut off passage to plants and animals from one ocean to the other.

The canal would create unemployment. The sea-level canal would indeed need fewer workers to function than the present lock canal, but this disadvantage will be offset by new jobs, better paid in many cases, which will be created in the industrial complexes, and by the trade boom that will be stimulated by the building of the new canal.

Canal would provide the motor for industrial development of the region

The construction of a new sea-level Panama Canal will have a great impact on the industrialization not only of Panama, but also of Colombia, Venezuela, Costa Rica, and the other smaller nations of Central America and the Caribbean. The expansion of ports on either terminus of the new canal will turn the canal into a major transshipment point for goods coming and going from Europe and Asia to North and South America. Industrial zones will be created on either end of the new canal, as well as in the nearby coastal areas of Colombia and Venezuela. The canal will be the cornerstone of an Ibero-American common market, serving as the most important transportation artery for trade from Brazil all the way around the northern part of South America to Peru.

However, since the canal will be located in Panama, the most profound economic impact will be felt there, and we concentrate the bulk of our report on these effects.

Pulling out of the recession

Although the world recession and debt crisis have hit the Panamanian economy hard in the last few years, much as they have the rest of Ibero-America, the Panamanian economy retains several strengths which would immediately help the economy to recover following a decision to begin to construct the canal. The literacy rate is high, having risen from 45% in 1950 to 84% in 1980 for older people, and from 78% to 95% for people now entering the labor force. And almost 50% of university graduates in 1982 were in either natural sciences/engineering or in medicine—a much higher rate of economically useful specialties than is typical of the continent.

Energy consumption per capita is also high in comparison to the continent, at 1.6 tons of coal equivalent per person (four times the Central American average and slightly above the present level of South Korea, one of the most successful developing economies in the world). Electricity use per capita stands at 817 Kwh, double the rate in the rest of Central America and greater than South Korea's until 1979. Thus, in two critical areas, labor force and energy, Panama is not too badly off.

The labor-force structure of the economy, however, exhibits the weaknesses of an inadequately industrialized society. The occupational structure of the country in 1980 is as follows:

	Percent
Agriculture	28.7
Manufacturing	10.5
Construction	5.9
Transportation	5.7
Electricity and mining	1.8
Commerce and services	47.4

Thus while agriculture is less than 30% of the total, non-productive activities (commerce and services) are almost 50%, while manufacturing is just above 10%. Construction is disproportionately large, which will be a major help in building the canal, but the economy will need to transform many of those service jobs into productive jobs in construction and manufacturing as it develops. In 1980, there were 45,000 workers unemployed, more than 8% of the total.

Agriculture is another weak spot in the economy. While tractor use is double that elsewhere in Central America (seven tractors per 1,000 hectares of land) yields are low—only 1.8 tons/hectare for rice (4-6 t/ha is considered good), 0.8 t/ha for corn (3-5 is good), and 55 t/ha for sugar cane (90 and up is good). The major reason for these low yields is undoubtedly the very low use of fertilizer, which stands at less than half the level of the rest of Central America and at a small fraction of the North American or European rate. However, consumption of animal protein, at 4.7 ounces of meat, 1 ounce of fish, and 3.4 ounces of milk products per person per day, indicates a basically adequate diet.

Since 1979, the rate of housing construction has fallen dramatically, leaving significant portions of the population without decent housing, and necessary investments in transportation and the expansion of the energy grid have not been made, all due to pressure from the International Monetary Fund (IMF).

The first two years of the canal project will be taken up by detailed engineering and logistical planning, which is required before construction can begin on a project of this magnitude. New requirements will be placed on the economies of Panama and other countries of the region.

First, to free sufficient labor for canal construction and all the new industries that will develop, agriculture must be made much more efficient, which must start by increasing yields through intensive fertilizer use. 27,000 tons of nitrogen fertilizer, a tripling of present total consumption, would bring the country up to the level of Costa Rica, where yields are substantially higher. Cattle and milk production must be made more efficient, as they are presently only 40% and 20%, respectively, of U.S. levels.

Programs to train workers for the skilled jobs the canal will require must be initiated right away. University programs specializing in various engineering and technical skills must be expanded and upgraded if the country is to be able to staff the skilled labor and engineering positions that construction and operation of the canal will create.

In terms of industry, several cement plants should be built at this time, since every phase of the construction project will require cement. Cement can be shipped very cheaply by water, so a cement industry developed for the construction of the canal would find itself in an excellent position as development of the entire region continued. A new town will also be required to service the construction process of the sea-level canal, providing a communications and logistics center for the construction process, as well as a center for services and amenities for the work force. This new town could be on the shores of Lake Gatun, allowing excellent access, since it can be supplied by barge through the existing canal and the lake.

The requirements for such a center can be approximated by the development plans laid out for the industrial centers which were planned around the Carajas development project in Brazil (until these plans were halted by the IMF). One of these, Barcarena, is designed as a mini-port, supporting a population of just under 3,500. This requires, in turn, approximately 50,000 square meters of housing, 60,000 square meters of paving for roads and sidewalks, and an electrical capacity of 100 MW (peak load). The overall cost of residential and commercial infrastructure for Barcarena was estimated as \$30 million in 1981. This is cheap, not only with respect to the overall cost of the canal, but especially if the city is conceived of as a center for development in an otherwise backward area of the country.

The construction phase

The cost of construction has been estimated at \$18 billion, or an average of \$1.5 billion a year for 12 years. At least 25% of this spending, or \$375 million, will occur within Panama for labor, building materials, and ancillary services. The direct payment of wages would total approximately \$100

million per year for about 10,000 workers, 4,000 of them engineers and skilled workers. This would cut unemployment by 25% directly, while the spending of the remaining \$275 million would create jobs and wealth of several times that amount, probably cutting unemployment to negligible levels while spurring general economic growth. At \$7,200 a year, the wage levels planned will be almost double the present average industrial wage in Panama, which will create the demand for better housing and other durable consumer goods. In addition to the direct effects on the work force, and the money added by other spending, the procurement for the canal itself would tend to push the production capabilities of the economy away from the dead-end road of labor-intensive jobs in textiles or electronics assembly and toward the production of tangible goods on the high end of the technical spectrum, such as electricity, parts for pumps and trucks, etc.

The first few years of construction will tax to the utmost the skill capacities of the present labor force, as it is being rapidly upgraded. But by the second six years of construction, the infrastructure for the port cities/industrial parks should have begun, which will require electricity, water, roads and rail, and industrial capabilities, as well as the actual port facilities (much of which will have to be built after the completion of the canal entrances).

The possibilities for industrial expansion once the canal is operative will be unlimited. The design of the port/industrial zone cities will therefore have to be of the highest quality, to allow for expansion without obsolescence, in a situation where the "center of gravity" of the city will not be easy to shift. An initial design for a city of 50,000 which supports an industrial work force of 7,000 can be taken from the Brazilian Carajas project mentioned above. At 1981 prices, the building of such a city represented an investment of just over \$500 million.

The planning and engineering work which will be needed for the canal will bring together the most advanced capabilities in the world, an inestimable benefit to the future of Panama. It may be appropriate to institutionalize these benefits by the creation of an Institute of Engineering, which would initially function both in a support capacity for the project and as a transmission mechanism into the rest of the educational system.

Effects outside Panama

In other parts of Ibero-America, there will be immediate benefits from the building of the canal. Major purchases can be made from Mexico and Venezuela using the technology they have developed for oil drilling, and Colombia is the closest supplier of most metal and cement products. Brazil has major capabilities in earth-moving equipment and other heavy industrial goods, as well as experience in civil engineering projects such as the building of dams.

Even more important, the construction of the canal would signal the end of IMF-dictated dismantling of large-scale

development projects elsewhere on the continent. In Venezuela, which had begun a series of major infrastructural projects in the 1970s, paying for them with oil revenues, the IMF and the banks forced cancellation of all of these projects, with the result that industry has stagnated since 1980, construction output has declined 25%, and the economy is reeling under almost \$40 billion in debt. In Colombia, long the playground of the World Bank, heavy industry had been discouraged while the IMF looked favorably on the development of a drug economy large enough to rival the legal economy, distorting and destroying any development plans for the nation.

Both economies will be heavily involved in the Panama Canal project, and industries will be built up in both countries such as steel, aluminum, and metal manufacturing, to utilize the new canal and its industrial zone, while both countries resume their large-scale infrastructural projects.

In the Central American countries, improvements in transportation infrastructure such as ports and railroads can be combined with other specific programs for national development, premised on the immediate accessibility of a transportation hub. A multinational development force might come into being using the existing skills of various countries to upgrade the port facilities in Central America, in some cases using existing plans whose implementation has been stalled by the IMF. For example, a 1977 study describes the possibilities for upgrading 11 ports to more than double tonnage capacity.

Another focus of infrastructure development would be the repair and completion of the Pan-American Highway, to be followed by a double-track rail line along the same route. This would provide a backbone of transportation between countries and in connection with the canal ports.

Operating phase

To maintain the new canal and port city, including 24-hour service appropriate to a world-class port, will require 25,000 workers. The canal itself will require only 3-4,000, but the spin-off industries can be expected to employ at least 10,000 more. To support a work force of this size, a city of 300,000 will be required. In the port, cargo will be transshipped from bulk carriers of 70-200,000 tons to smaller vessels, which will service ports throughout Central America and on the South American coasts. Rail shipments will also be accumulated in port warehouses to make up ship loads, and relatively small shipments, moved as containerized cargo, will be distributed outward by rail and truck. Computerized warehouses, such as exist in Singapore, will allow handling of such small lots with almost no loss of efficiency. A major advantage of this port will be its design, from the start, as a fully equipped modern transportation hub where state-of-the-art technology can be applied with the greatest efficiency.

The canal will also have a major impact on industrial

activity, for example, by fostering aluminum refining and steel making, using the ample bauxite and scrap iron that pass through or near the canal along with the abundant hydroelectric power which can be developed in Panama. A recent study identified specific sites with a total hydroelectric potential of 6,600 MW, compared to developed capacity of 650 MW today. Using the Singapore model, additional processing of chemicals and textiles can also be successful.

In some cases, the processing will occur in Panama itself. Long-standing proposals exist for using the abundant coal reserves of Colombia in conjunction with the iron ore of Brazil and Venezuela. Some significant fraction of the resulting steel might well be made in Panama, where both products have excellent water access, and where further distribution either in Central America or throughout the U.S. heartland, which will be immediately possible through the Mississippi and the Gulf ports.

Effects on the world economy

With the project of building a new, sea-level canal, Panama will be placing itself in the camp of those committed to development and growth internationally. The canal will have enormous benefits for Panama, and as is right and natural, those very benefits will come largely from the value which the canal will provide for many other countries, including the war-ravaged countries of Central America.

There is presently very little trade between the Atlantic and Pacific coasts of South America, which represents a very distorted economic development pattern. The linchpin of Ibero-American development will be a continental division of labor in which intra-continental trade must skyrocket. Only a new sea-level canal can prevent the costs of this new trade from being prohibitively high. This is because the geography of the continent will prohibit significant cross-interior land transport for many more decades, and sea transport through the canal will enable critical savings in transport time and costs. The costs of the canal will be much less than those that would otherwise be required for less efficient land transport in the next three to five decades.

The new canal will of course benefit the United States, both enabling a great expansion in economical east coast-west coast trade and cheapening the costs to Asia from the east coast, and to Europe from the west. Also, the growth of the Ibero-American economies will spark much additional U.S. export and import activity that will also use the canal. Japan will also be a major beneficiary, as will Korea, Taiwan, and China, especially with the rapid growth of Venezuela's, Colombia's, and Brazil's economies. Mexico will be able to increase its economical east coast-west coast trade, as well as its trade with South America.

Without the canal, the cost of alternative routes will end up being much greater than the cost of the canal to the world economy—while the region would be deprived of this project, central to its own efforts to develop.

Terrorism strikes in Europe, U.S. troops hit

The pattern of terrorist atrocities which occurred in Western Europe during the Christmas period conforms to the analysis this publication has insisted on: The terrorists are being deployed as part of a global strategic offensive by the game-masters of the Kremlin and their cohorts from the Western oligarchy. The common aim of these two groupings is to force President Reagan to give up his Strategic Defense Initiative, and then to implement a "New Yalta" division of the world into spheres of imperial interest.

While the scope of terrorist attacks has been global (see *EIR*, Dec. 25, 1984, "World terrorism spree is part of Ogarkov war drive"), a particular target is now Europe and the U.S. military presence there. Much like Adolf Hitler's strategy of *Schrecklichkeit* (intimidation), these bombings have the goal of convincing Europeans that their governments and the United States are incapable of protecting them from assassination—much less from a Soviet military assault. It is here that the common aims of the Eastern and Western imperialists diverge, for from Moscow's standpoint, the terrorist deployments are *prewar* measures. If the West fails to back down, the sabotage and terror will increasingly be aimed at direct military targets.

The current terror wave was launched with two bombing attempts against NATO supply pipelines in Belgium and Spain in December. On Dec. 18, a bomb was set to go off in the NATO school at Oberammergau in southern Germany. Fortunately the attempt failed, but it could have easily resulted in the deaths of dozens of soldiers and officers. Bombings and arson attempts continued throughout the Christmas period against U.S. military targets in Germany. Two U.S. military trucks were hit with fire bombs in Frankfurt before Christmas, and an American civilian automobile and a chapel at the U.S. barracks in the city of Wertheim were fire-bombed.

British military barracks and a police carpool in Osnabrück were also fire-bombed.

The most hideous atrocity yet was the Dec. 24 bombing of a passenger train in a tunnel between Florence and Bologna in Italy.

The first direct links to Eastern intelligence services were made public after the two attempts against NATO's supply pipelines. The Dec. 11 bombing in Belgium was claimed by the Communist Combattant Cells (CCC), and the Dec. 12 attack in Spain took place on the same day that the Oberammergau school was slated to be destroyed. Compared to a bombing this summer by the terrorist Red Army Faction (RAF, or Baader-Meinhof Gang) against a pipeline in southern Germany, which failed to crack the pipe open, the two recent attempts reflect a significantly higher degree of skill and training, which is traditionally acquired through East bloc channels or Syrian or North Korean surrogates.

West German dailies like *Die Welt* noted the possibility that the East German intelligence service might have given the terrorists maps of NATO military installations. But American and German "experts" officially contend that the current left-wing terrorist operations are not directly a deployment of the famous Soviet spetsnaz units, the special forces for sabotage and disruption on enemy territory, because the Soviets would not sacrifice such deeply rooted special assets prematurely, but only deploy them with the actual outbreak of war.

This official "what-me-worry?" attitude blocks out the most important point: The terrorist acts are viewed in Moscow *precisely as prewar deployments*, the implementation of the "Ogarkov Doctrine" for nuclear war-fighting.

In the case of the Oberammergau incident, a terrorist dressed in a U.S. Army uniform and equipped with an Amer-

ican ID card managed to drive a car into the area of the NATO school and park it just ten meters away from the main entrance. The driver left the site so hastily as to arouse suspicion, so the car was checked immediately. It was found to be filled with 25 kilograms of commercial explosives, 2 kg. of another explosive, and three containers of propane gas.

This action and the pipeline bombings coincided with a hunger strike action by prisoners of the RAF and other German terrorist groups which began in early December. The strike, designed to mobilize the terrorist support apparatus, was boosted by the Berlin-based "alternative" pro-terrorist newspaper *tageszeitung*, which took over the publicity work for the so-called political prisoners. Representatives of the German Green party also expressed their solidarity with these prisoners. On Dec. 28, a group of RAF supporters occupied the Hanover office of the Greens and put out the standard list of demands of the RAF hunger-strikers. The party chapter promptly expressed its solidarity with the occupiers. This is no isolated incident, since the Green leadership itself is composed of various veterans of the RAF, like Europarliament representative Brigitte Heinrich, who was a gun- and explosive-supplier for the RAF. A group around her, including Michael Klöckner, another Green representative with a criminal record for support for terrorist organizations, currently runs a Europeanwide support project for "political prisoners," which is at the center of the current activation of the "Resistance" around the hunger strike.

Other terrorist actions in West Germany in December included:

- In the city of Reutlingen, a municipal computer center was hit, causing several hundred thousand deutschemarks of damage.
- The Turkish consulate in the city of Münster was attacked.
- Railway installations near a nuclear plant in Lower Saxony were sabotaged.

All these actions were committed not by the terrorist hard core directly, but by the so-called support groups which struck against unprotected secondary targets. By mid-December, throngs of "streetfighters," masked and dressed in black leather, could be seen circulating RAF propaganda during demonstrations in Hanau and Hanover. Many of these people are no more than 16-18 years of age. The angry gangs are ready to go on a rampage against American targets at a moment's notice, as occurred during the Hanau demonstration, when flares and firecrackers were hurled against soldiers, buildings, and a gas station as the protesters passed American army barracks.

The crazed mentality among these Weimar-style gangs can be judged from a bomb threat telephoned into the office of the Schiller Institute in Hanover on Dec. 28. A young male caller passed the message that "a bomb will be built soon" for what he called the "right-wing Nazi jerks" who are "CIA-financed."

The height of terrorist barbarism was the Christmas Eve

bombing of the train traveling between Florence and Bologna, filled with Christmas travelers from southern Italy. The action was planned and conducted by highly trained professional killers. The explosive used was probably high-quality "T4," one-and-a-half times more deadly than TNT. The explosion was timed very precisely, and had the train not been delayed for several minutes and traveling at a reduced speed (90 km/h instead of the usual 140), an even more hideous massacre would have occurred. As it was, 15 people were killed and over 100 injured.

The aim of these actions is to demoralize the population, to shatter trust that the state can guarantee the safety of its citizens. This has already had its effect, as relatives of the victims of the bombing refused to accept a state funeral.

Compared to a bombing this summer by the terrorist Red Army Faction against a pipeline in southern Germany, the two recent attempts in Belgium and Spain reflect a significantly higher degree of skill and training, which is traditionally acquired through East bloc channels or surrogates like Syrian or North Korean instructors.

Spokesmen for the Italian Communist Party moved to capitalize on this distrust, with demagogic attacks on the state, which they indicted for covering up the terrorist actions of the neo-fascists—a half-truth which seeks to conceal the equal guilt of the leftists. As Italian Prime Minister Bettino Craxi and Interior Minister Scalfaro correctly stressed, the whole array of possible origins of the murderous act would have to be taken into account, rather than simply blaming the incident on the most obvious domestic Nazi-terrorist groups. This approach makes the communists understandably nervous, since it is widely known that the Soviets frequently either control or "borrow" elements of the infamous apparatus of the Nazi International, which in turn overlaps with various other terrorist capabilities of Islamic fundamentalist, Palestinian, and sundry left-wing groups.

Craxi and Scalfaro have stressed that one must not at all disregard the possible involvement of Islamic terrorism, "red or black international terrorism," or organized crime. Scalfaro recalled that Italy had been recently threatened by Libyan and Iranian terrorists, after a plan to blow up the U.S. embassy in Rome was thwarted.

Who is Moscow's new defense chief?

by Konstantin George

On Thursday, Dec. 20, the Soviet Union announced that Marshal Dmitrii Ustinov, 76, defense minister since early 1976 and one of the chief architects of the Soviet Union's wartime and postwar military buildup, died after a long illness. His successor is Marshal Sergei Sokolov, who had been first deputy defense minister, the number-two man in the ministry, since April 1967.

Sokolov's appointment comes in the context of a broad ultimatum-offensive by Soviet Politburo members, from the youngest at 53, Mikhail Gorbachov, to the oldest, Prime Minister Nikolai Tikhonov. The target is the U.S. Strategic Defense Initiative (SDI).

There have been a lot of silly and downright lying "analyses" suddenly appearing in newspapers in West Germany and elsewhere, that with the "hawk" Ustinov's passing, a "milder" Chernenko-Gorbachov grouping has come to the fore, and Sokolov's naming as new defense minister is part of this "thawing." The barest facts contradict such wishful nonsense in a cold and brutal manner.

Marshal Sokolov is a professional military officer—a "gung ho" advocate of the offensive with a career as a commander of tank units with eight years' combat experience. He was number-two at the defense ministry for an unprecedented 17 years, spanning the tenures of Andrei Grechko and Ustinov, the period of the strategic shift from U.S. world dominance to Soviet military superiority backing up an outright imperialist policy. Sokolov duties made him chief of the reserve of the armed forces, a job that involved him closely in the militarization of Soviet society and the economy.

Although not a member of the ruling Politburo, Sokolov is the third-most senior member (after Foreign Minister Gromyko and Navy chief Adm. Gorshkov) of the elite Defense Council of the U.S.S.R.

Marshal Sokolov is also the reputed commander in time of war of the Soviet "Eastern Theater of War"—the entire Asian-Pacific plus the Middle East and the Indian subcontinent. This would rank him with Marshal Nikolai Ogarkov, chief of staff until Sept. 7, architect of the Soviet strategic missile defense program, and now wartime commander of the "Western Theater of War"—in charge of waging war against the United States and NATO.

Sokolov oversaw the restructuring of the Soviet Far East Command throughout the summer of 1984, which featured

the promotion of the Far East commander, Gen. Vladimir Govorov, to deputy defense minister in Moscow working directly under Sokolov. Gen. Ivan Tretyak, commander of the Soviet Far East Military District in Vladivostok, was named new head of Far East Command. Govorov and Tretyak were the immediate culprits in the KAL-007 massacre.

Sokolov's "diplomacy" of late is a clear signal of new expansionist moves in the making. On Nov. 21, he met with Libyan Deputy Defense Minister Boubakr Jabr, which preceded the Crete summit of Libya's Qaddafi, Greece's Papan-dreou, and France's Mitterrand, and the December move of Malta headlong into the Soviet-Libyan camp. In early December, Sokolov arrived in Afghanistan, dumped the Afghan defense minister, and worked out a brutal war escalation which portends Soviet expansion in the region.

The Sokolov appointment occurs in the context of the most ferocious campaign of threats ever waged by the Soviets against the United States, targeted on the beam-weapon defense program or Strategic Defense Initiative. The first wave of Soviet ultimatums began with a Chernenko speech on Dec. 5 which declared that the SDI would render all previous arms-control agreements "null and void." This formulation was repeated in a Sunday, Dec. 12 *Pravda* editorial.

Then came a signal escalation during the Dec. 15-21 stay in Great Britain of the youngest Soviet Politburo member and reputed "Crown Prince," Mikhail Gorbachov. Gorbachov headed a 30-man delegation which included Yevgenii Velikhov, Vice-President of the Soviet Academy of Sciences and top expert on space-based weapons.

Gorbachov ordered British Prime Minister Thatcher to convey an message to President Reagan during their talks at Camp David on Dec. 22. As the London *Daily Express* of Dec. 18 put it: "The high-powered Russian delegation visiting London yesterday issued a dramatic ultimatum to President Reagan, giving him three months to stop a Star Wars arms race. . . . Mikhail Gorbachov warned of the dangers ahead if the United States failed to halt Star Wars weapons testing. Then Soviet space expert Yevgenii Velikhov laid it on the line." Velikhov is then quoted: "If these tests are started, it will be too late."

The language of these ultimatums has, if anything, escalated. Soviet Prime Minister Nikolai Tikhonov on a three-day stay in Ankara, Turkey, a visit which resulted in wide-ranging and long-term Soviet-Turkish trade and economic agreements, used the bluntest language possible in a dinner speech before his hosts, quoted on Radio Moscow: "Our top priority is how to prevent space from being militarized. . . . [This is] of the utmost urgency. . . . The militarization of space would dramatically increase the danger of war." Tikhonov concluded with a warning to his Turkish hosts: "The threat of war is heightened by the new American missiles in Western Europe. . . . On the [European] continent, the situation is becoming increasingly explosive."

Given Soviet policy, that statement is a "made in Russia" self-fulfilling prophecy.

IMF and Russian wolves on the prowl

by Konstantin George

A crisis is now wracking the largest of the Balkan States, Yugoslavia, which is close to being dismembered into a half dozen or more feuding ethnic entities. As in the past, so once again, the Balkan tinderbox is threatening the world with a strategic crisis of potentially catastrophic dimensions.

The root blame for the real danger of a Yugoslav breakup lies with the austerity policies dictated to the country by the International Monetary Fund and policed by Western private and government creditors. These austerity policies have broken the back of the national economy. The ensuing economic devastation has made many citizens pliable material for the machinations of those forces internally and abroad who wish to dismantle Yugoslavia.

During 1984, the already precarious Yugoslav economy collapsed. Inflation is the highest in Europe with an official 57% annual rate—unofficially and realistically at 100%. Officially registered unemployment has risen to 1 million, with youth unemployment now at 14%. The crucial industrial-investment indicator has fallen a staggering 10%, and living standards by 9.3%. An enormous black market and flourishing smuggling trade from Austria and Trieste has arisen, thriving on the scarcity of basic commodities like coffee and household detergent.

On Oct. 22, an article by leading economist Zoran Pjanic in *Ekonomiska Politika* bluntly warned that if the economic situation continues to worsen, "serious social unrest might result." On Nov. 14, Prof. Stipe Suvar, the Minister of Education of Croatia, one of the six republics, expressed alarm at how prevalent the view has become within Yugoslavia that "society has collapsed," the country has been "feudalized and the party federalized. . . . The republics and provinces are headed by ethnic and bureaucratic oligarchies who are destroying Yugoslavia."

A West German source with many years experience in Yugoslavia recently said: "The economic reform program was a total failure. Politically, there is not one party, but eight parties [one for each of the six ethnic republics and two ethnic autonomous regions] whose representatives at the federal level no longer dare to make any concessions to one another. In this sense, Yugoslavia is no longer a nation. Each leader represents the position of his native republic. In Belgrade itself, they are worried whether the country will survive."

Wounded Yugoslavia is being avidly eyed by neighboring predator states: Soviet Balkan proxy Bulgaria and Stalinist Albania, with respectively "Greater Bulgaria" and "Greater Albania" expansionist pretensions. Bulgaria claims the Yugoslav southernmost Republic of Macedonia, while Albania claims the ethnic-Albanian-inhabited Kosovo autonomous region of the Serbian Republic bordering on Albania. In Kosovo, the scene of Albanian-separatist terrorism over the past four years, the situation has recently worsened. The Christian Serbian minority there has been fleeing en masse, emigration that began after the first riots erupted in 1981. The regional capital of Pristina, formerly with 30% Serbian inhabitants, is now perhaps as low as 10% Serbian.

Albanian and Bulgarian territorial claims on Yugoslavia have been painstakingly documented by the Yugoslavs, most recently in a document by Tanjug, the Yugoslav news agency, "The Anti-Yugoslav Pretensions of Enver Hoxha"—Albania's Stalinist Party head—and a document by the Belgrade publishing house Narodna Kniga, "Contemporary Aspects of Greater Bulgarian Nationalism."

The strategic backdrop to this Balkan tinpot expansionism is its promotion by the Kremlin leadership. The Soviets are engaged in a rapprochement with Albania in the context of a massive Stalin revival in the U.S.S.R. itself. Both campaigns have direct, complementary, and threatening implications for Yugoslavia (see *EIR*, Dec. 25: "The Imperial Policy of Patriarch Pimen"). The Soviets' wooing of Stalinist Albania is an extension of a Yuri Andropov policy, first signaled in *Pravda* on Nov. 29, 1982: "The Soviet Union . . . has repeatedly reaffirmed its readiness to restore normal relations with Albania."

The "Bulgarian Connection" in this Soviet drive was overtly proclaimed by the Politburo's reputed "Crown Prince," Mikhail Gorbachov, on Sept. 8 during a visit to Bulgaria: "Our country favors normalization of relations with the People's Socialist Republic of Albania. With good will on both sides, this issue can be resolved. . . ."

The other "Bulgarian Connection" is with Albania. The "share the spoils" alliance between the Bulgarian wolf and the Albanian vulture is signified by the curious fact that, although Albania officially left the Warsaw Pact in 1968, seven years after the rupture with Moscow, it also annulled all other treaties with Soviet bloc members except one. Albania retains its December 1947 treaty of "mutual friendship, cooperation and aid" with Bulgaria.

The Belgrade daily *Vecernje Novosti* ran a commentary on the Bulgarian-Albanian alliance, reprinted in the Pristina daily *Rilindja* on Nov. 7: "It is . . . no accident that Bulgaria is the only country with which Albania has not annulled such a treaty. . . . Sofia is surely giving the wink to Tirana that it is bound by the stipulations of a treaty that calls for a unified attitude and behavior toward the 'common enemy.'"

This mixture of Balkan expansionist aspirations and empire games, be they Russian, British, or Hapsburg, can lead to big explosions.

Knives are sharpened in Pakistan

Will Zia ul-Haq be the next casualty of the 'Great Game'? Susan Maitra reports from New Delhi.

Pakistan's Chief Martial Law Administrator Zia ul-Haq has perhaps rung his own death knell with his Dec. 19 national referendum asking the population whether they support the policies initiated by his military government and the steps taken for the "Islamicization" of the country. Not unexpectedly, Zia won the referendum by an overwhelming 98%, with most of the opposition boycotting, and has reiterated his pledge to hold national and provincial elections next March.

But this apparent mandate for the Zia regime could rapidly go up in smoke. Whether it is part of a superpower deal over Afghanistan or the result of secessionist resurgence and internal political revolt, with the inspiration and support of gamemasters in foreign capitals, or a combination of both, Zia's regime is headed for crisis, not the least indication of which is the fact that Zia's name was on the hit list of Libyan terrorists in Cairo in mid-November.

The referendum

The reaction of the combined opposition group, the Movement for the Restoration of Democracy (MRD), to the call for the referendum was predictably negative. MRD spokesman Arshad Chaudhuri called for boycotting the referendum, stating that the opposition's participation in such a referendum would be counterproductive since the hands of the opposition were already tied with no access to the state-controlled media and a total ban on political activity. Chaudhuri also pointed out that the referendum would provide the opportunity for Zia to legitimize his rule for five more years as President.

Zia was able, however, to garner support for his proposed no-party elections in March from the religious opposition. The Tufail Mohammad-led faction of the pro-Saudi Jamaati-Islami and the Pir Pagaro-led Muslim League have agreed to participate in the elections. Their argument is that any kind of election is better than martial law, and hence the parties should accept the non-party election format even if it means exclusion from the polls. The MRD leaders, on the other hand, maintain that any election held under martial law will not be fair and will only help to legitimize military rule.

On the face of it, the MRD argument is sound. The military regime exerts control over the media, has curbed the inter-province movement of political leaders, and has banned political rallies against the government. These are interpreted

by the opposition as indications that the military is not yet ready to go back to the barracks and wants to institutionalize its role in state affairs.

However, the MRD's opposition to the election is but one aspect of a larger plan to spur a revolt inside the country. An attempt to revive the secessionist movement which pitted the Sindhis against Zia's military in 1983 is now a constant preoccupation of both the exiled and domestic opposition groups. In mid-October, reports of gun battles between soldiers and students in and around Karachi, Pakistan's largest city and capital of Sind, filled the newspapers. The police used tear gas and electrically charged batons to disperse frenzied students. Ghulam Mustafa Jatoi, the Pakistan People's Party (PPP) leader based in Pakistan, was prevented by the government from traveling to the scene in early November.

The growing domestic crisis takes place as the country's economic difficulties are also reaching a crisis point. The government was forced in November to suspend the new Five-Year Plan and implement a series of revised annual "rolling plans." Severe austerities have been imposed and investments were cut when it was acknowledged that the GNP and trade revenue projections on which the Sixth Plan was based were disastrously inflated. Compared to projections of 6.5% GDP growth in the first year of the plan, output rose only by 4.6%. More significant, the farm sector output fell, for the first time in five years. Foreign remittances, which were projected for a 10% rise this year, fell by 3%, and exports rose only 4%, half the annual projection. Finally, the Pakistani rupee collapsed against the U.S. dollar by about 60%.

Soviet pressures

Meanwhile, the Soviets in Afghanistan have mounted pressure along the Pakistan border areas. On Nov. 21, a bridge on the Indus River was destroyed by intruding Afghan soldiers, cutting off one of the routes the Pakistani army uses to patrol the border areas. The Pakistan government carefully sidestepped an attack on the Soviets for the action and instead leveled its charge on Al-Zulfiqar, a terrorist organization run by the former Prime Minister Zulfiqar Ali Bhutto's son, Mir Murtaz Bhutto, from Kabul and Tripoli.

Islamabad claimed that the terrorists entered Pakistan to "sabotage" the March national elections. In spite of such

efforts to appease Moscow, it is becoming increasingly clear that new plans are being hatched abroad to disintegrate Pakistan, and that Moscow holds at least some of the cards in this game.

In London, the newly formed Sind-Baluchistan Association (SBA) is calling for the secession of both Sind and Baluchistan from Pakistan. Sardar Ataulah Mengal and Khair Bux Murri, the two Baluch tribal leaders based in London, are spearheading the SBA as representatives of Baluchistan. The leadership from the Sind side is being provided by such PPP luminaries as Hafeez Pirzada; Jam Sadiq Ali, a close friend of the Bhutto family; Dr. Nasir Sheikh; and Dr. Khalid Legari. B. C. Raj, a Hindu Sindhi originally from Pakistan, is the information officer for the new group.

The Indian press also reports that Benazir Bhutto, who is generally regarded as the first leader of the PPP, is now being actively wooed by Jam Sadiq Ali and others to formally cast her lot with this gambit.

Secessionists versus autonomists

The nominal opposition to the secessionists comes from well-known Soviet assets in Pakistan such as Khan Abdul Wali Khan of the National Awami Party and Gaus Baksh Bizenjo, another Baluch. This latter group, supported by the originator of the secessionist Jiye Sind movement, the 86-year-old G.M. Syed, and the Sind-based leftist group, Sind Awami Tehrik, led by Paleezo, has urged the opposition leaders to direct all their efforts to persuade Zia to hold free and fair elections. Their contention, made publicly, is that, once such an election takes place, the Constitution can be amended to give the four Pakistani provinces full autonomy.

The secessionist gang, however, doesn't buy the argument, and is imploring the autonomists to join the break-up-Pakistan bandwagon. The secessionist faction is reportedly courting the Libyan hit-man Qaddafi for money. One K.N. Abassi, a self-proclaimed PPP loyalist, is acting as the point man between Tripoli and the PPP in London and Pakistan. It has also been reported that the same Abassi is making contact with the leaders of the Khalistan movement, another secessionist operation aimed at splitting up India.

Both the Moscow and British gamemasters are playing both hands in the game. The Soviets would not like to publicize the secessionist tendencies too much for more than one reason. First, Moscow still believes, with reason, that Zia can be arm-twisted into submission on the Afghanistan question, either into accepting a separate peace or through part of a "spheres of influence" deal with the United States that might result from Moscow's present flexing of the Central America card. Moscow would also not want to make its support for the secessionists too loud since it might irritate their ally, India.

New human-rights broadside

While the London pot is boiling, in New York something called the Pakistani Democratic Forum (PDF) has published

a report attacking the military regime for violation of human rights and for its pursuit of Islamicization. PDF, a left-oriented overseas Pakistani organization with the odor of association with Ramsey Clark and his ilk, has developed a close link-up with the London-based Amnesty International. The PDF is specifically opposed to the persecution of the Amdiyya sect, a group of heretics who function as a political mafia in Pakistan.

Both Benazir Bhutto and Amnesty International have come out swinging in support of the PDF campaign. At a press conference in Bonn, West Germany, on Nov. 28, Benazir Bhutto, who has developed a friendship with Club of Rome Associate Claiborne Pell and his aid, Peter Galbraith, lambasted the Zia regime for meting out death sentences to the four PPP cadre convicted of hijacking a Pakistan International Airlines plane in 1981. In coming to the defense of the terrorists, Benazir was merely echoing the Amnesty International appeal on Nov. 27 to the Pakistani government to allow an open trial of the four hijackers before an independent jury and impartial court. The group has stated that it is in the process of investigating reports that the Islamabad government's case against the four hijackers rested on statements acquired under duress.

Amnesty International not only speaks for the leftist side of things; on its board is Zbigniew Brzezinski, the former National Security Council adviser who this spring informed Zia that he must escalate against the Soviets in Afghanistan or face a cut-off of funds from the United States and Saudi Arabia.

The Pentagon factor

The Soviet pressure on the northwestern borders of Pakistan, articles penned by Western analysts forecasting an imminent war between India and Pakistan, and secessionist movements have kept the pot boiling as never before. Moreover, a shift by a section of the American Pentagon may be signaled in the recent departure from the Zia cabinet of Minister of Interior Mahmoud A. Haroon. Scion of the super-wealthy Haroon family, Haroon stated as his reason for resigning his opposition to the decision to expand the election committee, of which he was a member. However, Haroon is a close friend of all those who are on the committee, including the newly inducted member. Haroon has consistently been a supporter of the military regimes, starting with his long stint as minister during the Ayub Khan regime (1958-68), and by implication has close links with these regimes' U.S. backers.

Haroon is a close friend of PPP leader Jatoi, and on more than one occasion has been used by Zia as a government liaison to the MRD. Before his departure for Dubai, Haroon told reporters he believes that, since the country is passing through a most critical period, national conciliation rather than confrontation is the need of the hour. In an interview, Haroon quipped, "After all, there should be someone who resigns over a difference of opinion"—but declined to say what the difference was.

Soviets try to block Weinberger peace bid

by Thierry Lalevée

From the early December visit to Algeria of Soviet Deputy Defense Minister Adm. Sergei Gorskov, to the late December visit of Soviet Prime Minister Nikolai Tikhonov to Turkey, the Soviet Union has been engaged in an imperial diplomatic drive whose aim is nothing less than the transformation of the Mediterranean Sea, on all sides, into a Russian lake. However, Moscow's hopes that this could be achieved easily were dashed by the impact of two visits, in October and early December, of U.S. Defense Secretary Caspar Weinberger to North Africa and the Middle East. A new American peace initiative in the region could wholly frustrate Moscow's plans in this regard.

The Soviet reaction has been threefold: First, to consolidate already existing military relationships, like that with Syria, which is rumored to be about to receive new MiG-27 fighters, and Libya, with which ties were strengthened by the visit of Libyan Chief of Staff Brigadier Abu Bakr Younes Jabr in early December. Second, to attempt to bring back into the fold those many countries wooed by the Kremlin, but which are now being influenced by the new trends coming out of Washington. Third, to actively prepare the post-Khomeini era and actual occupation of Iran.

Gorskov's visit to Algeria seems to have come under the second category. According to intelligence sources, Moscow began to worry about a growing military relationship between Algiers and Washington following the early October visit of General Burns, U.S. undersecretary of defense for North Africa and the Middle East. While the visit of Burns did open a new chapter in the military cooperation between the two countries, including the potential lifting of congressional prohibitions against the sale of offensive weapons to Algeria, he also apprised the Algerians of the purposes of Weinberger's later visit to Tunis, Morocco, Egypt, Saudi Arabia, and Jordan.

It was enough for Moscow to react as swiftly as possible. Only one year after Marshal Ogarkov visited Algiers, Gorskov arrived.

Little has been made known about the contents of discussions between Gorskov and the Algerian military leadership; and significantly, no new treaty of cooperation or military deals was announced at the end of the visit. Indicative of Soviet worry was that immediately in the footsteps of Gorskov, who left on Dec. 14, Erich Honecker of East

Germany was deployed for several days of talks with the Algerian leadership beginning Dec. 15.

The Soviet military newspaper *Red Star* reported on Gorskov's visit only by praising the ongoing reorganization of the Algerian army, which has seen the creation of the rank of general as well as the position of chief of staff—coverage which may be a warning to the Algerians. Moscow is toying with the idea of using Libya and the separatist Polisario Liberation Front in the former Spanish Sahara, now part of Morocco, to provoke a confrontation between Morocco and Algeria, which has given certain support to the Polisario.

Moscow also decided to upgrade its "cultural" relations with Algeria's neighbor, Tunisia, while numerous new economic cooperation deals were signed by the Soviets and their satellites with Cairo.

A large Soviet delegation visited Kuwait in the middle of December, led by August Voss, chairman of the Council of Nationalities of the Supreme Soviet. The delegation was invited to Kuwait on Dec. 18 by the speaker of the Kuwaiti national parliament, Muhammad Yusuf al'Adsani. Later, a meeting was organized with Defense Minister Sheikh Salim al Sabah, who reminded his guests of the warm reception he had received in Moscow when signing a military cooperation treaty last fall.

A joint statement issued by Voss and 'Adsani on Dec. 19 twisted reality to announce that the "United States doesn't want the Soviet Union to withdraw from Afghanistan," because it gives the United States "a pretext for an American intervention in the region." That a Kuwaiti leader would sign such a statement reveals much about Kuwait's fears and search for outside protectors to contain the Iranian threat—which, indeed, Moscow has been manipulating at will to obtain just such results.

While so far refraining from directly attacking Khomeini, Moscow has ordered the communist Tudeh Party to shift into open opposition to the mullahs after months of internal faction fights in which the party's leader, Kianouri, advocated a modus vivendi with the regime. The Tudeh has now come out against the five-year long Iran-Iraq conflict, denouncing it as "a reactionary war." It has also joined ranks with the left-wing terrorist Fedayeen-e-Khalq, with which it organized a steelworkers' strike in Esfahan at the beginning of December. In a joint communiqué on Dec. 8, they denounced the mullahs' regime as "oppressive" and Iran's Revolutionary Guards as the "new SAVAK"—the Shah's secret police.

At the same time, the Soviets have begun the construction of major military bases on the Afghan border with Iran. There is little doubt as to their purpose: to facilitate a rapid invasion and occupation of Iran whenever the need and the situation arises. Two airbases with more than 40,000 Soviet Muslim troops standing by have been completed, at Bast-e-amiran near Arak in northwest Afghanistan and at Shindand in southwest Afghanistan. Two more are planned.

The *Times* demands fascism in Israel

by Mark Burdman

The walls of New York City several years back were graced with a poster that gained much attention from passers-by. It showed a picture of Adolf Hitler, in full Nazi regalia, with a caption underneath: "I got my job through the *New York Times*." Those with longer memory and a flare for history remembered: The *Times* was among the most enthusiastic proponents of the Hitler regime and its economic policies during the early 1930s.

Fifty-one years after the rise of Hitler to power, things haven't changed a bit.

On Christmas Eve, of all nights, the *Times* called for the imposition of Hitler-like austerity policies, ironically, on the population of Israel. In return for requested levels of economic aid, the paper wrote, Israel must "demonstrate discipline and sacrifice" in compliance with what "the State Department has proposed" for Israel.

"The people [of Israel] are said to be ready for great sacrifices," the editorial lied, "but their leaders, though insulated from political assault, have been slow to act," out of fear of "high unemployment" and increased emigration from the country.

An even more savage blast was issued Dec. 27 by William Safire, who attacked Israeli Prime Minister Shimon Peres for failing to "enforce the necessary economic discipline. He acts as if he wants to blame the U.S. for demanding the suffering, the way a banana republic's leaders castigate the International Monetary Fund for strings on credit." Safire called for a series of specific austerity measures, which he labelled "cruel openers": "It means unemployment, hard times, the emigration of sunshine patriots, curtailment of dreams, even defense risks. . . . Needed now is some modern Joshua willing to break the bad news and rally the people to overcome it."

State Department Nazis

The *Times*' editorial board and the bloodthirsty Mr. Safire were preparing the due welcome for Secretary of State George Shultz's Christmas-period trip to Israel. Once he had arrived there, Israeli sources report, Shultz read the riot act, and demanded that Israel impose further austerity in return for receiving economic aid.

When the *Times* demands that Israel comply with "what

the State Department has proposed," it knows exactly whereof it speaks: The chief of the State Department component of the joint American-Israeli advisory team that is working out policies for "restructuring" the Israeli economy is one Mr. W. Allen Wallis, the State Department's undersecretary of state for monetary affairs. Wallis has been a lifelong proponent of fascist economic policies similar to those implemented by Nazi Minister of Economics Hjalmar Schacht.

In 1933, Wallis spoke before the American Museum of Natural History at a Harriman-family-sponsored conference on eugenics which endorsed the race-superiority policies of the Hitler regime. His conference theme: "The Statistical Distribution of the Nordic Racial Stock"!

The economic crisis facing Israel, embodied in inflation rates of over 1,000% and the highest per-capita debt in the world, is made even worse by the manner in which leading Israeli policymakers and economists are trying to outdo each other to appease the State Department-*New York Times* Nazis.

Finance Minister Yitzhak Modai, for example, went so far as to complain that even Shultz had not demanded enough austerity for Israel! "I think we have to go further and cut deeper," he declared.

Similarly, a top Israeli economist, Assaf Razin, who served in the Israeli finance ministry during the period that Milton Friedman was the official adviser to the Israeli government, wrote in the *New York Times* Dec. 28 that the solution for Israel's woes is for "Washington to monitor Israel's economy in much the same way that the International Monetary Fund keeps watch over the economic assistance it provides."

The *Times*' holy war against Israel

The *Times*' editorial is the latest chapter in an insidious campaign of trying to undermine the institutions that built Israel as a state.

In November 1982, the *Times* ran a famous dirty trick against the establishment leaders of the Israeli Labour Party, misquoting those leaders on issues of grave strategic importance for Israel—to such an extent that leading Labourites nearly sued the *Times* for libel.

That opened up traditional Labourites to attacks from the most expansion-hungry factions in Israel's political spectrum. Not accidentally, the *Times*' dirty trick coincided with attempts by Henry Kissinger and his mafia-connected cohorts to run a "land scam" series of real-estate deals on the West Bank.

Today, the *Times*-State Department push for the strangulation of the Israeli economy will further erode the democratic institutions of the country and pave the way for a strongman like Ariel Sharon, or someone worse, to rule the country. As the *Times* and its liberal Establishment allies imposed Hitler on Germany *from the outside* in the 1930s, so the *Times* today is attempting to bring fascism *from the outside* into Israel.

A Mediterranean Grenada in the making

by Liliana Gorini

Once a British colony, then a non-aligned country whose neutrality was guaranteed by Italy after 1980, the island nation of Malta is now being transformed into a Soviet-controlled "Grenada" in the middle of the Mediterranean. The small strategic island, only a few miles from the U.S. missile base in Comiso, Sicily, has signed a military treaty with Libyan dictator Muammar Qaddafi and an assistance and cooperation treaty with the Soviet Union. The Soviets usually enter into such treaty arrangements only with extremely friendly countries such as Cuba, North Korea, or their East-bloc satellites.

There occurred, undoubtedly with British permission, a Soviet-inspired coup of sorts on the island at some point during recent weeks. It didn't look like a coup—because the old leader, Dom Mintoff, was kept in power for a while. But then, upon his return from Moscow where he had signed this treaty, the Maltese Prime Minister resigned, clearly a prearranged move. Taking his place at the head of the Maltese government is one Carmelo Mifsud Bonnici, a radical extremist who had been pushing for a pro-Soviet shift.

Bonnici's ideological tendencies are exemplified by the fact that in September 1984, he led a left commando group which stormed the Archbishops's palace in La Valletta, capital of Malta. He is, in short, a little Qaddafi.

How did we come to such a dangerous development for the whole Atlantic Alliance? Who is the new Maltese Premier?

On Nov. 19, the day Italian Premier Bettino Craxi met with Egyptian President Hosni Mubarak in Cairo to discuss Qaddafi's role in international terrorism, Qaddafi himself was in Malta. His discussions with Mintoff resulted in Malta's unilateral cancellation of the neutrality deal with the Italian government in force since 1980. There followed the expulsion of the Italian troops who were still on the island. A new military treaty with Libya was signed, according to which Libya will intervene in support of Malta "whenever the Maltese government will explicitly demand it." Libya also committed itself to training Maltese military personnel.

To make the point clear to the Italian government, which was not even consulted on the moves, the day of Qaddafi's visit a bomb blew up one floor of the Italian embassy in La Valletta, and two bombs exploded in the Archbishop's palace,

the same one that had been stormed by the new Maltese Premier Bonnici.

When Craxi telephoned Dom Mintoff to demand an explanation for the unilateral cancellation of the Italy-Malta treaty, Mintoff refused to come to the phone. He did let Craxi know that he was about to leave for Moscow.

Even before leaving on the four-day visit to Moscow, Mintoff had signed various economic agreements with the Soviet Union, Czechoslovakia, Poland, Albania, North Korea, and China. He simultaneously renewed Malta's embargo on Japanese products and limitations on French imports, and threatened to do the same to the Italians.

The Maltese government also called in a Soviet ship and submarine to take care of the recovery of war relics in Malta's territorial waters, an assignment which had initially been given to Great Britain. The small island rapidly began to swarm with Czechoslovakian ministers, Bulgarian delegations, Soviet "experts," and, according to the Rome daily *Il Tempo*, even with hundreds of Cuban soldiers. Grenada indeed.

As of now, Malta has committed itself to build eight ships for the Soviet Union, two for Bulgaria, and a dock for China. It has struck similar deals with other communist countries.

When he arrived in Moscow on Dec. 17, Dom Mintoff received the red-carpet treatment: He was received at the airport by Soviet Premier Nikolai Tikhonov and various economic ministers. He then met at length with President Konstantin Chernenko. The two men issued a joint communiqué which demanded that the Mediterranean be declared a "nuclear-free zone" and emphasized the total agreement between Mintoff and Chernenko.

The Soviet daily *Pravda* dedicated its front page to Mintoff's biography, and praised his important role among the "neutral" countries.

It was a charade. So important was his role in fact, that upon his return to La Valletta, Mintoff resigned. In stepped Carmelo Mifsud Bonnici.

Bonnici's succession makes Soviet control over the strategic island official. Former education minister in Mintoff's government and a leader of the pro-Soviet Maltese Labor Party, Bonnici led his party in sometimes violent agitation against Catholic private schools. Bonnici launched the anti-Church campaign at approximately the time of the Vatican's pro-Western shift away from Cardinal Casaroli's *Ostpolitik* of the last two years. It was during this campaign that Bonnici and a gang of thugs stormed the palace of the Archbishop of La Valletta.

Since that time, September 1984, he has been deputy chairman of the Labor Party. He is considered its "ideological leader"—a perfect choice for Marshal Ogarkov and the Soviet leadership.

The Russians are very clearly determined to establish a military base on the island. For the Atlantic Alliance and all of Western Europe, Bonnici's government is a security threat that in the future can only grow.

The Qaddafi connection

An investigation of the Libyan dictator's role in Gandhi's assassination would at least overturn many outworn assumptions.

Whether or not Libya's Colonel Qaddafi had a hand in the assassination of Mrs. Gandhi, as Egyptian President Hosni Mubarak warned may have been the case in a Nov. 18 press conference in Cairo, is yet to be ascertained.

While the Indian government has maintained an official "no comment" on the Mubarak allegation, the fact that heads of state do not speak out lightly on such matters was no doubt appreciated here. In an investigation in which authorities have promised to leave no stone unturned, the Libyan lead will certainly receive due consideration. As one Indian correspondent in London noted, for example, a publication put out by self-styled Pakistani exiles who call themselves "anti-Zia" and are financed by Libya, has recently carried articles propagating the "Khalistan" cause.

This line of investigation will help focus developments which constitute a clear and present danger to the region: the unholy alliance of fundamentalist separatists and the peace-loving anti-imperialists directed by Moscow. The central fact is that Colonel Qaddafi's Libya is a known, open asset of one of India's staunchest allies, the Soviet Union.

On Nov. 22, the Libyan chargé d'affairs in New Delhi called on Indian Minister of State for External Affairs Ram Niwas Mirdha to say the allegations were "patently mischievous." In Tripoli, the Indian ambassador was called to the Libyan Foreign Office to be told of the "serious view"

Libya took of the matter. The Indian ambassador was told that Libya had always supported the policies of Mrs. Gandhi, whom the Libyan leadership and people held in "reverence."

Such protestations do not begin to cover the cracks. During Mrs. Gandhi's spring 1984 visit to Tripoli, Qaddafi denounced India's failure to politically cooperate with Libya. Qaddafi's expression of displeasure took place against a backdrop of manipulation of the salaries of India's more than 40,000 skilled workers in Libya allegedly due to balance-of-payment difficulties.

Mrs. Gandhi's support for PLO leader Yasser Arafat and her efforts to bring a halt to the Iran-Iraq war ran contrary to Qaddafi's aims.

Qaddafi's attempt in 1978 to railroad a duped Morarji Desai into giving an Indian commitment to help Libya make the Islamic bomb is further back in memory. But the colonel's high-profile campaign during the summer and fall of 1983 on behalf of "oppressed" Muslims in India is closer to mind.

Qaddafi poured funds and inspiration into the Muslim fundamentalist networks headquartered in Europe for an international campaign against India in the wake of the Assam tragedy. In August, Qaddafi told a German-language separatist journal that the Indian government was expansionist, a threat to the surrounding countries, and a "Hitler in disguise."

At the time of Mubarak's allegations, a high-powered Libyan military

delegation was closeted with its counterparts in the Kremlin. India's friends in Moscow have no intention of discarding their Libyan asset; rather than join voices calling for an investigation of Mubarak's charges, Moscow went on the defensive.

On Nov. 19, all major Indian newspapers carried the news item quoting President Mubarak's press conference statements except one. *The Patriot*, a New Delhi news daily that acts as a mouthpiece for Moscow on international issues, carried an item headlining the Libyan denial. There was no coverage of Mubarak's press conference. Days later, *The Patriot's* "Foreign Desk" authored a news analysis item on the "Bakoush Affair" arguing that the episode was a trap set for Mubarak by the CIA.

Qaddafi gains nothing by eliminating Mrs. Gandhi, *The Patriot* asserted, questioning the hit list on the ground that "Qaddafi's interest so far had been confined to the opponents of his regime in Libya and Arab leaders who have been inimical to what he considers as the wider interests of the Arab nation."

That India has been dragged into the purview of Colonel Qaddafi's "wider interests" should have been clear when Mrs. Gandhi visited Tripoli. This was demonstrated again when, on Nov. 28, British Deputy High Commissioner Percy L. Norris was murdered in Bombay by a group called the "Revolutionary Organization of Socialist Muslims." The group, which called a London news agency from Bucharest to claim responsibility, is part of the Abu Nidal faction backed by Syria and Libya against PLO chairman Yasser Arafat. Although police immediately sealed off all exits from the city, the two killers, identified as foreigners, have not been apprehended. Clearly, they have some friends in Bombay.

Weinberger keeps the Germans buzzing

The U.S. Defense Secretary's outspoken proclamations on the importance of strategic defense have driven opponents into the minority.

Official Bonn is probably more afraid of Caspar Weinberger these days than of the Red Army. While the government would prefer to swim around in happy illusions about a new détente and “shining prospects” for the upcoming Shultz-Gromyko meeting, Weinberger’s almost daily statements on the importance of the defensive beam-weapons program—the Strategic Defense Initiative (SDI)—and his public assurances that President Reagan is committed to the program irrespective of Soviet threats and arms-control proposals have rudely introduced reality.

Weinberger’s SDI campaign has forced the administration faction fight between the Defense and State departments out into the open. So, the “arms control” pope of Bonn, Foreign Minister Hans-Dietrich Genscher, can no longer refer to “the American administration” when he means George Shultz. Genscher’s sabotage of the SDI is now conspicuously sabotage of official U.S. policy—because Weinberger speaks up.

This change of atmosphere in Bonn began on Nov. 7, one day after Reagan’s re-election, when Weinberger authored an article in the leading conservative daily, *Die Welt*, to offer participation in the SDI to the Germans. Then, at the beginning of December, *Die Welt* ran an interview with Gen. James Abrahamson, the head of the program, and a series on how the research on the project is proceeding at Livermore Laboratory.

The government, and Minister

Genscher most of all, still try to voice skepticism and reluctance, and most of the leading military men stick to the “pact of silence” imposed upon them, but several Christian Democratic deputies have decided to break out and voice their support for the SDI. This has included, most prominently, Jürgen Todenhöfer, the Christian Democracy’s arms-control and foreign-affairs spokesman. In several newspaper articles, Todenhöfer backed German and European-wide participation in the SDI for strategic, technological, and economic spin-off reasons.

Todenhöfer is a ranking member of the parliament’s foreign-relations committee. His voice has some weight in Bonn. When George Shultz met with Chancellor Helmut Kohl to give him assurances that the Washington arms-control mafia was still in control, Todenhöfer chose the same day to issue a call for Europeans “not to miss the train of technological development” and to “join the American efforts which offer a viable option for a system which can destroy Soviet missiles and make them an obsolete weapon.”

Still, after the Shultz-Kohl meeting, the media and the government acted on a deal to portray President Reagan as just about to slow down the SDI. The media cited “the [Bonn] government’s conviction that the U.S. Congress might cut the program by one-third,” and that Britain’s Maggie Thatcher would “voice Europe’s skepticism over space weapons” during her U.S. visit.

Well, it didn’t work. Reality forced its way into Bonn and into the political rumor mill as well. Although still silent toward the public, several ranking military men in Bonn, retired and active, stated in private discussions that Weinberger’s statements “sounded familiar”—reminding them of the years-long campaign this magazine and Lyndon LaRouche have waged in favor of strategic defense.

“I agree with everything you’re saying on the Soviet threat, but space-based defense is music of the future, is science fiction,” was a typical response in Bonn in the past. When President Reagan made his famous March 23, 1983 “Star Wars” address, West German officials still said: “That is just a statement; it won’t work.” Later, the same people argued: “Maybe it works for the U.S.A., but it’s no good for us Europeans”—meaning that the Iron Curtain was somehow impenetrable by beam weapons. Others were “absolutely certain” that the SDI would fall victim to the arms-control mafia.

I recall many heated and sometimes amusing discussions with parliamentarians, officials of the Defense Ministry, and active and retired military men in Bonn. The debate over the “pros” and “cons” is still going on in this city, but, under Caspar Weinberger’s artillery barrage, the cons are becoming a minority.

There is another aspect to the debate now: The West German “military-industrial complex” is sensing that the SDI offers access to new technologies which can be of use in space research, in satellite communications, and on Earth as well. Although there are undoubtedly many who just want to be on “the train of technological development” to see where it is going, there is a kind of pressure building which can’t be ignored by the government much longer.

The PLO's new horizons

The pieces now appear to be falling into place for a new peace initiative from the Reagan administration.

The meeting on Dec. 24 between Israeli prime minister Shimon Peres and the mayor of Bethlehem, Elias Freij, was the first public meeting ever between an Israeli Prime Minister and a leader of Palestinians. It was a serious indicator of the new trends which have developed since the Palestinian National Council met in Amman, Jordan on Nov. 22.

That meeting came off successfully, under the chairmanship of Palestine Liberation Organization chairman Yasser Arafat, despite a boycott by Syrian-backed Palestinian terrorist organizations, Syrian threats against the PLO leaders who attended, and at least three known terrorist deployments against the meeting—all foiled. Though criticized inside Israel and in many places abroad for such a meeting, there is little doubt that Peres intended to send the right kind of signal to the Palestinians, and Arafat's PLO in particular—answering the numerous signals sent by the PLO, especially the decision of Arafat to completely break with the Syrian-controlled radicals who boycotted the Nov. 22 meeting and have made no secret that they want to eliminate him physically.

Little noticed has been the new kind of declarations which Yasser Arafat began to issue immediately after the Palestinian National Council meeting, complementing the proposals pushed forward by Jordan's King Hussein. For example, in an interview published on Dec. 14, Arafat shocked a journalist by stressing: "I am pre-

pared to accept a state with incomplete sovereignty, and not only one part, but two parts."

The statement has not yet been elaborated on, but indicates that Arafat may accept the proposal for a Palestinian state in confederation with Jordan. This was part of the contents of Jordanian King Hussein's proposal, and was therefore certainly discussed by him and the PLO leader when Arafat arrived in Amman on Dec. 24.

The elimination of the Palestinian radicals from the executive bodies of the PLO was not the catalyst for such a new orientation, however. The consolidation of relations between the PLO moderate leadership around Arafat and the governments of Jordan, Saudi Arabia, and Egypt first made the elimination of the terrorists possible, and then created the momentum in which negotiations with the United States and Israel are becoming actual.

Abdel Rahim Ahmad, executive member of the PLO, explained these points in a Dec. 14 interview with the Egyptian Middle East News Agency (MENA). He first stressed that there "is a complete Palestinian consensus for Egypt's return to the Arab fold. . . . The Palestinians are making the necessary efforts to ensure such a return."

Ahmad added: "Contacts with Egypt were never actually cut. Arafat's visit to Cairo was the culmination of these contacts."

Another step in that direction will occur when a conference of Arab or-

ganizations is convened in Cairo in January 1985. The conference will be chaired by Yasser Arafat—his second official visit to Egypt.

A few weeks later, Egyptian President Hosni Mubarak will fly to the United States. He fully expects the Reagan administration to be ready to launch a new peace initiative in the region at that time.

Meanwhile, there is little doubt that the Palestinian movement has come out of its conference in Jordan stronger than ever. The hopes of the Syrian-backed radicals that the movement would splinter and that Arafat's authority would be rejected were dashed. Among Palestinians, Arafat's prestige is higher than ever. He is their leader.

Syria itself has been vocal in its disappointment. The regime of Hafez al Assad has resorted to typical mafia tactics, such as forcing the chairman of the Palestinian National Fund, still based in Damascus, to withdraw all Palestinian assets from banks and transfer them to the Syrian government—a robbery which was denounced as such by Arafat on Dec. 16.

The Palestinian rebels around Abu Musa, on Syrian orders, were reactivated in Lebanon, becoming the prime movers in a new wave of internal fighting, while at the same time sponsoring terrorist actions in Southern Lebanon against Israel, with obvious provocative aims.

However, short of a green light from the Soviet leadership—which has by no means decided to break with Arafat yet—there is actually little the Syrians and their puppets can do. This is doubly the case should the United States fulfill the hopes of Mubarak, Hussein, and other moderate Arab leaders by launching an early, comprehensive Middle East peace initiative, for which all the pieces now seem to be falling into place.

How long will Olof Palme last?

New attacks against Palme—and defensive statements by the Swedish premier—signal that he may soon be out.

A political brawl that erupted during the pre-Christmas period indicates that Prime Minister Olof Palme is getting nervous about his re-election chances in Sweden's general parliamentary elections next September. This is not because of any particular aggressivity on the part of Palme's main adversary in the parliament—the weak Moderate Party—but rather because of Palme's well-grounded fears that his widespread unpopularity may be converted into mass support for the Resistance movement that opposes him both inside and outside the Social Democratic Party.

Under a front-page banner headline, "The Resistance inside the Social Democracy Demands: Palme, Resign!" the Swedish newspaper *Helgbladet* wrote on Dec. 25: "Now, there is also ferment inside the socialist movement. Alf Enerström, a physician and the leader of the opposition inside the Social Democracy, has joined forces with other party members (among them the former chairman of the Transport Workers' Union Hans Ericson) and demands that Olof Palme resign now and not wait until the election in 1985."

A large picture extending across the entire front page shows Alf Enerström, his wife, Hans Ericson, and Kerstin Tegin-Gaddy, who, it is noted, is not a member of the Social Democratic Party but the chairman of the European Labor Party (ELP). The caption reads that these four people "are not mild in their judgment, and

that together, they are doing everything they can to force the opposition inside the party into action. . . ." The paper then reports a new poll which "indicate that Olof Palme will not remain prime minister for much longer."

For tactical reasons, Palme has chosen not to openly counterattack the European Labor Party-Resistance movement alliance that is campaigning for Sweden to join the Western Alliance and contribute to the development of President Reagan's Strategic Defense Initiative. Instead, Palme complains that the Moderate Party must more effectively police all opposition to his regime. If not, Palme continues, the moderates will be branded unreliable on defense of Sweden's policy of neutrality.

The Moderate Party leadership, of course, has never even contemplated abandoning its obsession with preserving Swedish neutrality. But several chunks of the Moderate constituency are considering abandoning their leadership in favor of the ELP campaign for closer Swedish relations with the West. It is this danger that Palme demands the Moderate leadership ward off.

In an interview broadcast on Dec. 20 by national Swedish radio, Palme complained of "criticism that is mainly composed of invectives, such as our statements having been authored in Moscow, or that the senior official for security policy from the prime minister's office [Ulf Larsson] is almost a quisling. . . ."

Going out of their way to appease Palme—who is himself going out of his way to appease the Kremlin—the leaders of the Moderate Party leadership are only making things worse. The party's security expert, Carl Bildt, on Dec. 24 published an op-ed in the party newspaper *Svenska Dagbladet* headlined: "The Opinion of the Palme Commission Is the Same as Ours," calling for support of statements issued by Palme's Independent Commission on Disarmament and Security Issues after its Dec. 2 meeting in Chicago.

The Moderates' blunder was committed in a situation where Palme's credibility has reached a new low. Unpopular as he is in Sweden, one of Palme's few assets with the Swedish electorate has been his ostensible role as an internationally respected statesman. But despite repeated approaches, Palme has failed to obtain an invitation for an official visit to Washington, D.C.

Palme wants to go to Washington because such a visit is currently regarded as a precondition for going to Moscow. Officially, however, going to Moscow without first going to Washington would be unwise for Palme, given the strained relationship between Stockholm and Moscow after recent Soviet military incursions into Swedish waters and air space. It is known that one of Palme's prime concerns is to facilitate the continued transfer of high technology from the United States to Sweden, despite past revelations of Sweden leaking sensitive U.S. technologies to the East.

If Palme's hotly desired Washington-Moscow roundtrip is merely designed to assure the Kremlin of Sweden's continued role in leaking American technologies, President Reagan should withhold such an invitation until the ELP and the Swedish Resistance have booted Palme out of office.

PAN calls for insurrection

The party Wall Street's mouthpieces are promoting has called for Marxist-Leninist-style insurrection in the 1985 elections.

Senators from four of Mexico's seven registered parties, including the ruling PRI party, demanded in December that U.S. Ambassador John Gavin be declared persona non grata. They charged that Gavin was interfering in Mexican affairs, by blatantly aiding the insurrectionary activity of the National Action Party (PAN), with whose leaders Gavin has held public meetings.

Gavin's activity on behalf of the PAN is merely the projection into Mexico of a much broader international campaign, which "went public" in December in columns of Jack Anderson, the *Wall Street Journal*, and the *New York Times*. The National Action Party must be "democratically" allowed to take over Mexico if "civil war" is to be avoided, these press outlets insisted.

Not only is the PAN *not* the "Republican Party of Mexico" as its Wall Street partisans pretend: It is a party with Nazi roots and ideology which has openly embraced the "Marxist-Leninist" route to power.

On Dec. 12 and 13, PAN political bosses from the seven northern states which are the PAN strongholds, met in a luxurious private residence in Monterrey to threaten insurrection against the legally elected government. The PAN leaders issued a declaration endorsing violence as the PAN's principal weapon to guarantee "fair elections." The vote must be defended "at whatever cost," the "Proclamation of Seven States" stated, adding that the country is on the verge of revolution as it was in 1910 shortly

before Nov. 20, when the Mexican Revolution began.

The Proclamation asserts that "government arrogance" is leading the citizenry to a state of "desperation and frustration" which could provoke an outbreak as in 1910. Luís J. Prieto, a well-known flunkey of the VISA business conglomerate with a long career of election fixing in exchange for contracts and tax exemptions, struck a "Che Guevara" pose and said: "We are disposed to individual sacrifice" to guarantee democracy.

While this was going on in Monterrey, in Coahuila state the PAN leaders were testing out the subversive principles of their new doctrine of "taking the streets" and "sabotaging the bourgeois system." In Monclova, some 2,000 PAN members, all on the payroll of the PAN mayor, blocked Highway 57 between Monclova and Piedras Negras for four hours and promised that every day it would be one more hour, to claim an election they lost at the ballot box. "Tomorrow it will be six hours, and I am sure that we can do it for an indefinite length of time," said local PAN leader Rosendo Burciago, who sports an enormous Karl Marx-style beard.

This is the PAN's way to "declass," to use the fitting Marxist term, its followers, who are purely from the well-off and fearful middle class, whom they must "proletarianize by uniting them with the insurrection of 1985."

Yet, the *New York Times*, in a Dec. 2 feature article on mid-1985 elections in Sonora, extolled the PAN guber-

natorial candidate, Adalberto Rosas, as a "bold Mexican taking on the ruling party" and attempting to "bring his state out from the shadows of a powerful and ossified federal government." Never mind that it is the PAN-held cities of Hermosillo, Agua Prieta, and San Luís Colorado that are Sonora's major transshipment centers for a huge upsurge of illegal drugs headed for U.S. markets.

Moreover, this same "bold" Rosas—apparently inspired by the Marxist-Leninist principle that the party is the instrument of the masses—said after the Dec. 12 PAN conclave that if "the obstinacy of the government" forced the people to "adopt violence, we would support them."

A Jack Anderson syndicated column of Dec. 12 picked up where the *Times* left off, inadvertently identifying the State Department role in the process. "There's a good chance that, for the first time in 55 years, the Mexican people will elect a large and vocal opposition" in elections in the first half of 1985, he claimed. "If the ruling party resists this unprecedented competition by fraud or repression, civil war could break out south of the border, sending thousands of refugees fleeing north."

Anderson cited a "secret State Department report" asserting that Mexican presidents "like Soviet leaders, are heir to a political system that places retention of power above all other values."

A *Wall Street Journal* op-ed by "Americas" column editor David Asman Dec. 13 traces the PAN's roots to a "disputed 1940 presidential campaign" in which "the highly popular independent candidate, Gen. Juan Andreu Almazán, actually won the election." Asman's promotional piece does not mention that Almazán was the front man for Nazi Germany's partisans in Mexico.

International Intelligence

State Department protects Qaddafi

The U.S. State Department and British Foreign Office have complained to Egypt about its exposure of Libyan dictator Qaddafi's assassination plots against world leaders.

In mid-November, Egypt foiled an attempt on the life of former Libyan Prime Minister El Bakoush, but leaked reports that he had been assassinated to the press. Qaddafi's Libya immediately took credit for the "assassination," after which the Egyptian government revealed that Bakoush was still alive and that it had penetrated Qaddafi's terror networks and discovered a Libyan "hit list" of world leaders marked for death, topped by President Reagan.

It is the publication of this list that the British and George Shultz's State Department are unhappy about. According to Egyptian intelligence sources, both offices have denounced the action as "a ploy."

Soviets admit threat to NSIPS

The press officer at the Soviet Embassy in Washington, Mr. Malikhov, told New Solidarity International Press Service (NSIPS), publisher of *EIR*, on Dec. 11 that the false Radio Moscow broadcast and TASS release of Dec. 4, to the effect that the NSIPS bureau in New Delhi has been closed by the Indian government, "is a threat" against NSIPS from Moscow.

Malikhov was asked why Radio Moscow would "put out a report that is totally false" and whether the untrue charges "represent a threat that the Soviet Union will attempt to shut down the NSIPS bureau in New Delhi." Malikhov replied: "Yes, it is a threat, but I do not accept the existence of the broadcasts. I haven't heard them." When asked if "these broadcasts even mean a physical threat against" the NSIPS correspondents there, Malikhov similarly replied: "Yes, it is a threat, but I don't know that these broadcasts exist."

NSIPS is demanding that the U.S. State

Department issue a formal protest to the Soviet Union on this matter.

Spain just barely remains in NATO

Pro-NATO forces at the December congress of Spain's ruling Socialist Party scored what may be only a temporary victory on the question of keeping Spain in the Atlantic Alliance's military organization. Prime Minister Felipe Gonzalez was able to win a majority on the question, despite widespread opposition.

During the conference, Nicolas Redondo, the head of the Socialist trade union (UGT), broke with Gonzalez on both the NATO question and on the issue of economic policy, taking the side of the political faction led by Pablo Castellanos, which favors holding a referendum on NATO membership before 1986. Gonzalez's own foreign minister is also known to be strongly anti-NATO. Sources concur that the Redondo-Castellanos pact, which is openly anti-American, will lead to labor unrest in the new year.

Israel denies visa to terrorist Green

The planned trip to Israel by six leading West German Greens who are currently touring the Mideast has been put into question by the Israeli government's decision to deny a visa to one of the group, Mrs. Brigitte Heinrich.

Heinrich has been charged with links to international terrorism and to Palestinian terrorist groups. Now a Green Party member of the European Parliament, Heinrich was arrested and jailed in the 1970s because she had provided logistical support to the German Red Army Fraction terrorist group.

Heinrich has continued to maintain close contacts with the Lebanon-based PFLP and other terrorist/separatist groups in Europe and Ibero-America since her release from prison several years ago. Her current two-week Mideast tour has provoked great con-

trovery in Israel, especially after a Green Party "strategy paper" denouncing Israel as "the main threat to peace and the main source of repression in the Middle East" was disclosed.

Several Knesset deputies have demanded that the Israeli government deny entry to those "neo-Nazis who hate Israel and plot with terrorists," as one of them put it, and the Israeli ambassador to Bonn, Ben-Ari, denounced the Greens and their "strategy paper" as "anti-Semitic."

The Green Party in Bonn "threatened" to cancel the planned trip to Israel "to show our opposition to Israel's policy and to demonstrate our solidarity with Brigitte Heinrich." The "threat" is expected to carry little weight in Israel.

Mitterrand attacks space-weapons defense

French President François Mitterrand denounced President Reagan's Strategic Defense Initiative (SDI) as "over-armament" in a television speech on Dec. 16. He emphasized that he wants to maintain good relations with the Soviet Union.

Evidently, the recent French convergence with Moscow on this issue has not satisfied the Kremlin: When Mitterrand adviser Regis Debray visited Moscow recently, he came under heavy pressure from Vadim Zagladin of the international section of the Soviet Communist Party, and Andrei Aleksandrov, a diplomatic adviser in the Kremlin. They told him that France's call for a five-year moratorium on space weapons was not enough.

British-Chinese treaty on Hong Kong signed

Before her arrival in Washington on Dec. 22, British Prime Minister Maggie Thatcher went to Peking, where she signed the agreement whereby Great Britain turns the free port of Hong Kong over to China on the proviso that the Chinese will guarantee its capitalist character for the next 50 years.

Briefly

The Chinese have agreed, of course, that Hong Kong will "enjoy a high degree of autonomy," the memorandum of agreement states. This means that the British will continue to enjoy the full privileges of overseeing the financing for the region's drug trade through the Hongkong and Shanghai Bank without any undue interference from Peking.

The signing of the agreement comes right after a Chinese *People's Daily* editorial announced that Karl Marx is old hat, and not appropriate for solving the problems of modern-day China. The next day, the paper ran a qualifier to this endorsement of the "capitalist road"—to the effect that Marx is not adequate to solving "all the problems" of China. Nevertheless, the Deng leadership's "one country, two systems" formula is being put forward to induce a return to China of the successful capitalist state of Taiwan, and massive investment in China from foreign businesses and especially by the overseas Chinese community.

The Chinese repudiation of Marxism has not fazed the Soviet Union. On Dec. 23, Deputy Foreign Minister Arkhipov arrived in Peking to sign both trade agreements and agreements on scientific and technological cooperation.

South Korea set up for destabilization

The Eastern Establishment around the State Department, the World Council of Churches, and Richard Falk are preparing to destroy South Korea. The focus of the scheduled destabilization of the Chun Doo Hwan regime is opposition leader Kim Dae Jung, now in exile in the United States, who has announced his return to South Korea on Jan. 31. He is being pushed as the "Benigno Aquino" of Korea.

Kim was ballyhooed by the *New York Times Magazine* on Dec. 23. Kim's fight against the Chun government is also hailed constantly in the North Korean press. Kim's return cannot but help to weaken the Chun government and the unity of the country. As Kim is quoted by the *Times*: "Even if I am in prison, that will augment my people's courage. They will fight for my release, and

that will become an issue of conflict for the government." When the Chun government arrested Kim in 1980, the result was a 10-day insurrection in Kwangju—an event that is also featured prominently in the North Korean press.

According to the Hong Kong daily *Hsingtao Ribao*, two days after a shooting incident on the Korean border, on Nov. 26, North Korean leader Kim Il-Sung went to China to get Chinese back-up for a retaliatory strike against the South, but China refused.

German liberals want to destroy agriculture

The Free Democratic Party (FDP) of West Germany has moved into a working alliance with Green Party Nazi leader Rudolf Bahro to reverse the effects of the agricultural revolution that began 10,000 years ago.

On Aug. 28 of this year, the press service of the FDP's Bundestag caucus issued a bulletin announcing the proposals of a working group on "Agricultural Policy and the Countryside." This group cites the "overproduction" of certain types of food as an argument to permanently remove large tracts of farmland from production and to use this land to set up a national system of "biotopias"—wilderness areas for the preservation of plant and animal wildlife.

The federal government need not wait to seize jurisdiction over nature conservation from the individual states of the republic, the group says. The government should already be prepared to spend 100 million marks per year to implement this conversion, and should further introduce this concept to the other nations of the European Community.

The FDP leadership is dead serious about these proposals. On Dec. 14, State Secretary Georg Gallus of the Federal Ministry of Agriculture spoke to an FDP meeting in Frankfurt and called for the implementation of such measures "without delay." In the informal discussion after the meeting, Gallus said he believed that in 15 years farming would exist only as a "side-line" business, since by that time it would no longer be economically self-supporting.

● **SAUCEDILLA**, a Spanish village on the Portuguese border, has decided to include the Almaraz nuclear reactor in its coat of arms. The reactor is virtually the only source of industrial employment in the province of Caceres. The Saucedilla villagers have placed Almaraz in the center of their arms, on a field of silver, azure, and green, flanked by figures of acorns and sheep (the other sources of income in the province).

● **THE POLICE CHIEF** of Sweden's Arlanda International Airport filed a libel suit on Dec. 13 against the editor of *Ny Solidaritet*, Kerstin Tegin-Gaddy, chairwoman of the European Labor Party which publishes the paper in Sweden. Chief Sven Hugo Smedjegaarden filed suit over a July 12 article that reported on his role in corruption at the airport that involved bribes from the Soviet airline Aeroflot. Smedjegaarden was reported to have accepted free trips to Moscow and maintained a liaison with Aeroflot's director.

● **JAPAN REFUSED** to capitulate to Soviet military pressure when a Russian trade delegation was in Tokyo the second week of December. The Soviets have violated Japanese air space with strategic bombers, but now say they seek Japanese cooperation in developing Sakhalin Island and Siberia. The Japanese refuse to sign an agreement until Soviet Foreign Minister Gromyko visits Tokyo—something he refuses to do so long as Japan remains aligned with the United States.

● **DOPE, INC.** will be issued in Spanish by *Executive Intelligence Review* on Jan. 23. The book will have new chapters revealing connections between Soviet banking and drug-money laundering, and on the Nazi-Communist connections to drug trafficking in Ibero-America. This new edition will terrify many friends of Henry Kissinger.

Reagan backs Weinberger: Save cities, not missiles

by Vin Berg

President Reagan is not flinching in the face of Soviet ultimatums and a hostile cacophony of demands from the Eastern Establishment press that he bargain away his Strategic Defense Initiative (SDI), the program for beam-weapon defense against missile attack, in "arms control" negotiations with the Russians. Reagan has backed to the hilt his outspoken defense secretary, Caspar Weinberger, who has proclaimed the program "the only thing that offers hope to the world; we will not give it up."

The Soviets are virtually threatening to begin military operations against the United States should the SDI not be traded away in Geneva. One of the most notable ultimatums came from Kremlin "Crown Prince" Mikhail Gorbachov who, standing beside Margaret Thatcher in London, gave President Reagan 90-days to agree that the SDI was a "bargaining chip" in arms talks, or see those arms talks broken off completely (see article, p. 38). Mrs. Thatcher dutifully brought that message to the President when she visited Camp David on Dec. 22.

But the day before her arrival, on Dec. 21, the President told reporters who asked about Gorbachov's ultimatum that the Soviet Politburo heir-apparent "doesn't know what he's talking about. I know there's probably a reason why he doesn't know what he's talking about," Reagan added, "but we're going to be very pleased to let them know exactly what it is that *we're* talking about. And I think they'll see that maybe it's better if we have a world in which you've got some kind of defense that maybe can destroy weapons without killing millions of people."

The President elaborated: "Today, the only defensive weapon we have is to threaten that if they kill millions of our people, we'll kill millions of theirs. I don't think there's any morality in that at all, and we're trying to look for something

that will make these weapons obsolete."

Hostile reporters complained to the President that Thatcher and France's President François Mitterrand were highly critical of beam-weapon defense. Reagan shot back: "Well, I'll get *them* to understand it."

Again on Dec. 23, under questioning from hostile reporters who asked if it wasn't the case that the SDI would "only defend missiles, not people," the President replied sharply: "This is not going to protect missiles. It's going to destroy missiles."

On Dec. 28, in an interview with the Japanese newspaper, *Yomiuri Shimbun*, Reagan again indicated that he would not be cowed by Soviets threats: Arms negotiations, beginning with a Jan. 7-8 meeting between Secretary of State Shultz and Foreign Minister Gromyko, will "involve hard bargaining" that could extend far beyond the meeting. "We must temper our expectations with realism," Reagan said. "A two-day meeting cannot solve the complicated issues before us. We hope it will be a constructive beginning for further detailed negotiations. But . . . *we are not seeking an agreement for its own sake.*"

Press exposed

The President's firm and unequivocal statements left the major news media exposed as purposeful liars. In the days before Secretary Weinberger's strong and clear exposition on the SDI before the Foreign Press Club (Dec. 19, see text, p. 56), the *New York Times*, the *Washington Post*, and other media had been reporting that the program was now "scaled down," that it was only designed to protect missile silos, that it would be treated as a "bargaining chip" in Geneva, that "overwhelming opposition" to the program in the Congress and the administration itself had convinced the President of

this, and so forth.

The campaign reached fever pitch the day of Margaret Thatcher's arrival, Dec. 22, to brief the President on her meeting with Gorbachov. The next day, while radio and television reported that she had induced Reagan to "compromise" on the SDI, the *Times* and *Post* ran front-page articles claiming the program had been "scaled back."

That same Sunday, Dec. 23, Weinberger appeared on ABC-TV's "David Brinkley Show" and was asked by White House reporter Sam Donaldson: "There are reports this morning that this SDI, the Strategic Defense System, is going to be scaled back as far as your immediate goal is concerned. And that you are now going to try to develop it so it can protect our silos; our offensive weapons. Is that correct?"

"No, that is not correct," Weinberger replied. "The SDI is not designed to protect any particular target. It is designed to destroy incoming missiles before they can get to a target. It is not designed to just protect a particular silo or something of the kind."

When subsequent questioning suggested the President viewed the SDI as a "bargaining chip," Weinberger insisted:

"The President has said that he will not give up the Strategic Defense Initiative or the opportunity to develop it. It offers too much hope. It is the only thing that offers any real hope to the world. We will not give it up. We will certainly discuss it. We will discuss it in the context of offensive and defensive systems. And the Soviets have a great many defensive systems themselves."

The press could not restrain itself in its fury at Weinberger, outdoing even *Pravda* and TASS. "Cappy the Talker," complained James Reston of the *New York Times*, "is a great admirer of Winston Churchill. This may help explain his arrogant assurance, his contempt for everybody who differs with him, and his garrulous lectures . . . especially when he's in one of his Churchillian moods, defending Western civilization from the barbarians." Reston, whose anger was such that he perhaps did not notice that he had just compared his own view to Neville Chamberlain's, wailed that Weinberger is winning factional battles with the State Department and budget cutters "mainly because of his long and close association with Ronald Reagan, who admires and believes in him."

David Gergen of the *Washington Post* and the Los Angeles Times Syndicate chastised the President because, "Rather than listening to Washington's latest political wisdom, he still prefers to rely on instincts and beliefs from his past as the best guide to the future. . . . If all the king's horses and all the king's men couldn't change him on defense, he won't be an easy mark on arms control either."

Henry Kissinger's syndicated press agent Joseph Kraft, and David Broder of the *Washington Post*, conceding in Broder's words, that "Defense Secretary Caspar Weinberger is the strong man of the Reagan administration," urged Congressional budget cutters to make the SDI "Reagan's Vietnam."

But the *New York Times*, as usual, takes the cake. It began the wishful lying of its lead Dec. 27 editorial, "The Moon and the Mirage," with the assertion: "'Eliminating the threat posed by strategic nuclear missiles' . . . can't be done. But Mr. Reagan won't take no for an answer."

The *Times* then went to the incredible length of insisting that its lies about the President's policy of previous days were true, and that Mr. Reagan's statements about the policy were false! The President does not understand his own policy! The actual SDI now being researched is only to protect missile silos! Quoting the President's insistence that the SDI is "not going to protect missiles, it's going to destroy missiles," the *Times* charged that the President has "misunderstood the nature of the challenge posed by a Star Wars defense. . . . Unlike the Moon landing, which was mainly a struggle against the laws of gravity [!], a Star Wars shield would be vigorously opposed by Soviet countermeasures."

The *Times*' arrogance was a little too much for even some news sources. The *Dallas Morning News* backed Reagan and Weinberger against the *Times*, quoting the *Times*' lying reportage, and Weinberger's straightforward refutation.

Second thoughts

The effect of forceful clarity by the President and his defense secretary was even visible in Margaret Thatcher, who was compelled to back away from her earlier love-in with Gorbachov. The *Daily Telegraph* reported "mounting anxiety on both sides of the Atlantic that the Prime Minister and other Ministers had handed Moscow a diplomatic coup by their praise of Gorbachov," and "had done little to correct Soviet claims that she was now siding with Russia in urging Reagan to call a halt to the Star Wars Program." Thatcher told the BBC on Dec. 23, "Mr. Gorbachov knows . . . that there is no possibility of separating me from the U.S." But she continued to defend the MAD doctrine.

On the U.S. side, even those in the administration who had been quoted as sources for the SDI cutback stories trimmed their sails. White House science advisor George Keyworth in the Dec. 24 *Washington Post* ripped into the "Gang of Four" arms controllers, McGeorge Bundy, Robert McNamara, Gerard Smith, and George Kennan, who authored the Council on Foreign Relations report attacking beam defense. Said Keyworth: "Each of these four men played a key role in shaping the situation we face today. As such, their legacy is hardly reassuring. Soviet resolve to achieve superiority exceeded the gang's wildest imagination, and their arms control theory has provided little restraint as the Soviets have continued to build. The president's commitment to achieving real reductions in strategic arms deserves more than bitter sniping from those who have failed in the past."

On television Dec. 23, National Security Adviser Robert McFarlane insisted that the idea of using the Strategic Defense Initiative as a bargaining chip "is not the way to go," and that Geneva should be a place to explain to the Russians "why we would be better off with defensive systems."

Graham's *Post* caught 'aiding the enemy'

by Lydia Cherry

Katharine Graham's *Washington Post* showed the world where its loyalties lie shortly before Christmas, when a flagrant breach of national security prompted Defense Secretary Caspar Weinberger to score the *Post* for "giving aid and comfort to the enemy": the U.S. Constitution's definition of treason.

Refusing to honor Defense Department requests to hold back the story, the Dec. 18 *Post* gave front-page coverage to information about the upcoming "sigint" satellite flight, the first in which the National Aeronautics and Space Administration (NASA) had specifically invoked secrecy about its payload. The *Post* printed details of how the military intelligence satellite is to be released and from where it is to be directed in geosynchronous orbit.

Imagine an employee of the Pentagon, or any U.S. government agency, obtaining this information, scheduling a secret meeting with Soviet agents, and passing such information along. That is, in essence, what Katharine Graham's newspaper did—for the whole world!

The night before the *Post* broke the story, Brig. Gen. Richard F. Abel, Air Force director of public affairs, had warned that the Pentagon would treat shuttle missions "as we do the deployment of air, land, and sea forces. We are working to deny our adversaries any information which might reveal the identity of the mission or its payloads," he said. Abel had added that "speculation" by news media would result in a Pentagon investigation into the source, because "this information would have no value to anyone except the Soviets or other potential adversaries."

The following day, in an interview with the Cable News Network, Weinberger hit the *Post* broadside, noting that the major television media and Associated Press had honored the Defense Department requests and that it was "the height of journalistic irresponsibility to violate requests that are made" by the government to withhold sensitive national-security-related stories. "The *Washington Post* felt they simply had to run the story . . . they ran it with the usual inaccuracy."

When asked whether what the *Post* had done was a danger to national security, Weinberger said it was. "There are certain things that we have to do, that we should do, and when they are published they can only give aid and comfort to the

enemy."

The *Post* didn't find Weinberger's charges newsworthy, but responded the next day by devoting a front-page article to Goebbels-style misrepresentation of the Dec. 19 speech Weinberger delivered before the Foreign Press Club in Washington (see text, p. 56). The *Post* headlined its article with a statement that Weinberger never made: that President Reagan has agreed to the Soviet demand that the Strategic Defense Initiative be a bargaining chip.

Just ten days before the *Post* exposed its concern for keeping the Kremlin informed on U.S. defense secrets, it ran the latest of its venomous attacks on Lyndon LaRouche, EIR founder and considered by many the "intellectual author" of Ronald Reagan's beam-weapon defense program.

In a prominent article on Dec. 8 titled, "LaRouche Says He is Penniless: NBC Seeks to Collect \$3 Million from Him," the *Post* reported on the federal court denial of a motion to stay the enforcement—while LaRouche appeals the case—of a ludicrous \$3 million judgment against him. In keeping with the *Post*'s consistent line, the article is mainly devoted to prescriptions for removing LaRouche's security protection.

These are not the first instances in which the *Washington Post* has acted as an agent of foreign powers. A study just released by a researcher at the Harvard University John F. Kennedy School of Government contends that the *Washington Post* was responsible for killing the U.S. commitment to develop neutron-bomb weaponry by running a campaign conveying "sensational and eerie impressions" about what the bomb's effects would be. Researcher David Whitman accuses the *Post* of having "fueled the Soviet propaganda campaign" that wrecked U.S. development of the weapon.

This means that, thanks to the *Post*, NATO, massively inferior to the Soviets on the ground, now has no effective deterrent to a European invasion by Soviet forces—precisely what the neutron-bomb, an anti-tank/anti-personnel weapon for battlefield use, would have provided.

Katharine Graham is the offspring of an oligarchical banking family typical of those Anglo-American establishment families which now believe they have a workable deal with Soviet imperialism to preserve their own wealth and power while destroying that of the United States and handing Western Europe and the Middle East over to Russia's sphere of influence ("New Yalta"). Her middle name is Meyer, and she inherited the *Washington Post* from Eugene Meyer, the head of Lazard Frères investment house based in London, who was appointed first president of the World Bank in 1946. Meyer set the policy by which the World Bank has consistently refused to lend for real economic development to Third World nations.

Katharine is currently a member of the Brandt Commission, created by Robert Strange McNamara while he headed the World Bank, which has also sought to push only "appropriate technologies" such as hoes and buckets, thereby causing mass starvation in Third World nations. These nations are potential U.S. allies. Instead, they are being destroyed.

The fraud of the new anti-apartheid drive

by Kathleen Klenetsky

Jesse Jackson is currently serving as the key front man for an alliance between the Anti-Defamation League of B'nai B'rith (ADL) and the blatantly Nazi Green Party of West Germany, which is cynically exploiting the anti-apartheid issue to promote genocide in Africa and the United States.

In late November, these forces abruptly launched a fraudulent "anti-apartheid" campaign, highlighted by carefully-staged arrests of well-known political figures and celebrities in front of South African consulates and other offices in New York, Washington, and other major cities. The movement has brought together such figures as Rep. Charles Rangel (D-N.Y.), a leading spokesman for the congressional Black Caucus; Jesse Jackson; Rabbi Schindler, a national leader of the American Jewish Committee; and Nathan Perlmutter, national chairman of the ADL. Schindler and Perlmutter were arrested in an anti-apartheid protest in New York.

Just months ago, the ADL and other major Jewish organizations were bitterly attacking Jesse Jackson for making anti-Semitic references to "Hymies" and "Hymietown" and for refusing to disassociate himself from the openly pro-Hitler Louis Farrakhan. Now these erstwhile antagonists are publicly linking arms in a common cause.

The common cause isn't the fate of black Africa, however—public pronouncements on the issue notwithstanding. The anti-apartheid campaign officially got off the ground on Nov. 24, the same day that the Schiller Institute, the foreign-policy think-tank founded by Helga Zepp-Larouche, opened a conference outside Washington to organize a new, international, civil-rights movement to fight not just for the civil rights of blacks and other minorities in the United States, but for the "Inalienable Rights of Man" worldwide—including, emphatically, Africa's right to life.

The timing was no coincidence: The major purpose of the phony anti-apartheid operation, known as the Free South Africa Movement, is to counter the Schiller Institute's efforts by diverting attention from the real factors involved in whether black Africa will survive, while simultaneously building a Jacobin movement similar to the West German Greens in the

United States. The ADL's appearance in the operation gives away the real reason for the fraud—to draw forces away from the Schiller Institute's mobilization. The ADL has been the leading slanderer of Schiller Institute Chairman Helga Zepp-LaRouche and of Lyndon H. LaRouche in their efforts to implement the economic policies that would save Africa, and the world, from IMF genocide.

TransAfrica: front for the genocide lobby

The central organizer of the Free South Africa movement is the TransAfrica Institute, a Washington-based think-tank established in 1977 by members of the Congressional Black Caucus. A lobbying-cum-research organization, TransAfrica's stated aim is to influence U.S. policy toward Africa and the Caribbean; its political orientation is typified by a report issued in 1974 highly critical of the U.S. rescue operation in Grenada.

While claiming to be concerned about genocide against black populations abroad, much of TransAfrica's funding comes from the the Carnegie, Rockefeller, and Ford Foundations—the leading promoters of genocide against people of color not only in the developing sector but in the United States as well. The Ford and Rockefeller Foundations, in concert with the International Monetary Fund and World Bank, have spent millions of dollars to *prevent* the development of the African continent by pushing the "appropriate technology" of slave labor—in opposition to agricultural, industrial, and infrastructural "great projects" which could bring Africa into the 21st century.

Robert McNamara, while head of the World Bank, called for reducing the world's population by one billion human beings, primarily the "non-productive" people of the developing and underdeveloped sectors. The racist McNamara wrote off Africa as a non-productive continent—what the Nazis would have defined as a continent of "useless eaters."

These foundations have created and funded the Club of Rome, whose leading figure Alexander King labels blacks inferior and explicitly calls for mass depopulation of Africa on racist grounds. They are also behind efforts by Planned Parenthood and related organizations to wipe out black Americans by imposing sterilization and abortion on black women. According to TransAfrica spokesman Delores Clemons, she has daily deliberations with Ford Foundation apartheid specialist David Bornbright, Rockefeller operative John Stremmlau, and Carnegie's Bernard Charlee, the specialists who guide TransAfrica's "tactics and policies."

Unholy alliance

TransAfrica, the ADL, and Jesse Jackson have announced that they will sponsor a major "anti-apartheid" demonstration in Washington Jan. 19—a march timed and devised to counter the 100,000-person demonstration the Schiller Institute has called for Jan. 15, Martin Luther King Day, in the nation's capital for the "Inalienable Rights of Man" and the African continent.

The demonstration is also being supported by various U.S.-based groups linked to the Green Party of West Germany. The Greens are not only pro-terrorist, anti-American, and KGB funded; their program is modeled explicitly on that of the Nazis. They support the same “appropriate technology” genocide pushed by the Ford and Rockefeller Foundations, and they have recently taken to praising “brother Hitler,” as one of the Green leaders did publicly at the party’s conference in Hamburg. The Greens were recently denounced in Israel as anti-Semites and Nazis. But the overtly Nazi character of the Greens doesn’t seem to faze either Jackson or his pals at the ADL, despite the fact that blacks and Jews would be slated for genocide if the Greens had their way.

Various Green followers in the United States have recently indicated that they see anti-apartheid issue and Jackson’s Rainbow Coalition as the most promising vehicles for creating a Green-like movement in America. Randy Toler, the head of the Chicago, Illinois-based U.S. Green Party, told a caller that “our next big initiative will be a series of anti-apartheid demonstrations across the country, on the Friday before St. Patrick’s Day. . . . We are in touch with Jesse Jackson on this. We think of Jackson’s Operation Push as part of the Green Alliance. For us, it’s a good issue, in terms of the local political situation. There is a large black population out here, a black mayor, and a lot of divisiveness.”

Florentine Krause, a key Green Party ideologue who was deployed to the United States four years ago to help build the Greens, agrees with Toler. Krause says the two-party system in the United States makes it “very difficult” to set up a Green party, but, “All the limbs of the Green movement are in place—the environmentalists, the gays, women’s groups, the freeze movement. All we have to do is organize it.”

This is where Jesse Jackson comes in, Krause said. “Jackson’s campaign, and his Rainbow Coalition in particular, was the first step. . . . It already exists as a political institution. Our strategy is to work within the Democratic Party, but to field slates of local candidates who will run on a Green-oriented platform. Jackson’s operation will be crucial.”

Jackson himself met with leaders of the West German Greens back in 1983, during a tour of Europe, and then proceeded to appoint Green sympathizers such as Anna Grygory and Barry Commoner to key posts in his presidential campaign apparatus. Jackson will undertake another trip to Europe in January to forge stronger links between the Rainbow Coalition and European Greens.

What this amounts to is using a black man to organize blacks for their own destruction—because that is what the Green operation is all about. According to both Toler and Krause, the individual most likely to become the Greens’ national spokesman is Huey Johnson, who, as California Human Resources director under ex-governor Jerry Brown, campaigned for Chinese-style methods such as mass sterilization to cut population.

Weinberger on the

The following is slightly abridged from the text of the speech by U.S. Defense Secretary Caspar Weinberger before the Foreign Press Club in Washington, D.C. on Dec. 19, 1984. All emphasis is in the original.

Thank you for inviting me to join you today. This is a good time for us to meet together, as President Reagan prepares to begin his second term. Before his reelection, Ronald Reagan told the American people where he stood on the most important issue before us, how to prevent nuclear war and build a more secure world, so that this generation—and future generations—will live in peace with freedom.

President Reagan has made it clear that he wants to reduce the threat of all nuclear weapons, particularly the most dangerous ones—the nuclear-tipped ballistic missiles. By strengthening conventional forces—through both traditional and new technologies—he has begun with our allies to restore a balanced deterrent and to reduce reliance on nuclear arms in Europe. And now, by initiating a research and technology program on defenses against ballistic missiles, he has opened the door to a future in which nuclear missiles will become less and less capable of their awful mission, until we could hope for the day when the threat of nuclear weapons could be resolved entirely.

The American people have overwhelmingly endorsed these objectives. In the second Reagan administration, the President is determined to meet his commitment to the American people . . . and to America’s allies. For in presenting the challenge of strategic defense, he said of our global allies: “Their safety and ours are one; no change in that technology can, or will, alter that reality.”

This journey to a safer world will not be easy . . . nor short. The strategic defense research program will have to bear fruit before we will be in a position to make any decisions on deployment options. I am confident, though, that we can master the technical task before us, as we have accomplished so many other technical miracles in the past.

For 20 years now, the Soviet nuclear missile forces that threaten our nation and our allies have grown relentlessly. I am afraid they will continue to do so, unless we can convince the Soviet leadership that we can mutually agree to reduce

strategic doctrine

the nuclear ballistic arsenals through negotiations. We are also embarked on a program that we, and I am sure all men and women of good will, hope will render these missiles impotent and obsolete. The President's Strategic Defense Initiative can contribute to curbing strategic arms competition by devaluing nuclear missiles and thus imposing prohibitively high costs on the Soviets, if they continued in their quest for missile superiority.

In the 1960s and 1970s, we had different expectations. For example, one of my predecessors even predicted the Soviets would be satisfied with a few hundred ballistic missiles. He said they had given up trying to match, much less surpass, our strategic force. We thought our self-restraint in offensive nuclear forces, combined with a ban on missile defenses, would lead the Soviets also to restrain *their* offensive arms, abandon defenses, and accept mutual nuclear deterrence between our countries for the indefinite future. The United States acted on this expectation.

Through the 1960s until the end of the 1970s, we cut the budget for nuclear forces every year. Today, the total megatonnage of the U.S. stockpile is only one-fourth the size of our 1959 stockpile. Seventeen years ago, we had one-third more nuclear warheads than we do today. We thought this would induce the Soviets to restrain the growth of their nuclear forces.

We also thought we could reinforce Soviet restraint and facilitate limits on offensive arms by guaranteeing our own total vulnerability to a Soviet ballistic missile attack. We unilaterally gave up all defense, not only of our cities, but of our minuteman silos as well. We did so even though the ABM treaty permitted each side one ABM site. Advocates of this policy reasoned that if the Soviets could easily strike American cities, they would have no incentive to deploy more missiles.

In the mid-1970s, however, the scope and vigor of the Soviet build-up became apparent. Once more, we tried to restore stability by negotiating the SALT II treaty. Despite the lessons of SALT I, American negotiators again expected that the Soviets would curb their build-up if we continued to deny ourselves protection against Soviet missiles.

Again, we were wrong. Improvements and additions to

the Soviet missile force continue at a frightening pace, even though we have added SALT II restraints on top of the SALT I agreements. The Soviet Union has now built more warheads capable of destroying our missile silos than we had previously predicted they would build, even without any SALT agreement. We now confront precisely the condition that the SALT process was intended to prevent. That is why the President and I have always criticized the SALT II agreement so vigorously. It will *not* reduce arsenals. And the so-called "limitation" of arms permitted, and indeed accepted, the Soviet build-up of nuclear arms.

Moreover, as the President reported to Congress, the Soviet Union has violated several important SALT provisions, including a ban on concealing telemetry of missile tests. Since that provision was designed to allow verification of the SALT agreement, even President Carter stressed that "a violation of this part of the agreement—which we would quickly detect—would be just as serious as a violation of strategic weapons themselves."

The vast majority of Americans are deeply concerned about this pattern of Soviet violations. Yet some people who pride themselves on their expertise and concern for arms control have taken an upside down view. Instead of recognizing the problem of Soviet violations, they have criticized President Reagan for informing Congress about these violations. They argue that this showed that he was "not sincere" about arms control, as if sincerity required that we ignore Soviet violations.

I do not wish to be captious about past mistakes. My point here is that we must learn from experience. Some people who refuse to learn from the past now assert that President Reagan must choose between having his initiative on strategic defense, or trying to obtain set arms reductions. Yes, a choice is necessary. But the choice is between a better defense policy that offers hope and safety and which could bring us genuine and significant reductions, or to continue with only disproven strategic dogmas that have put us in a far less secure position.

The real choice is between strategic defense which will facilitate genuine reductions in offensive arms with greater security for East and West, or a perpetuation of our total vulnerability to any attacking missiles—whether launched by accident or by design—in the hope, twice proven vain, that this would slow the Soviet arms build-up.

We are all agreed that nuclear war must be prevented. This is the overriding imperative for our defense policy today, and has been for decades. However, we need to recall the United States and the Soviet Union have experienced vast changes in their relative strength, in their basic strategies, and in the types and number of weapons each possesses.

During the first four years of the nuclear era, there was no *mutual* nuclear deterrence—we had a monopoly. Because the monopoly was ours, no one seriously feared nuclear war. Even Stalin—often described as defensive minded—violated the Yalta agreement on Poland, crushed democracy in Czech-

oslovakia, blockaded Berlin, and encouraged North Korea's attack on South Korea. He had no fear, paranoid or otherwise, that the U.S. would launch its nuclear monopoly to maintain compliance with Yalta, much less to launch an unprovoked attack.

Later, when the Soviet Union also built nuclear weapons, there was still no mutual deterrence based on absolute vulnerability. For during the 1950s we spent some \$100 billion (in current dollars) to defend against Soviet strategic bombers—then the only nuclear threat to the United States. At that time, some of today's loudest critics of strategic defense advocated a large expansion of defensive systems against the bomber threat, and urged development and deployment of a ballistic missile defense for both our cities and our critical military forces.

It was not until the Kennedy and Johnson administration that we began to abandon our efforts to defend against nuclear attack, and instead base our entire security on the odd theory that you are safe only if you have no defense whatsoever. It came to be known as Mutual Assured Destruction, or MAD. It has played a central role in the U.S. approach to arms control for the past 20 years, even though for many years now, actual U.S. strategy has adjusted to the fact that the original MAD concept was flawed. Our strategy has moved well beyond this to the point that it now seeks to avoid the targeting of populations.

Today, supporters of the traditional simplistic MAD concept supply most of the criticism of the President's Strategic Defense Initiative. Sometimes they admit that if both sides could protect themselves perfectly the world would be better off, but they oppose any effort, including seeking major arms reductions, that could move the world in that direction.

True believers in the disproven MAD concept hold that the prime, if not the only objective of the strategic nuclear forces of both the United States and the Soviet Union is the ability to destroy each other's cities. They believe that any U.S. defense against this threat is "destabilizing." It will, they say, inevitably provoke an overwhelming increase in Soviet forces and will increase Soviet incentives to strike preemptively in a crisis. They fail to appreciate the deterrent value of missile defenses, because they wrongly project upon the Soviet military their own irrational idea of the purpose of a Soviet attack. In fact, the Soviets have designed their offensive forces to be capable of destroying allied and U.S. military forces, in particular our silo-based missiles and military targets in Europe. At the same time, the Soviet Union has never abandoned its objective of defending its homeland against nuclear attack.

The ABM treaty never blinded the Soviets to the need for effective defenses. They have continued to place great emphasis on air defense. They are now ready to deploy a defense system with capabilities against both aircraft and many ballistic missiles. They have a massive program of underground shelters. They have built five ABM radars, with another one

under construction, that give them double coverage of all ICBM approaches to the Soviet Union, and they have exploited fully the provisions of the ABM treaty and—what is more—almost certainly violated it, as they advance their capacity for deployment of a widespread ballistic missiles defense. Since the signing of the ABM treaty, the Soviet Union has spent more on strategic defense forces than on strategic offensive forces. Clearly the Soviets do not share the MAD philosophy that defenses are bad.

So, it is quite wrong to argue that the President's "Initiative on Strategic Defense" would upset 35 years of "mutual deterrence," and spoil a successful approach to arms control and stability. On the contrary, the President's initiative will finally correct the conventional wisdom, which is so often wrong.

History is filled with flat predictions about the impossibility of technical achievements that we have long since taken for granted. Albert Einstein predicted in 1932: "There is not the slightest indication that [nuclear] energy will ever be obtainable. It would mean that the atom would have to be shattered at will."

As we proceed, we will of course not give up our triad of deterrent offensive systems. Rather we will continue to maintain deterrence and indeed strengthen and modernize all three elements of our triad, because we do not know when we will actually be in a position to put our strategic defense system in place. But reliance exclusively on these offensive systems, without pursuing effective defenses, condemns us to a future in which our safety is based only on the threat of avenging aggression. Our safety and that of our allies should be based on something more than the prospect of mutual terror.

Another mistake critics of strategic defense make is to contend that effective defense is technically unobtainable. History is filled with flat predictions about the impossibility of technical achievements that we have long since taken for granted. Albert Einstein predicted in 1932: "There is not the slightest indication that [nuclear] energy will ever be obtainable. It would mean that the atom would have to be shattered at will."

Based on our research so far, we cannot now say how soon we will be in a position to make decisions on defensive options, nor can we today describe all the specific forms of

such defenses. But clearly, the Soviet military and their scientists at least are confident that strategic missile defenses will be effective. Their extensive effort to acquire such defenses give ample evidence of their conviction, as does their major effort to stop us from proceeding with our defense initiative.

We all recognized from the outset that a complete system or combination of systems for strategic defenses could not be deployed overnight. There could be a transitional period when some defenses would be deployed and operating before others would be ready. Some have argued that this transition would be particularly dangerous, that it would upset the present deterrent system without putting an adequate substitute in its place.

The opposite is the case. If properly planned and phased, the transitional capabilities would strengthen our present deterrent capability which is one of President Reagan's high priorities. In fact they could make a major contribution to the prevention of nuclear war, even before a fully effective system is deployed. If the Soviet leaders ever contemplated initiating a nuclear attack, their purpose would be to destroy U.S. or NATO military forces that would be able to oppose the aggression. Defenses that could deny the Soviet missiles the military objectives of their attack, or deny the Soviet confidence in the achievement of those objectives, would discourage them from even considering such an attack, and thus a highly effective deterrent.

But we would not want to let efforts towards a transitional defense exhaust our energies, or dilute our efforts to secure a thoroughly reliable, layered defense that would destroy incoming Soviet missiles at *all* phases of their flight. Such a system would be designed to destroy weapons, not people. With such a system we do not even raise the question of whether we are trying to defend missiles or cities. We would be trying to destroy Soviet missiles by non-nuclear means. And I emphasize again—by non-nuclear means—before the Soviet missiles get near any targets in this country or in the Alliance. The choice is not between defending people or weapons. Even the early phases in deployment of missile defenses can protect people. Our goal is to destroy *weapons* that kill people.

Thus, based on a realistic view of Soviet military planning, the transition to strategic defense would not be destabilizing. In fact, initial defense capabilities would offer a combination of benefits. They would contribute to deterrence by denying Soviet attack goals. And should deterrence ever fail, they would save lives by reducing the scope of destruction that would result from a Soviet military attack. The more effective the defenses, the more effective this protection would be. This objective is far more idealistic, moral, and practical than the position taken by those who still adhere to the mutual-assured destruction theory, namely that defenses must be totally abandoned.

I know that some Europeans fear that our pursuit of the

defense initiative would tend to "decouple" America from Europe. This is quite wrong. The security of the United States is inseparable from the security of Western Europe. As we vigorously pursue our strategic defense research program, we work closely with all our allies to ensure the program benefits our security as a whole.

In addition to strengthening our nuclear deterrent, such defenses would also enhance NATO's ability to deter Soviet aggression in Western Europe by reducing the ability of Soviet ballistic missiles to put at risk those facilities essential to the conventional defense of Europe—airfields, ports, depots, and communications facilities, to name just a few examples. An effective strategic defense would create great uncertainties in the mind of the aggressor, reduce the likelihood of a successful conventional attack on Western Europe, and thereby reduce the chance the Soviet Union would contemplate such an attack in the first place.

Yet some of the discussions of the President's initiative are based on the assumption that the United States can prevent indefinitely Soviet deployment of defenses merely by abstaining from *our* research and technology program.

Soviet history, the doctrines elaborated by their military leadership, and their current programs amply show that the Soviet leaders do not feel they are restrained by the ABM treaty's prohibition against a widespread defense against ballistic missiles. If the Soviets develop such a system from their intensive research program, in all probability they will deploy it.

Recent political comment on the relationship of arms control and strategic defense fails to confront that reality. Our Strategic Defense Initiative truly is a bold program to examine a broad range of advanced technologies to see if they can provide the United States and its allies with greater security and stability in the years ahead by rendering ballistic missiles obsolete. We have approached this program from the beginning according to the principle that SDI and arms control should work together . . . that each can make the other more effective. SDI is a research and development program that is being conducted completely within the ABM treaty.

In the near term, our initiative on strategic defense also provides a powerful deterrent to a Soviet breakout from the ABM treaty, a prospect made more worrisome by recent compliance questions—such as the new Soviet radar which is almost certainly in violation of the ABM treaty. Our strategic defense research program also makes clear that we take seriously the Soviet build-up in offensive arms. We have reminded the Soviet Union that both sides agreed to the ABM treaty in the first place, with the understanding that it would be followed by effective limitations on offensive arms. The Strategic Defense Initiative is not only the strongest signal we can send that we mean what we agreed to, it is the only real hope for a future without nuclear weapons. So we cannot accept the refusal of the Soviet Union to agree to real reduc-

tions in offensive arms, as we pursue the Strategic Defense Initiative.

In the long term, strategic defense may provide the means by which both the United States and the Soviet Union can safely agree to very deep reductions and, someday, even the elimination of nuclear arms. Many *talk* about such reductions, but we are *working* on the means by which they could actually come about without creating dangerous instabilities. We have sought to engage the Soviet Union in comprehensive discussions on how to make arms reductions more effective in the near term and on how to provide a safer future for all mankind.

This is not a process that will be aided by partisan or uninformed rhetoric aimed at forcing unilateral restraint upon

This journey to a safer world will not be easy . . . nor short. I am confident, though, that we can master the technical task before us, as we have accomplished so many other technical miracles in the past.

the United States, as the history of the ABM treaty itself has shown us that.

Progress toward a more secure future will, instead, require both a determined strategic defense R&D effort, and persistent and patient dialogue with the Soviet Union in the months and years ahead.

Of course, we must negotiate with the Soviet Union—not for the purpose of freezing forever the vast numbers of existing warheads or permitting more and more of them—as SALT II did—with their hideous threat of total destruction and mutual vulnerability. No, we should negotiate with them to find a path to escape from that horror. That is why President Reagan holds before us a vision of a future world free from the threat of nuclear destruction. We must try to get the Soviet Union to join us in making such threats impotent, so that we can someday rid the world of the nuclear arms that underly such threats. This goal may seem far away, but difficulties should never cloud an inspired vision, nor slow us in our constant striving to realize that vision for all humanity. Let us move on the bright, sunny upland where there is hope for a better future for all, of which we all dream.

What follows is an NSIPS dispatch from Washington on Secretary Weinberger's Dec. 19 press conference, following the Foreign Press Club speech.

Secretary of Defense Weinberger called for the sharing of Strategic Defense Initiative technology with the whole world.

Answering a question on President Reagan's statement that he would be ready to share technological information on the SDI with the Soviet Union, Weinberger answered, "What the President actually said was that if we can get this technology, to have a very reliable defense against incoming missiles, we'll share it with the world, because it is vital to make clear to everyone that these missiles would no longer have either any utility or use, so they could indeed be destroyed. So there is no military advantage to be received. In fact it is the way to make these missiles obsolete."

In answer to a question from a British journalist on whether the SDI would cause the decoupling of the U.S. from Europe, Weinberger said: "A Fortress America just won't work. It can't work. It was recommended by some people in two world wars, and it failed both times. America could not live in a world in which Europe was overrun. A Strategic Defense Initiative of the kind we're planning will be equally effective and perhaps secure earlier success in dealing with intermediate-range missiles than strategic-range missiles. There's not the slightest possibility that America will be decoupled from Europe by the pursuit of this vital initiative."

He repeated this theme in answer to *Ad Dustur/London* journalist Mary Lalevée, who asked what Mutually Assured Survival would mean for Europe, in distinction to Mutually Assured Destruction: "There could be developed, for example, means to destroy incoming SS-20 missiles, which are still being added, as well as two new types of missiles. If you could destroy those before they hit any targets by non-nuclear means, you would not only have a better and more hopeful Europe but a far better and more hopeful world. It seems essential to me to try to base our strategies for survival and protection in the future on something other than the balance of terror. One of the early misconceptions about the SDI was that it would only apply to intercontinental missiles. This is not true at all. If we can do what we want to do—and we don't know that we can yet—that's the purpose of the research program, to find that out—but I have every confidence we can do it, because we have solved all kinds of technological miracles [sic] in the past. People have made many predictions which look foolish today. If we can do it, we will have a far safer, happier, and more hopeful Europe, and a far safer, happier, and more hopeful world."

An Italian journalist asked about the potentials for U.S. cooperation with its allies on the SDI. Weinberger said: "I think they are very great. We need all the help we can get on this. This is a massive task. There are a great many Japanese and European technologies that we use every day. I have very high hopes that there will be a strong worldwide movement to join in trying to work together on this technology and on this research and development program. It is to everyone's advantage. And as I said a moment ago, if we can get it, the President is prepared to share it with the world. I would hope that in the development of it, we will have the help we urgently need on the technology side, the development side and on the construction side."

Kiss of death in the Dominican Republic

The Duarte medal, one of the highest honors awarded by the Dominican Republic, was pinned on the chest of Henry A. Kissinger by President Jorge Salvador Blanco at a gala banquet for dignitaries and government officials on the tropical island Dec. 23. Three days later, the island received a Christmas gift of \$50 million from the U.S. taxpayers. This State Department Agency for International Development (AID) grant was for the purpose of paying interest on debts to U.S. and foreign banks.

Attached to the gift was an ultimatum from the International Monetary Fund (IMF) that Blanco repeat in 1985 the fuel price and tax increases which provoked riots and 54 deaths in April 1984. At that time, the IMF demanded the lifting of government price subsidies and controls, including a 300% price increase for basic foodstuffs. President Blanco visited Washington and met with President Reagan, requesting more flexible treatment from the IMF. He also met privately with Henry Kissinger—and then agreed to the IMF's program, returning to Santo Domingo to face a rioting population.

Henry Kissinger finds the Dominican Republic a hospitable place to spend his Christmas vacation, and he goes back again and again to Casa del Campo in the chic \$120 million resort complex built by Gulf & Western on its La Romana sugar plantation. He

stays in the villa Gulf & Western built for its rag label Oscar de la Renta. While sugar is on the wane, the Dominican Republic has become a major cocaine transshipment point into the United States, and Gulf & Western's New York corporate headquarters building has been the scene of at least one major drug arrest of Dominican officials working there.

This paradise is far from the steaming cities where the riots take place. It has every kind of recreation. Some of its cottages are leased to artists; others are rented to those seeking to hobnob with the jaded elites.

President Blanco did everything to elate Kissinger's Christmas spirit. On Dec. 14 he told the press that he had been left "no alternative" other than once again to subject the country to IMF conditions. He explained that if he did not sign, the international bankers (advised, of course, by Henry Kissinger) would cut off all trade financing and seize Dominican assets abroad.

But lo and behold, on Dec. 23 Blanco brought together in a lavish fiesta celebrating Kissinger the public and private officials who will have to "bite the bullet" for the banks. In case any of them imagined Kissinger to be a "has-been," President Blanco insisted, "although Mr. Kissinger holds no government office in his country, his prestige, impact and influence on all United States policies make him a man of the moment." He lauded Kissinger as the man who "because of his accumulated merits was in 1983 awarded the Nobel Peace Prize."

Blanco proclaimed himself "extremely happy to read Mr. Kissinger's monthly articles, which have repercussions in foreign policy because they deal with the problems of war and peace."

Kissinger lauded his host for his "great efforts to promote democracy in the Caribbean."

On to Brazil

Constitutionally banned from being President of the United States, Kissinger envisions himself as the ruler of Brazil, which he calls "the South American country with the greatest potential for substantial economic development."

When Brazil's first civilian President in over 20 years is inaugurated in March, he will find none other than Henry Kissinger waiting on his doorstep, according to Rio gossip columnist Carlos Swann, who claimed the news was leaked by the U.S. embassy in Brasilia on Dec. 4.

Kissinger promptly arranged an interview with the most-watched TV network in the West, Rede Globo, to promote himself as Brazil's advocate in the United States. Kissinger was asked if his firm, Kissinger Associates, would accept a Brazilian government request for advice on how to handle its debt. He replied, "We do not accept governments as clients of our consulting company, but I would be extremely pleased to converse with the government of Brazil and give advice as a friend, not on a contract." If it followed his advice, Kissinger promised, Brazil would become "a new partner of the United States and of Europe, and as such, consulted on solving global problems."

Kissinger called for "a modern adaptation of the Marshall Plan . . . to alleviate foreign debt service, to stimulate a return to more rapid development in Brazil." (What he means by this can be seen by the discussion of the debt-for-equity grab on page 4 of this magazine). The million-dollar-a-year Chase Manhattan Bank adviser added, "What I want to avoid is the perception in Latin America of the United States as a country interested in extorting the maximum amount of money from the region's countries."

National News

Brzezinski details 'New Yalta' proposal

"The United States should withdraw its troops from Europe, and let a Franco-German army take over responsibility for Western Europe's ground defense," suggested Zbigniew Brzezinski, the Carter administration's national security adviser. Brzezinski outlined his proposal in the *New York Times* on Dec. 27. It closely resembles Henry Kissinger's scheme for decoupling the United States from Western Europe.

Brzezinski argued for a "division of labor in NATO" and the "emergence of a politically more vital Europe less dependent militarily on America. . . . The time has come to rethink the relationship between Western security and political change in Europe as a whole."

Brzezinski is the architect of the "arc of crisis" policy which led to the Khomeini takeover in Iran, and has more recently become one of the chief sources of the "Russia is a crumbling empire" nonsense that has infected sections of the Reagan administration.

Mrs. Dale Bumpers courts Green fascists

"I think Petra Kelly is wonderful!" the wife of Sen. Dale Bumpers (D-Ark.) gushed in a telephone discussion Dec. 20. Mrs. Bumpers is building an alliance between the organization she founded, "Peace Links," and Petra Kelly's fascist Green party in West Germany.

Senator Bumpers recently threatened "blood on the Senate floor" if the U.S. Defense budget is not slashed.

Mrs. Bumpers disclosed that one of Peace Links' chief financial supporters is Pamela Harriman, wife of former ambassador to Moscow Averell Harriman and founder of the influential group, Democrats for the '80s, one of the chief forces behind the Democratic Party's pro-nuclear freeze po-

sition. Senator Bumpers is a regular visitor at Mrs. Harriman's Washington salon.

Mrs. Bumpers also revealed that one of the original organizers of Peace Links is Ann-Catherine Menninger, a self-described close personal friend of Soviet Ambassador Anatolii Dobrynin. Menninger led a Peace Links delegation to Moscow two years ago, to set up ongoing collaboration with the KGB's "peace movement" there.

Mrs. Bumpers is trying to help her husband's current assault on the U.S. defense budget by mobilizing the 35,000 members of Peace Links to bombard Congress with letters, phone calls, and personal delegations demanding massive reductions in military spending. The group will bring a Soviet delegation to the United States next fall.

Behind Shultz's ambassador reshuffle

U.S. ambassador to Colombia Lewis Tambs left his post the day after Christmas, after being forced to resign by the Reagan administration's "Palace Guard" as part of a mid-December reshuffle of Central American ambassadors. Tambs and U.S. ambassador to Bolivia Edwin Corr—who was also removed—had put their lives on the line in support of their host governments' wars against drugs.

The official explanation for the removal of the two ambassadors was that they had both recently been the target of death threats. Tambs began receiving death threats on Nov. 14 when Colombian President Belisario Betancur began signing extradition orders for five men wanted by the United States on drug-trafficking charges.

Ambassador Corr responded to Shultz's orders that he be "rotated" out of his position by making a public announcement that he wanted to stay in Bolivia to finish his job, and that death threats in Bolivia are simply a consequence of "doing the job." For a number of months, the Bolivian government of Siles Zuazo has been hanging by a thread in the face of military threats from the "cocaine colonels" and drug mafiosos

and Ambassador Corr has been credited with having prevented the success of a coup on two occasions.

Reagan conservatives are in an uproar about the shuffle, which includes numerous changes in addition to Corr's and Tambs's removals. "The President has no idea of the extent or depth of the changes," one administrative official told a *New York Times* reporter on Dec. 18. The Dec. 18 *Washington Post* noted that the decisions were made by Shultz in consultation with White House Chief of Staff James Baker, his assistants Michael Deaver and Richard Darman, and Kissingerite Michael Armacost from the State Department.

Who should not be who in Reagan's government

At the close of the 1984 election campaign, *EIR* released a special 26-page report, *Who Should Not Be Who in the Reagan Administration*, which documents the plans of Eastern Establishment officials within the White House and other executive agencies to "ambush" the President prior to or immediately following his second inauguration.

The report describes the Eastern Establishment strategy to destroy the President's effectiveness through a combination of financial, economic, and strategic crises coupled with a series of "Watergate"-style scandals targeting top officials of the administration. This assault is being conducted by top officials including White House Chief of Staff James Baker III, Secretary of State George Shultz, and foreign policy adviser Henry A. Kissinger, in order to stop the President's Strategic Defense Initiative. The report documents the activities of 47 administration officials and private citizens whose influence must be purged from the Reagan administration. Nineteen think-tanks and other institutions which have acted against the President are also listed, along with incriminating evidence against them.

The report documents the fact that Reagan's key Eastern Establishment advisers are committed to deepening the global

depression and using the crises they create to impose a global economic dictatorship in which institutions such as the International Monetary Fund determine domestic economic policy. This dictatorship is to be maintained through a "New Yalta" division of the world with the Soviet Union.

The report is available though *EIR* and sells for \$100.

NAACP leader announces 'walkathon'

O. G. Christian, president of the West Philadelphia NAACP, has announced that he will lead a march from Philadelphia's Independence Hall to the steps of the U.S. Capitol in Washington, D.C. to promote the aims of the Schiller Institute's international movement for the inalienable rights of man.

Accompanying Christian on the 145-mile "walkathon," among others, will be Tony Belletieri, an unemployed technician from South Philadelphia. Christian and Belletieri will begin their walk on Jan. 4 and proceed to Washington through Pennsylvania and Maryland along U.S. Route 1. They are scheduled to arrive at the Capitol steps for a press conference at 10 a.m. Friday, Jan. 11.

Christian and Belletieri will urge observers along the route to join them in the Schiller Institute's Jan. 15 Washington, D.C. demonstration. Contingents totaling 100,000 from across the United States are expected at the event, the first mass demonstration to be scheduled on the national holiday commemorating slain civil-rights leader Dr. Martin Luther King. The demonstrators will demand the use of American technology to wipe out starvation in the developing sector, beginning in famine-stricken Africa, and the immediate implementation of President Reagan's Strategic Defense Initiative.

"The Schiller Institute proclaims the inalienable rights of *all* men, in *all* places, at *all* times," said Christian Dec. 31, in discussing his reason for the walkathon. "The best protection of these sacred individual rights is a strong Western alliance based on beam-weapons defense and a foreign policy which respects the sovereign rights of na-

tions, rejects the genocide policies of the International Monetary Fund, and ushers a continent like Africa into the 20th century."

Joining Christian and Belletieri along the route will be local dignitaries and contingents from other states, including Ohio Democratic Party activist and farmer Don Scott, who will lead a tractorcade of farmers.

LaRouche Campaign hits FEC's 'McCarthyism'

Contributors to Lyndon LaRouche's 1984 presidential campaign notified LaRouche's campaign organization in December that they had received letters from the Federal Election Commission announcing an investigation of the campaign and inquiring about their contributions. The letters asked the contributors whether they had ever had any contact with or made contributions to "any other organizations related to Lyndon LaRouche."

Terming these actions a blatant violation of the citizen's constitutional rights, a spokesman for the LaRouche Campaign declared, "Any citizen who receives such a letter is under no obligation to respond to such 'Big Brother' tactics."

A call to FEC headquarters by a campaign representative revealed that the FEC's legally-required letter to the Campaign announcing its investigation "must have gotten lost in the mail," and a second one could be expected soon.

"The patronage partisanship of the FEC couldn't be more blatant," said a campaign press release. "The FEC has announced it would not investigate Gerry Ferraro's 1978 shady campaign funding nor did the so-called whistle blowers do a serious investigation of Mondale's presidential primary campaign funds. While the FEC slapped Walter Mondale on the wrist for illegal contributions he willfully took, the Commission never even examined Lane Kirkland's buddies from whom Mondale was receiving all these illegal monies. . . . Mondale, of course, in the Senate has been one of the most outspoken proponents for creating the FEC."

Briefly

● **COMMON CAUSE** and former Watergate prosecutor Archibald Cox have teamed up to prevent Reagan associate Edward Meese from being confirmed as attorney general. The ultra-liberal organization has released a 37-page report claiming that Meese is "not fit" for the office. At a Common Cause press conference Dec. 18, Cox charged that Meese "is blind to the ethical standards and obligations required of a public official." A special prosecutor had cleared Meese of all charges against him in 1984.

● **STATE DEPARTMENT** Assistant Secretary Robert Deane will speak at a "peace" forum alongside Green Party leader Petra Kelly at New York University Jan. 18. The first week in December, Deane showed up at a meeting of the Palme Commission in Chicago which, participants report, was devoted almost entirely to stopping the Strategic Defense Initiative.

● **LABOR SECRETARY** Donovan and seven of his former New Jersey business colleagues on Dec. 27 filed a motion for dismissal of the 137-count indictment returned by a Bronx Grand Jury, arguing that Bronx District Attorney Mario Merola's office prejudiced the case. Merola, a longtime Democrat, made "the crude, baseless and highly inflammatory suggestion that the Schiavone defendants operate within the criminal underworld," the court papers say.

● **A FOUNDER** of the American Agriculture Movement, Jerry Wright, was offered sympathy but no legal help from a federal judge in Denver Dec. 27, as Wright sought legal help in retaining a 320-acre homestead. Wright's farm was sold at an auction last year when he was unable to pay \$500,000 in debts. U.S. District Judge John L. Kane, Jr. told Wright, "I'm very frustrated with these cases, but I have no authority."

Editorial

The lessons of the Indian election

The overwhelming vote of support delivered by the Indian population to the late Prime Minister Indira Gandhi's Congress Party is a mandate for the policies which made her one of the world's greatest leaders. The fact that the U.S. population has recently given a similar mandate to President Reagan now presents the world with an excellent opportunity indeed.

The vote for Mrs. Gandhi's party was a vote for national unity and sovereignty, for industrialization and scientific progress, and a vote against the forces of separatism and obscurantism. Her son Rajiv Gandhi, the new prime minister, has indicated his resolve to continue her legacy, and thereby to revenge and outwit his mother's assassins.

The American people voted for Ronald Reagan first and foremost in support of his strong defense policy, against Walter Mondale and the KGB's nuclear freeze lobby. Despite the liberal news media's villification of the President's Strategic Defense Initiative, the American people recognized the Soviet threat to Western civilization and demanded adequate measures to defend against it. Like the people of India, they demanded the defense of the republican nation-state against those who wish to destroy all nations and divide the world into new imperial spheres of influence.

The assassins of Indira Gandhi and the enemies of President Reagan are the very same! And they don't sit only in the Kremlin. When British and Soviet intelligence networks joined forces to murder the Indian prime minister and try to place the blame on the United States, they found ready collaborators at the Washington, D.C. Heritage Foundation and the Anti-Defamation League of B'nai B'rith. These institutions, through the evil offices of the mysterious Jon Speller, had attempted to sell President Reagan and other American conservatives the bill of goods that Mrs. Gandhi was a "communist," and that the ethnic destabilization of her country would upset Soviet projects in Asia. The exact opposite was true, as this journal has abundantly documented.

Now the ADL and the Heritage Foundation have been caught red-handed in destabilization operations against President Reagan. The ADL has teamed up with hoaxter Jesse Jackson to launch a series of demonstrations in the nation's capital during the week before the President's inauguration, culminating in a major protest march on Jan. 19. The demonstrations will demand deep cuts in military spending, and will use a phony campaign against apartheid in South Africa to try to defuse the Schiller Institute's mobilization to end famine in Africa through "American Century" methods. The Schiller Institute has called for a 100,000-person demonstration in Washington on Jan. 15 in support of the inalienable rights of man, beam-weapon defense, and food for the African continent.

The Heritage Foundation, which is run by Soviet-penetrated networks in British intelligence, is one of the spearheads of the current congressional budget-cutting drive. Under the guise of "fiscal conservatism" and "balancing the budget," Heritage is carrying out Henry Kissinger's and the KGB's program for the United States: "whittling away" the funds from the President's Strategic Defense Initiative, while simultaneously destroying the civilian economy, on whose health the success of the SDI depends.

There are two ways for the enemies of India and the United States to be put out of business. First, President Reagan must implement the Strategic Defense Initiative on a crash basis—the only policy which could bring the Soviets to their senses and reduce the threat of war. Second, the President must back an international financial organization that will make Great Projects for industrial development possible. The project to build a second, sea-level Panama Canal, discussed in this issue, is one example of a development program that would have delighted Indira Gandhi, and that could begin immediately.

This two-pronged approach will fulfill the promise both of Reagan's re-election and of India's mandate for Mrs. Gandhi.

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