

EIR

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because we're not producing**



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Since our *Feature* this week is about economics, we let the lead article in the *Economics* section be on anti-economics: namely, the plans of some of Kissinger's tentacles in the Bush administration for a September "economic" summit between the new Czar of all the Russias, Mikhail Gorbachov, and George Bush. Said summit would discuss how to sell, to what's left of the Russian Empire, the snake-oil remedies that have razed the physical economy in the U.S. and Britain. That's the kind of hoax Eagleburger and his friends in the cosmetic trade like to pass off as "economic development."

Contrast that to reality, as put forward in Lyndon LaRouche's analysis (p. 8) of the potential spillovers into civilian industry of a genuine anti-ballistic missile defense buildup. Elsewhere, for Colombia, Venezuela, and Africa—as well as for the United States—we report on what the policies of Eagleburger's sponsors have already done; and we draw special attention to the article on p. 14, a glimpse into the evil, more than merely greedy, *mentality* behind such designs.

The second week in March was not triumphant for the "Get LaRouche" task force, the blueblood financiers who are determined to silence LaRouche and everyone who shares his ideas, and who railroaded LaRouche himself to prison last year. The bluebloods have been using the Anti-Defamation League (ADL), a phony "civil rights" front, to run the most criminal side of their illegal frameups of LaRouche and his friends, which escalated after two LaRouche co-thinkers won in the Illinois Democratic primary in 1986. Despite all those efforts, candidates who campaigned openly on LaRouche's program won a solid 25-30% of the Democratic primary vote in Texas (p. 68), while William Weld, the Boston "Brahmin" who epitomized the arrogance of power in the persecution of LaRouche, was routed in his Massachusetts electoral design, and in Colombia, voters ended the political career of liberal Ernesto Samper Pizano, darling of the ADL-backed U.S. drug lobby, and LaRouche foe (p. 44).

The ADL's heinous zeal to "get LaRouche" at all costs was exposed, as an Illinois prosecutor had to request a mistrial after nearly harassing to death an elderly LaRouche political supporter; and in Virginia, when the ADL targeted yet another innocent friend of LaRouche for a long jail term (see pp. 72-73).

Nora Hamerman

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Feature



Chris Lewis

Workmen dismantle a steel plant in McKeesport, Pennsylvania, in the Midwestern industrial heartland. And so it goes, with the physical economy. . . .

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The United States, once the greatest industrial and manufacturing power in the world, is now a shell of its former self, and is 20-30% dependent on inflows of foreign goods and raw materials, many of which it has entirely lost the capacity to produce. *EIR* economics researcher Anthony Wikrent surveys the devastation, and shows where the U.S. elites went wrong.

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Probe Eagleburger role in East Europe looting scheme

by Scott Thompson

While most major media are just beginning to promote the June summit between President George Bush and Czar Mikhail Gorbachov, where a conventional forces agreement for Europe is expected to be signed, *EIR* has learned that secret negotiations are under way for a second summit in September. The subject of that summit will be economics: not only to line up the tribute wagons of consumer goods, since Gorbachov pleads that he cannot survive another bad winter, but to work out the so-called development of Eastern Europe on terms amenable to the United States' partners in London and Moscow.

In preparation for that summit, the Anglo-American Establishment is hurrying to impose upon Eastern Europe the same oligarchic model of the International Monetary Fund (IMF), emphasizing rentier-financier forms of looting, which is already causing genocide in Ibero-America and Africa on a scale greater than that contemplated by Nazi Finance Minister Hjalmar Schacht. They intend thereby to edge out a Franco-German approach that emphasizes investment in infrastructure and new energy sources as a precondition for real economic progress.

The anchor man in Washington for the Anglo-American swindle is Deputy Secretary of State Lawrence Eagleburger—the former president of the global influence-peddling firm Kissinger Associates, Inc.—who recently got the added post of presidential coordinator for Eastern European Assistance. Eagleburger unabashedly endorsed the IMF looting approach toward the emerging republics of Eastern Europe in March 6 testimony before the House Budget Committee. But Eagleburger abruptly canceled March 8 testimony before the Senate Foreign Relations Committee on U.S. policy toward Eastern Europe, apparently because he feared that some senators might grill him on his conflicts of interest over East-

ern Europe. (See *EIR*, March 16, 1990, p. 62.) A source on the Senate Foreign Relations Committee says that Eagleburger will not appear to testify until he is guaranteed that certain questions will not be asked in public hearings by Committee chairman Senator Claiborne Pell (D-R.I.).

The questions Eagleburger fears

One question Eagleburger may want to avoid answering, has to do with what Thomas Friedman reported in the *New York Times* on Jan. 27, namely, that Eagleburger told then-U.S. Ambassador to Hungary R. Mark Palmer that he could stay in that post until he became chief executive officer of Ronald Lauder's Central European Development Corporation (CEDC). In an interview, Palmer told *EIR* that the CEDC is the model of the "privatization approach" toward Eastern European "development" advocated by President George Bush and Secretary of State James Baker. But informed sources add that the threat of a scandal was so great, after articles appeared in the *New York Times*, *Washington Post*, and *Newsweek* that Secretary Baker demanded Palmer's instant resignation as ambassador, lest the September summit plan be jeopardized.

According to coverage in the *New York Times* of Jan. 26, the CEDC had set up shop in Budapest, Hungary, Jan. 25 with the announcement that it had paid \$10 million for 50% ownership of the General Banking and Trust Company and that this model business would engage in banking, real estate speculation, and tourism throughout Eastern Europe.

EIR's independent sources say that the CEDC is part of a plan to make Budapest a banking center like Tangiers or Beirut, where anything and everything goes, so as to outflank Franco-German plans for an Eastern European development bank. Apparently still fearing conflict-of-

interest charges, Palmer refused to discuss with *EIR* reports that he was recruiting a "nationalities division" from people of Eastern European ethnic origins in the U.S. State Department and the Democratic and Republican National Committees, who could act as front men for Anglo-American financial interests.

Overall, the sources stress that the essential features of the Eagleburger/Palmer plan are congruent with an obscene study prepared by Philip A. Petersen, who is an assistant to Undersecretary of Defense for Policy Paul Wolfowitz. Petersen's study advocates the reemergence of an Austro-Hungarian Empire including Czechoslovakia, Austria, Hungary, Yugoslavia, and Italy as a restraint on a reunified Germany. This plan, revealed by Peter Almond in a March 12 article for the *Washington Times*, was slated to be unveiled on March 19 for NATO ambassadors in Brussels, Belgium.

Who's behind the Palmer scheme

Below are the principal investors in Palmer's CEDC, according to the Jan. 26 *New York Times*, with profiles assembled by *EIR* investigators:

Ronald Lauder. This former U.S. ambassador of the Reagan administration to Austria and unsuccessful 1989 New York mayoral candidate is the chairman of the CEDC. He is an heir to the Estée Lauder makeup fortune. His mother's family claims to have been close to the last Austro-Hungarian emperor, Franz Josef; she, too, is said to be an investor in the CEDC. Ironically, although Estée Lauder was raised partly in the Jewish religious tradition, she counted as her best friends the Duke and Duchess of Windsor, key figures in the Anglo-American conspiracy to finance the Nazi Party and to impose Adolf Hitler upon Germany. As King Edward VIII, the Duke not only sought to bring fascism to Britain, but, after his abdication, he traveled to Germany to meet Hitler, Goering, and Himmler, a scandal covered up by the late Anglo-Soviet agent, Anthony Blunt.

Yet, as U.S. ambassador to Austria, Lauder helped implement the plan of Edgar Bronfman, who is a bigwig in the Anti-Defamation League (ADL) of B'nai B'rith and president of the World Jewish Congress, to smear Austrian President Kurt Waldheim as a Nazi war criminal and to make him *persona non grata* in the United States. Lauder's Deputy Chief of Mission at the time was alleged Soviet spy Felix Bloch. (Bronfman's own credentials as a democrat are badly tarnished, since he was decorated by East German strongman Erich Honecker in 1989, just before Honecker was ousted in a democratic revolution, apparently as reward for Bronfman's role in destabilizing West German leaders pursuing German unity.)

Andrew Sarlos. This Toronto-based investment counselor is vice-chairman of the CEDC. Sarlos, who was born in Hungary and immigrated to Canada in 1956, worked with the Bechtel Corporation and other firms before becoming a private investor. Sarlos is also on the board of The Hungary

Fund, which he had sponsored with fellow Hungarian George Soros. With \$80 million placed jointly by Bear Stearns and the World Bank's IFC, it is the largest investment pool in Hungary.

Albert Reichmann. This major investor in the CEDC is one of the three Reichmann brothers of Hungarian origin who control the Toronto-based Olympia & York Development Ltd., recently called by *Business Week* magazine "the richest and most powerful real estate developer in the world." The owners of this \$25 billion world real estate empire are the sons of Samuel and Renée Reichmann, who fled Austria for Tangiers, Morocco, where Samuel allegedly traded in currency and industrial diamonds (the latter, some sources allege, went to the Nazi war machines), while his wife Renée worked to smuggle Jews out of Nazi-occupied Europe. The family immigrated to Canada in 1956.

Albert Reichmann told the *New York Times*: "The Jewish population is the reason I'm interested in Hungary and the Soviet Union." Albert Reichmann is also on the board of The Hungary Fund with Andrew Sarlos. Moreover, Olympia & York is said to be building a \$210 million, 60-story office tower that will be Moscow's tallest, and the family is said to be part of a Canadian consortium to build a real estate complex in Leningrad. The *Times* reports that "The Reichmanns . . . have pressed the Soviet Union to allow more Jews to emigrate," especially to Israel. This is understandable since the Reichmanns own 30% of Bronfman's Trizec Corporation Ltd. real estate firm.

The Reichmanns are very much a part of the Anglo-American Establishment's bid to make London the financial services hub of the planned Single European Market-1992, through their \$5.9 billion Canary Wharf office complex project in the City. They are said by some British sources to have regular entry to British Prime Minister Margaret Thatcher, who is leading the charge to stop German reunification. Thatcher is also seeking to sequester in London, and thereby hinder, the Eastern European development bank fund for infrastructure investment proposed by the French.

R. Mark Palmer. This career foreign service officer is another protégé of Henry Kissinger, having served as second secretary at the U.S. Embassy in Moscow when Kissinger started Détente I, and then in Policy Planning at State when Kissinger was secretary. When he was Deputy Assistant Secretary of State for European Affairs in 1981-86 (his first boss in that post was Larry Eagleburger), Palmer told *EIR* that he was using businessman Armand Hammer as a back channel toward Moscow to help organize the first Reagan-Gorbachov summit. "Any friend of Father Lenin is bound to be a friend of Mikhail Gorbachov," Palmer explained. Declassified State Department intelligence documents from the 1920s state that "friend of Father Lenin" Armand Hammer had carried out secret missions for the Soviet government, and that Hammer's first wife was an agent of the OGPU, the predecessor of the KGB Soviet secret police.

More recently, as U.S. ambassador to Hungary, Palmer worked with Edgar Bronfman's East-West Forum, helping write a policy piece for the IMF austerity-style restructuring of the Eastern European economies. Also, while he held the post of ambassador, he worked closely with Hungarian magnate George Soros on designing projects for The Soros Foundation-Hungary, a parallel of the Soros Foundation in the U.S.S.R., which assists Raisa Gorbachova's Russian chauvinist-linked Soviet Culture Fund.

The CEDC's board totally overlaps that of The Hungary Fund, as the cases of Andrew Sarlos and Albert Reichmann show. Spokesmen for the Bear Stearns investment firm told *EIR* that Sarlos, at least, is committed to review any CEDC project with The Hungary Fund to see whether it wishes to participate. Well-informed sources state that Bear Stearns, which is also represented on the board of The Hungary Fund, is seeking to control 20% of all U.S. capital flow to London and 60% of that to Hungary.

The plight of Soviet Jews

As the case of Edgar Bronfman's business associate Albert Reichmann highlights, the CEDC has a lot to do with the question of Soviet Jewish emigration to Israel. It has been charged that one of the main reasons why Edgar Bronfman's World Jewish Congress went to such outlandish lengths to smear Kurt Waldheim, was that Waldheim complied with the Helsinki Accords by permitting those Soviet Jews traveling on the main route from Moscow to Vienna to choose where they would settle. As syndicated columnists Rowland Evans and Robert Novak wrote in a Jan. 23, 1989 article entitled, "Swap Soviet Jews for U.S. Trade?" Bronfman was part of an "ugly deal" to negotiate with Moscow the lifting of Jackson-Vanik and other restrictions on U.S. trade with Moscow, if the Soviets would negotiate the forced transport through such alternate routes as Budapest of Soviet Jews only to Israel.

Present at a meeting at Bronfman's New York apartment was grain cartel magnate Dwayne Andreas, who, in addition to being a funder of the Anti-Defamation League (ADL), is American co-chairman of the U.S.-U.S.S.R. Trade and Economic Council (USTEC), a KGB-infiltrated outfit in which Edgar Bronfman and Armand Hammer are members of the executive committee. Last November, Andreas told *EIR* that negotiations for the forced transport of Soviet Jews to Israel were in their final phase, as was the establishment of an ADL office in Moscow at the invitation of Mikhail Gorbachov (see *EIR*, Dec. 1, 1989, "The Dwayne Andreas file: How the ADL works for Moscow"). Now, former U.S. intelligence sources report to *EIR* that the first 2,500 Soviet Jews have been transported to Israel via Budapest, where, perhaps not coincidentally, the ADL opened its first Eastern European office, on the day Larry Eagleburger landed there during his Feb. 20-27 tour of the region.

Once these Soviet Jews land in Israel, there is every

chance that they will become cannon fodder in the attempt by hard-line Israelis like Likud fanatic Gen. Ariel Sharon to annex the occupied territories into *Eretz Yisroel*. But even here there is a scandal involving Henry Kissinger, who is allegedly a business partner in Palmer's CEDC. In October 1982 Lord Harlech (David Ormsby-Gore) inadvertently revealed to *EIR* that he was a partner of Henry Kissinger in a scheme to swindle Arabs on the Israeli-occupied West Bank of the Jordan River out of their land, which could then be sold at an immense profit to Jewish settlers. Apart from Kissinger, the key partners in this venture included Lord Peter Carrington, who would shortly thereafter emerge on the board of Kissinger Associates, Inc., and Kissinger's old deputy, former U.S. Secretary of State Al Haig, who had just been fired from the State Department under the cloud of having been a party to Sharon's invasion of Lebanon. *EIR* investigations subsequently uncovered a meeting at Sharon's farm in the spring of 1982, that helped plan this caper to make the West Bank "Arab-free."

The Felix Bloch affair

There is another question that may be posed by the Senate Foreign Relations Committee that Eagleburger would likely seek to dodge, namely what his connections were to alleged Soviet spy Felix Bloch. On March 13, R. Mark Palmer denied to *EIR* charges of former U.S. State Department intelligence sources that he and Eagleburger had worked closely with Bloch for over a decade. "I only met him once, fleetingly," said Palmer of Bloch, who is said to have been a protégé of Kissinger's longtime crony and later State Department aide, Helmut Sonnenfeldt, when Bloch entered State Department intelligence (INR) in 1958.

Felix Bloch's suspicious contacts with the KGB were exposed by the French, and a well-informed source alleges that President François Mitterrand personally called George Bush, asking the President—who, after all, is a former U.S. Director of Central Intelligence—to mount a crackdown. The fact that no indictments have been forthcoming may be due to the fact that the Bloch affair is not about simple espionage. Bloch had helped draft NSO-4, the part of the much vaunted East-West policy review dealing with trade relations. Had Bloch been nailed, the source believes, this could have brought down Kissinger and also Eagleburger. The latter also worked on NSO-4, which remains the basis for preparations for the September summit.

The same source alleges that Jerusalem Mayor Teddy Kolek and Edgar Bronfman would have prevailed upon Lazard Frères banker Felix Rohatyn to tell President Mitterrand: "Don't make any more waves on the Bloch affair." While neither Rohatyn nor Bronfman could be reached to comment on this allegation, Rohatyn is on record in New York and Paris papers appealing for the Anglo-American bankers' approach to Eastern Europe that is epitomized by Eagleburger, Palmer, and the CEDC.

The SDI and new technology crucial for spillover benefits to the economy

by Lyndon H. LaRouche, Jr.

This statement was released on March 6.

When it is said that the new physical principles aspects of the so-called Strategic Defense Initiative (SDI) technology would spill over to greatly beneficial effect into the civilian sector of the economy, one meets often incredulous responses which reflect a widespread and therefore understandable ignorance of the rudiments of a little-known science founded by Gottfried Leibniz called physical economy.

As Alexander Hamilton, who was directly or indirectly a student of Leibniz, explained in his December 1791 "Report to the U.S. Congress on the Subject of Manufactures," the secret of increase of the productive powers of labor is the infusion of scientific and technological progress in the form of energy-dense, capital-intensive investments.

This was well understood, at least pragmatically, by all competent industrial managements into about the 1960s until the time that various kinds of utopians, including demented characters from the Harvard Business School precincts, began to replace competent industrial managers in the direction of our crucial industries and related sectors. But, nonetheless, although there was a pragmatic understanding of the role of technological progress through the mediation of energy-dense capital-intensive investments, the general theory of this was not understood, because the relevant people had been given no education in even the rudiments of physical economy.

Essentially, it's this. Let's look at scientific progress. In scientific progress, what we do essentially, is we conduct a crucial experiment which overturns some significant theorem of existing scientific opinion. Because of the so-called hereditary principle of a deductive theorem-lattice, which modern classroom physical science attempts to approximate, the overturning in a conclusive way of any essential theorem of that lattice, any consistent theorem of that lattice, compels us to reexamine the fundamental assumptions underlying the lattice as a whole—i.e., the axioms and postulates, so to speak, of existing physical science.

The modifications which are imposed upon these fundamental assumptions, these axioms and postulates, generates a new deductive theorem-lattice, which is a greater or lesser

revolution in scientific thinking, affecting every theorem in science.

This is the prototype of scientific progress.

Now, look at the crucial experiment which is used to prove the new principle involved. This takes the form of a laboratory apparatus, often constructed in a properly organized university, in the machine shop of the relevant university or laboratory under the direction of the physicist or so forth who designs the experimental hypothesis. Once the crucial experiment has been perfected—that is, it's been proven several times over with more and more refined apparatus, taking into account features of design of experiment and instrumentation not previously considered—we have a finished scientific, experimental apparatus.

The critical machine tool shop

Now, if we walk that apparatus over to a good machine tool shop, (of the type which perhaps no longer exists in the United States, since we've been shutting down our machine tool industry and relying largely on imports from West Germany and Japan for our own so-called domestic product), if we take it to that particular hypothetical and formerly existing machine tool shop, the scientific apparatus now takes the form of a basic feature of design of a machine tool.

That machine tool, then supplied for an application, that is, designed to be applied to a certain kind of application in manufacturing and so forth, becomes the means by which the product of labor and industry is quantitatively and qualitatively improved. The transmission of the knowledge associated with the scientific revolution, to the mind of the people running the plant and as operatives in the plant, is more or less the completing feature, which gives us a fuller picture of what happens in scientific and technological progress.

It is also to be noted, as another feature of physical economy, that generally speaking, the improvement to the effect of a more capital-intensive, more energy-intensive basic economic infrastructure, is the essential environment which is required to make possible the success or realization of technological progress transmitted, say, from the scientific apparatus through the machine tool shop into the increase of the productive powers of labor in the industrial setting.

So, therefore, without an increase in the basic economic infrastructure's capital intensity, energy-density, we cannot for long absorb improvements in technology efficiently, in the economy, to effect significant net increases in the productive powers of labor.

The SDI revolution in production

Now, it happens that the SDI-related technologies, referring essentially to new physical principles and to the apparatus needed to support the application of new physical principles, represent a revolution in production, to take a narrow view of the matter.

Essentially, what we're doing, is we're increasing the energy-density applied to a target, whether a military target or a target of work application, at the same time that we're increasing the coherent organization of the application of power by means of lasers or other electromagnetic devices.

This means that we can, for example, locally heat a work target area to above the point at which tungsten is not only boiled, but is boiled into its plasma state. Obviously, at the point we reach that kind of application, we have burst a barrier in physical chemistry, applied physical chemistry, and we have a new scale of production.

This is, of course, all closely related to thermonuclear fusion, confined thermonuclear fusion processes, and the combination of the two, the new electromagnetic applications centered around lasers and kindred devices, together with controlled thermonuclear fusion magnetic confinement control, is an entirely new conception of production, which, once developed, will spread rapidly.

The development of new types of ceramics, and new types of materials, and all these kinds of things flow from it.

Targeted investment tax credits

Now, finally, on this subject, before coming to a theoretical note to be appended: The crucial factor in making this kind of spillover work, is, first, we require something like an investment tax credit program of the type we had under the Kennedy administration. Lowering the capital gains tax does not foster technological progress under conditions, particularly, where interest rates are much higher than average rates of industrial profit.

Lowering capital gains rates under those conditions is insane, if you think, by doing so, that you're fostering economic growth. You must have the tax benefit much more targeted, it must be targeted to the specific kinds of investment you desire. In other words, the effect must be to increase profitability, and capital gains related to profitability in industrial and agricultural and infrastructural enterprises, not in services, administration, or financial speculation.

We also require increased energy. That means today that what we really require is a production line, virtually, a generation of new, highly safe, nuclear plants of the type associated with the high temperature gas-cooled reactor in Europe.

We should probably produce these in something over 100 megawatt to 200 megawatt capacity, that is, smaller units, in order to put up multiple units, which can be much simpler and much safer, etc., than anything we've done generally so far. We have the technology.

So, if we supply energy, if we increase the effectiveness of our rail system, which is, next to water, the cheapest form of freight and can be the quickest relative to cheapness, and if we improve water management generally, crank up our school system in a manner consistent with the technological revolution, improve the urban industrial infrastructure, we can have a great rate of growth.

This means focusing our resources through tax, fiscal, and related policies, upon those areas in which the greatest leverage is obtained.

A scientific appendix

All I have said involves a conceptual problem, even from the standpoint of today's qualified physicists.

The commonplace, accepted mathematics of the classroom today, is of the deductive theorem-lattice type we've described. That is, it is the objective of classroom and related mathematical physics, to reduce physics to a fully consistent deductive theorem-lattice structure. We never quite do that; but that is the objective of refinement. In the course of trying to do that, we have these troublesome minor and major, and middle-sized scientific revolutions, which upset the process, so that we have a new scientific view coming on faster than we can try to perfect to consistency the old, generally accepted view.

The development problem that arises is that on the one hand, as a result, as an effect, we are measuring increases in the productive powers of labor. I shan't here go into the complexities of how that measurement has to be made. However, it's obviously a physical measurement, a measurement of physical productivity.

On the other side, as to the ultimate origin in the causal sequence or function, general function, the source of the increase is discoveries which are made by individual human minds, by the creative processes of individual human minds, which, ostensibly, is some sort of metaphysical spiritual agency.

So we have a metaphysical, spiritual agency, from one point of view at least, which is causing, through the mediation of the machine tool sector and education, an increase in the productive powers of labor, i.e., a physical effect.

So we have what are ostensibly non-physical causes causing these much-desired physical effects.

A deductive mathematics cannot comprehend this kind of process. The ideas of ontology intrinsic to the deductive method, defines physical in one sense, a conventionally accepted sense today, and defines mental in a completely different sense, in the sense accepted today.

Now it happens that both of these assumptions are mistak-

en. Nonetheless, both are consistent, since Descartes, and actually since Aristotle, with a deductive method. So, therefore, without going to a non-deductive method as a replacement for the accepted mathematics of classroom mathematical physics today, we cannot develop an effective comprehension of this causal relationship between scientific progress and increase in the physical productive powers of labor.

This can be solved from a different standpoint in mathematics, if we abandon the standpoint of deductive mathematics for a mathematics which is based on what is called constructive geometry. And if we pursue the line of constructive geometry's elaboration which can be traced through fellows such as Nicolaus of Cusa, and Leonardo da Vinci in the 15th century, through and beyond Leibniz in the 17th and 18th centuries, into the work of Riemann, Weierstrass, and so forth in the 19th century, we have a comprehensible approach which demystifies the kind of causal relationship I've indicated.

So, without going into great detail further on the point here, I merely wish to identify the existence of a solution that is a method by which this very important connection is effectively demystified.

So this is the problem. On the one hand, there is a lack of pragmatic understanding today of the manner in which technological progress is effected. This lack of pragmatic understanding of the problem is a reflection of the replacement of the old-fashioned competent industrial managers, who ran the economy during and immediately following World War II, by the Harvard Business School types of mystics.

The second level, beyond the pragmatic level, is that physical science as commonly taught in the classroom, and certainly economics as commonly taught in the university classroom today, prohibits any profound comprehension of the causal relationship I've identified. And my point on this note is simply to indicate there is a solution to that which is elaborated in other locations.

'From the prison in which the politician's career expires, the influence of the statesman is raised toward the summits of his life's providential course. Since Solon, the Socratic method has become the mark of the great Western statesman. Without the reemergence of that leadership, our imperiled civilization will not survive this century's waning years.'

—Lyndon H. LaRouche, Jr.

IN DEFENSE OF COMMON SENSE by Lyndon H. LaRouche, Jr.

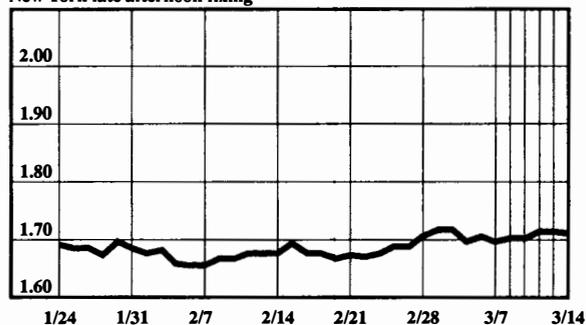
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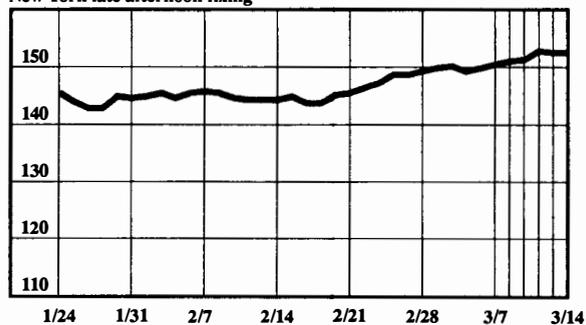
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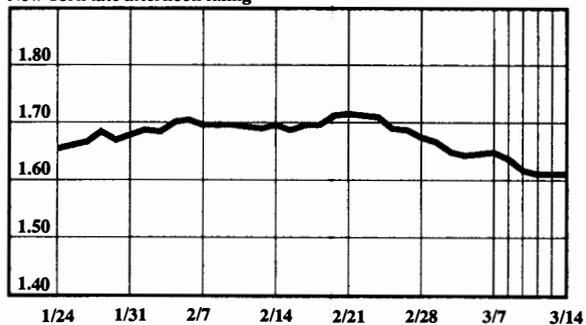
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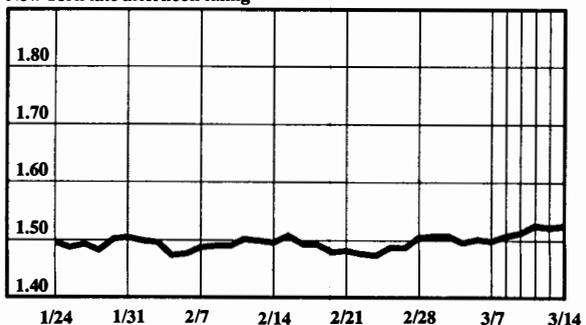
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New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Francophone Africa: destabilization and aspirations for freedom

by Jacques Cheminade

The following analysis was adapted from an article written in French, for the weekly Nouvelle Solidarité.

Throughout French-speaking Africa, from Diamey to Libreville and from Dakar to Cotonou, passing through Abidjan, students and workers have taken to the streets to protest the lowering of their living standards and to demand true political liberty. They are thus calling into question, for the first time in such a generalized way, the political systems which have failed, after more than 30 years of independence, to get overall development and lasting growth under way in their countries.

What is occurring is a challenge both to their forms of government and to their protector-country, France. This challenge should not be underestimated. The World Bank reveals in its latest report that the Gross Domestic Product of sub-Saharan Africa amounts to about \$150 billion for 450 million inhabitants, a figure barely equal to that of Belgium, which has 10 million people! For at least 10 years, the Gross National Product and the food consumption, the standard of living, as well as the quality of medical care and education, have steadily fallen in Africa.

The students, privileged persons in regions where illiteracy and rural misery reign supreme, are the first to react—along with the other relatively “privileged” class, the civil service workers—because they know and fear for the future. They see the very basis of the state sinking before their eyes, while an ultra-privileged class, the accomplice of the international financial institutions, dances on the volcano and salts away its gains overseas.

Life expectancy is falling back to an average of 40 years. Infant mortality is the world’s highest. Classical epidemics are returning—trypanosomiasis, malaria, yellow fever—while AIDS progresses with lightning speed.

Pillage of raw materials

Presidents Félix Houphouët-Boigny of Senegal and Omar Bongo of Gabon were certainly perfectly right when they blamed the multinational corporations and the policies of the International Monetary Fund (IMF) and World Bank. It is absolutely true that the multinationals want to create in Africa a situation of disorder and destabilization, so as to prevent any resistance from being organized against the de-

liberate drop in prices of raw materials. Gabon (petroleum, wood), Ivory Coast (coffee, cacao) or Niger (uranium), as well as Senegal or Benin, which have no viable industries, are totally vulnerable to such manipulations.

The Ivory Coast case is particularly instructive. This land, the world’s premier producer of cacao and number five for coffee, depends for 60% of its export revenues on these two products.

The price of cacao on the world markets has fallen about 40% since the beginning of 1988. Today, because of this drop, the foreign debt of Ivory Coast has reached \$14 billion; their Farm Products Stabilization Bank is bankrupt, and therefore incapable of keeping its agreements with the cargo carriers; and 700,000 planters of cacao are ruined: They have seen their guaranteed prices go from \$70 to \$35 per kilo in under one year.

The same goes for coffee. The prices have fallen by about 50% and the international coffee accord guaranteeing a floor price, went up in smoke.

The multinationals’ action can be easily traced. They pull prices downward by controlling the futures markets or by playing the producers off against each other. For cacao, for example, the production of Malaysia, fourth producer in the world, was played off against that of Ivory Coast; for coffee, the arabica producers of Central America have been set up against the Ivory Coast or Cameroon producers, which grow robusta.

President Houphouët-Boigny has tried everything to try to jam the spokes of the conspiracy to lower the world cacao price. In July 1987, he refused to sell his cacao below a profitable price (\$209 per quintal). He stockpiled beans in warehouses, but the prices are still tumbling—international business promotes Malaysian cacao and sells it on the futures markets.

Caught in the pincers, Houphouët-Boigny tried to “turn” his enemy by signing bilateral accords. In December 1988, he sold 400,000 tons of Ivory Coast beans to the French company Sucres et Denrées. He also signed a contract for 500,000 tons with the American firm Phibro.

But this failed, too. Sucres et Denrées offered him a sharply lower price, despite a \$70 million loan from the French Central Bank for Economic Cooperation, which allowed it to save appearances while the negotiations were

going on, and Phibro broke its contract, considering the price not low enough!

Pushed by the new slave traders, the world price continues to drop, and the CFA (“African franc”) price of ready-to-ship cacao is quite a lot higher than the market price. The ensuing bankruptcy of the Ivory Coast’s Farm Products Stabilization Bank is upsetting the Central Bank of West African States (BCEAO), which extends the rural start-up credits to local financial establishments.

So the Ivory Coast government is on its knees. The World Bank and the IMF are imposing, as the condition for offering new loans and rescheduling the old ones—without which the country will go bankrupt—a brutal reduction in price supports to planters. Abidjan must also agree to give up certain export taxes.

The IMF and World Bank thus ratify the victory of the dealer—who buys at the cheapest rate, even though the final price to the Western consumer of chocolate does not vary—by making the costs of the operation be paid by the government of Ivory Coast (loss of export revenues and tariffs) and the peasant producer.

One can well understand the anger and sadness of Houphouët-Boigny, whose entire political career was built up with the planters’ support, from the “radical” period down to the present. Likewise, President Bongo in Gabon finds himself forced to act against his traditional political base.

The era of compromise has ended

It is evident that a policy of compromise cannot continue, without endangering the very fabric of the states and the inhabitants who people them. We find ourselves “at the bottom of the barrel.”

The problem is not just one for the African countries. Today, it is located principally in the attitude of the European countries, which continue, in fact, to follow IMF policies, the policies of ruin for Africa, criminal policies in the true sense of the word.

Thus the European Community gives 2 billion ECUs (European Currency Units)—a sum which is anyway a drop in the bucket compared to the challenge—to the 30 African countries, out of 47, which subscribe to the IMF’s austerity programs. About 1 billion ECUs will be allotted for measures of “social accompaniment” of the draconian restructuring plans which will be put into effect (severance pay for fired civil servants, setting up of social programs, actions to recycle and retrain personnel, management of imports of basic foodstuffs. . .). In a word, as in the worst colonialist traditions, the European Community Brussels is playing Lady-Do-Rightly charity games . . . after having let the slavetrader in the door!

Most worrisome is that Benin is mentioned as an example, a test case. This country was ruined by a regime whose Marxist-Leninist label was just a cover for wheeling and dealing, incompetence, and embezzlement. Now its leader,

Mathieu Kérékou, remains in place despite demonstrations demanding that he leave. Simply, this “Marxist” prime minister is being replaced by an expert “economist” from the World Bank, Nicéphore Soglo. Malicious tongues even say that a “red” mullah has been replaced by a “liberal” mullah—a businessman who is particularly cruel and unscrupulous.

To apply what policy? A terrible “stripping” of public spending: less education, less public health, and the firing of a good half of the civil service!

The regime’s parasites certainly ought to be rapidly discarded. But most of them remain where they were, at the top! It is the vast patronage structure that was shown the door, with no new jobs, no plan, no investments to allow the fabric of the country to be reconstituted. The European Community countries—especially France—are disinvesting, and the EC funds are for “social expenditures” or monies to pay off the debt, not investments to increase wealth.

The lowered standard of living, of life expectancy, of food consumption, and of health and education, will continue—in one of the countries most ravaged by epidemic disease and malnutrition!

On a scale still more monstrous, Benin will thus get the Poland treatment: It will leave “Marxism” to pass through “liberal” austerity—or, pure and simple looting.

• That is what is intolerable! That is the real problem, not some vague demand for “democracy.”

Sure, these countries should be democratized, in the sense that a new elite comes to power, whose basis of competence is broader. However, what good will “democratization” be if a serious program of economic development is not put into place? By what miracle will “democratization” and the pillage of the resources be compatible? By what miracle is “democratization” born out of spreading poverty?

In fact, the European countries, with France in the lead, should radically change policy vis-à-vis Africa, rebuilding the basis of development, solid industrial bases, and not bases depending on an economy founded only on raw materials, with new African elites.

You cannot pretend to change things with the IMF, nor believe that it is sufficient to say “it’s the IMF’s fault” so that everything will miraculously arrange itself.

Finally, you need a serious, integrated development program, centered around great development projects—like the Schiller Institute’s project for revitalizing Lake Chad and exploiting the very fertile lands around it—with the support of small and medium-size industry which can be productive because the conditions of production are created around it. At that point the students, future doctors, teachers, engineers, and technicians, can participate in a national and regional project, and thus concretely build up “democracy,” anchoring it to the truth of economic growth, and not to “Marxist” illusions or “liberal” ones, to rhetoric which hides nepotism, wheeling and dealing, and graft.

Venezuelan economy shifting from industry to money laundering

by David Ramonet and Mark Sonnenblick

Venezuela is gaining a new niche in the international division of labor. Its socialist President Carlos Andrés Pérez is offering the nation's agriculture and industry, its oil, and other natural resources to foreign investors. On Feb. 28, he named Harvard-educated businessman Andrés Sosa Pietri as the new chief of the state oil company, PDVSA. The previous chief had objected to schemes to mortgage oil as collateral for the foreign debt.

On March 8, U.S. Vice President Dan Quayle told a Washington press conference that Pérez "is doing the things that must be done" and that his strategy "has President Bush's support."

If implemented as planned, Pérez's policies will facilitate Venezuela's transformation into a money-laundering center. A nationwide debate over setting up offshore banking and gambling casinos is now raging in the country. Edison Perozo, the chief of the Superintendency of Foreign Investment, warned Feb. 21 that the new foreign investment law, which permits "investments" to move in and out of the country with no questions asked, could lead to "implanting a narco-economy." He charged it would facilitate "infiltration of the infamous mechanisms for laundering dollars." The Archbishop of Maracaibo, Domingo Roa Pérez, told the country's bishops March 8, "The country's moral aspect declines every day; we are in an almost apocalyptic situation. . . . The nation receives a fabulous quantity of dollars every day and we have no idea where they go."

A tale of two models

Opposition to the government's policies is increasingly focused around a 42-page booklet, "How to Make Venezuela an Industrial Power." During the past 18 months, the Venezuelan Labor Party (PLV), Lyndon LaRouche's co-thinkers, have saturated the country with 160,000 copies of this cogent program. It presents the critical choice: Venezuela must "put into practice the program which the PLV proposes and turn itself into an agro-industrial power, or execute the economic program of Carlos Andrés Pérez, the candidate preferred by Rockefeller and Fidel Castro, and remain eternally condemned to underdevelopment and to producing drugs to pay the foreign debt.

"Beginning with the [first] presidency of Carlos Andrés Pérez in 1974-78," the PLV program reminds readers, "our country has suffered a financial looting of nearly \$70 billion, by means of the largest capital flight in the history of humanity, exacerbated by the usury of the international banks." But for that, Venezuela would today not owe a penny of its \$32 billion foreign debt. And, it would also have \$28 billion more foreign reserves.

That fraudulent foreign debt is being used by the Bush administration and the Wall Street crowd it represents to bludgeon Venezuela into surrendering its industries and the fabulous gold, iron, and hydrocarbon reserves which lie under its vast and underpopulated territory. In 1989, Pérez's government swapped \$370 million of properties for a somewhat larger nominal amount of debt paper. It plans to escalate "debt-for-equity" swaps to \$600 million this year. By these means, the banks get repaid, at a discount, for their fraudulent debt titles, and foreign speculators gain control of the country's paper, cement, construction, agro-chemical, and pharmaceutical industries. The government has already approved \$2.7 billion worth of such conversions, and is pressing its masters at the International Monetary Fund (IMF) for approval for accelerating the giveaways.

The excuse for such giveaways is that the country cannot "resume growth" without hefty doses of "foreign investment." This argument is particularly absurd in the case of Venezuela, whose flight capital sustained the New York banks and the Miami condominium market for the past decade. Decree 727—promulgated Jan. 26—eliminates the rules which, since the nationalist Pérez Jiménez regime of the 1950s, have protected the national economy from the most abject colonial forms of looting. Decree 727 eliminates limitations on quick-buck swindles in which capital comes in, makes a killing, and flies back out with its windfall profits. It also opens up to foreign ownership public services such as telecommunications, transport, and commerce. It opens the capital markets, including banks, insurance, and brokerages to foreign ownership. And, most importantly, it accepts foreign capital in the oil, petrochemical, iron, and steel industries. It also promises Venezuelan elites that if they bring back their \$45-60 billion in flight capital, they will be allowed

to send it back abroad, no problem.

This, and many other similar measures, are the second stage in the "adjustment" program Pérez put in place when he came to office in February 1989. The first stage was like the artillery barrage with which an invading army "softens up" its enemy's position and will to resist. Pérez tightened a noose around the population, provoking a week of riots and looting, which he suffocated with 1,000 dead. Despite the riots, he continued the austerity agony, with more and more increases in the prices of public services, rapid devaluations, and high interest rates.

Pérez's program achieved rapid results. Imports were cut almost \$3 billion during 1989, while exports rose. Pérez achieved that by shrinking economic output by 8.1%, in official figures, and 10% in estimates accepted by the *Financial Times* of London. Construction fell 30%, leaving 100,000 workers unemployed. They joined a pool of more than 1 million totally unemployed, in a country which had a perennial labor shortage. Inflation went up from 30% in 1988 to 96% in 1989, while wages were frozen. The unions claim the buying power of the average salary fell 90% during the year.

One measure of consumption, chicken production, was down 45% during the second half of 1989 from the same time a year earlier. This, plus radically higher interest rates, has "softened up" domestic producers to make them vulnerable for takeover by the international monopolists, who are circling them like vultures. Citibank is studying a debt-for-equity swap in which the Cargill grain cartel would snap up, cheap, Protinal, a large, integrated chicken-producing industry.

The whole agricultural sector is in similar prostration. The credit squeeze and elimination of subsidies on fertilizer and other inputs over the past year have reduced land under cultivation in the major crops by 30%. Pérez's across-the-board dropping of tariff barriers has left sorghum producers, for example, with a harvest which cannot compete with the imported stuff.

The Protinal chicken case illustrates what is being done, by design, to the whole economy: Consumers are starved, producers are pushed towards bankruptcy, and foreign ambulance chasers come in as "saviors," only to asset-strip the juicy remainders. Prime targets for takeover are modern industries which can be converted into export producers, yielding high profits in dollars.

At the start, Pérez's promise to liquidate "statism" and install a full "free market economy" attracted the support of most of the nation's business leaders. After all, most were U.S.-educated and all were imbued with *Wall Street Journal* ideology. Today, more and more nearly bankrupt entrepreneurs are feeling suckered by the goddess of "free enterprise." The National Council of Industry recently judged that "seen in retrospect, it seems like the original intent of [Pérez's] program was to displace national industry to make room for foreign capital."

That reality has never been reported in the business pages of U.S. newspapers in the dozens of articles describing negotiations for "debt relief" which Treasury Secretary Nicholas Brady is promoting. On March 4, Planning Minister Miguel Rodríguez said an agreement with creditors "to reduce Venezuela's foreign debt" was close to signing. Although the U.S. press makes it seem like Venezuela is getting some great gift in return for resuming full payment on its foreign debt, Rodríguez recently admitted that the "savings" would be only \$500 million in each of the next five years. And that is merely a sugar-coating for the surrender of the national economy which is the hidden part of the "debt relief" package.

Denationalization of oil

The state oil company, Petroleos de Venezuela (PDVSA), is the golden goose. Since 1974, it has brought in hundreds of billions of dollars, most of which were stolen or wasted by the ruling elite. Now, the company has been so burdened by debts that it is no longer able to self-finance the maintenance of the 2.8 million barrels per day (mbd) production levels, much less invest in increasing them to 3.5 mbd by 1995, as sought by the government. Royal Dutch Shell and Midland Bank are now among the vultures hovering over PDVSA's subsidiary Petroven. They want to use debt-for-equity swaps to gain a chunk of its projects.

President Pérez announced Feb. 9 he would seek congressional authorization for "the participation of multinational oil companies in the petroleum industry in Venezuela." On March 4, Pérez argued before the nation's most important brain trust, the Institute for Higher National Defense Studies, that necessary petroleum sector investments were "a cost that could not be met, due to Venezuela's current economic reality." "We obviously need the collaboration of foreign capital to meet them," he concluded.

Casinos and money laundering

Life-long Chase Manhattan representative Pedro Tinoco, now head of the central bank, has drafted a law to liberalize the financial system to break existing barriers between banks and the wildly gyrating speculative money markets.

Politicians and tourist trade interests from Margarita Island, Venezuela's Caribbean paradise, want to turn it into an offshore banking and casino gambling center. According to *El Nacional* daily, "President Carlos Andrés Pérez agrees with casinos, but seems to prefer that Congress is the one to grant approval to them."

Alejandro Peña, president of the Venezuelan Labor Party, countered on Channel 2 television on March 9, "Converting Margarita into a financial and casino center would open the door to the mafia." He added: "There is no justification for a country to corrupt itself to get money. That is like a father asking his daughter to prostitute herself to earn money. . . . Twenty years ago, our fathers and grandfathers would not even have discussed the possibility of legalizing casinos."

Hitler was a cultist vegetarian, too

Mark Burdman reports on an Anglo-American revival of a dangerous idea, which in its latest version claims eating meat is “ecological imperialism.”

One important fact of 20th-century history, little known to the general public, is that Adolf Hitler was a cultist vegetarian. Hitler's discussions that have been recorded for history are filled with diatribes against the eating of meat, and meat was forbidden at his diplomatic receptions. His brand of vegetarianism was an important aspect of the Nazi inner-core leadership's cultism and rejection of the values of Judeo-Christian Western civilization.

Today, those concerned with the resurgence of Nazism and Nazi ideology should ignore the reams of nonsensical Anglo-American propaganda about the “new German Fourth Reich,” and should instead mobilize their alarm about a well-funded campaign by leading Anglo-American think tanks and foundations, to phase out the eating of meat and to dismantle the agro-industrial complexes of those regions of the world where meat is produced.

The propaganda line today, more convoluted and bizarre than Hitler's paranoid mind could have concocted, is that meat-eating is destructive to the biosphere, and that the grain-and-cattle production cycle in North America and the Antipodes (Australia and New Zealand) countries is a result of five centuries of “ecological imperialism” imposed by Europe on these regions. What today's vegetarian-ecologists want to accomplish, would cause mass murder on a scale way beyond Hitler's wildest imagination.

Destroy the ‘European’ diet

The “ecological imperialism” line is being circulated by Cambridge University's Global Security Program, headed by Dr. Gwyn Prins, an individual with highest-level intelligence connections in both the Soviet Union and the United States. The program was created in October 1989, with generous funding from the MacArthur Foundation of Chicago, Illinois, the leading foundation funder of environmentalist projects in the United States in recent years.

In its information brochure, the Global Security Program writes that the “large-scale problems” it is working on are “very varied in their nature.” They range from “synergistic ecological disturbances which states are poorly equipped to address, to the preservation of global food security.” It goes on: “Food security is of course affected by climatic disturbance, especially in the tropics. But it is more than just the technical prevention of famine in tropical areas. It is about the consequences of ecological imperialism. The principal global biological phenomenon of the last five centuries has

been the supplanting of the indigenous flora and fauna of the temperate areas of the Americas and the Antipodes by those of Europe. The world now and for the immediate future depends for stability in global food supplies upon surpluses produced by ‘neo-European’ societies. Food security has an undeveloped geopolitical dimension.”

A Global Security Program official explained this in a private discussion. “The world depends upon the harvest, year by year. For the last three years, the global harvest has been insufficient. This has forced a drawing down of reserves. We are very much dependent on the grain and the technology of the American prairie and the Antipodes. Because of the high-tech agriculture used on the North American prairie, we are faced with major potential crises, drastic losses, losses caused by soil erosion and the like.”

He went on: “This matters to everybody, these are the areas of highest food export. But five centuries ago, these areas didn't have this cattle and grain production. This is ecological imperialism, the transfer of plants and animals from Europe. Europe has exported its tradition, it has transplanted its native ecology, flora and fauna. Now, major food flows come from the temperate grain belts, wheat and other sorts. The export of those is the result of a process of the last centuries.

“The European diet of grain and meat is a highly inefficient one,” he continued. “You can't have the whole world eating filet mignon. We don't have that option. The trend of the future is perfectly clear. We can't feed everybody in the world on a European scale. Eating meat is not an ecologically cost-efficient diet. There are many more efficient energy converters for the human being. The global preference for the Western diet is the problem, it can't be done on a global scale. Anyway, is it good for your health? Americans have found that eating too much meat may not be a good thing.”

This individual claimed that the “don't eat meat” campaign is being backed by Dwayne Andreas, the head of the Archer Daniels Midland grain-trading conglomerate, who is known in the United States as the “junior Armand Hammer.” One of Andreas's ulterior motives is that if people eat less meat, they will have to eat the soybeans that Andreas markets on a mass scale.

The Global Security Program operative said that the bible of the “don't eat meat” campaign is a book recently published by Cambridge University Press, authored by University of Texas-Austin professor Alfred Crosby, entitled *Ecological*

Imperialism. All of this is much more dangerous than just the ravings of a few psychotics or “animal rights” activists, given the connections of the Cambridge entity. In passing, though, it need be said that the Cambridge campaign may explain something about who is behind the animal rights movement in the United States. It must be more than coincidence that leading animal rights groups have announced nationwide initiatives for early June in the U.S., to demand, among other things, that humans stop eating meat.

The condominium and the MacArthur Foundation

The Cambridge Global Security Program is obviously an important participant in the “condominium” discussions between the Anglo-Americans and the Soviets. Its head Dr. Prins was in Moscow for the last days of February, to attend meetings on the theme, “Likely Models for a Non-Violent World,” sponsored by the Soviet Peace Committee, whose head is Genrikh Borovikh, brother-in-law of Soviet KGB head Vladimir Kryuchkov. Top officials of the Soviet Institute of Military History also participated. The United States was represented by John Hines of the Rand Corp. of Santa Monica, California. The Moscow gathering would appear to be a continuation of an unprecedented meeting that took place at the Rand Corp. in October 1989, involving senior officials of the CIA and the KGB. The Global Security Program was created more or less at the same time as the Rand event.

The Global Security Program’s patron, the John D. and Catharine T. MacArthur Foundation, is of great importance in the American liberal establishment’s power structure.

In 1988, according to the official *Foundation Directory*, the MacArthur Foundation was the largest single funder of “environmental” projects in the United States, dispensing \$34 million for such purposes, almost two and a half times its closest competitor, the Ford Foundation. Of this, \$25 million was dispensed in two grants to the World Resources Institute. The latter was actually established by the MacArthur Foundation, in 1982. The WRI’s head, Gus Speth, was one of the chief individuals involved in producing the *Global 2000 Report to the President* authored during the Carter administration. One of its top officials has been Jessica Tuchman Mathews, daughter of the late Barbara Tuchman, historian of the 14th century Dark Age. If daughter Jessica and friends are successful, the coming Dark Age will be a lot worse.

The World Resources Institute collaborates closely with Dr. Prins’s Cambridge Global Security Program, and obviously the latter has benefited from similar MacArthur largesse. Its brochure states that “the first phase of the Global Security Program is being funded entirely from private resources. The generosity of the John D. and Catherine T. MacArthur Foundation of Chicago is gratefully acknowledged.” The MacArthur Foundation has also provided a sub-

stantial sum of money for the Center for Our Common Future, the official headquarters of the global ecological-fascist Brundtland Commission.

Other entities funded by the MacArthur Foundation include the Environmental Policy Institute, Conservation International, the U.S. branch of the Soviet-run International Foundation for the Survival and Development of Humanity, and Worldwatch. It also funds various groups that are important in U.S.-Soviet condominium “back channels,” including the U.S.-Soviet Lawyers Dialogue on Legal and Policy Issues of Nuclear Arms Control; the Cambridge, Massachusetts Center for Psychological Studies in the Nuclear Age; National Public Radio; the Public Broadcasting System, and others.

The MacArthur Foundation’s chairman of the board was the late Thornton Bradshaw, previously the head of RCA, the holding company of NBC-TV, and later an RCA consultant. Bradshaw’s main business partner for decades was Robert O. Anderson, a director of Kissinger Associates. Together, Bradshaw (until his recent death) and Anderson have been key funders of and participants in such leading organizations of the malthusian-ecologist movement as the Club of Rome, the Aspen Institute, and the International Institute for Environment and Development in London. In April 1988, Bradshaw participated at the first Global Forum of Parliamentarians and Spiritual Leaders for Human Survival at Oxford University, at which an international mobilization to eliminate the notion of human creativity and progress was mapped out (see *EIR*, Jan. 12, 1990, “Green fascists plot against humanity”).



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Hungary seeks Western aid to build up needed infrastructure

Mr. Inotai, deputy director of the Institute for World Economy, Hungarian Academy of Sciences, granted this interview to William Jones in Washington, D.C. in December of last year.

EIR: Mr. Inotai, how do you view the present economic reforms in Hungary, and what particular problems do you see with regard to the upgrading of the physical infrastructure, i.e., roads, railways, communications?

Inotai: Under the Austro-Hungarian Empire, the development of infrastructure preceded industrial development. During the inter-war years, there was also developed a good infrastructure leading to a rapid industrialization after the war. Since then, the industrialization has devoured the infrastructure. Now the process is reversed. Our very antiquated infrastructure hasn't kept pace with industrial development. In a service-oriented development, infrastructure has a primary role. I distinguish three types of infrastructure.

The first is industrial infrastructure. The second is the human infrastructure, including education, management skills, etc. And the third is the institutional infrastructure which includes the entire legal structure. For the physical infrastructure, you need a lot of capital. With regard to the human infrastructure, your rate of profit on investment is carried over a much longer period of time. The institutional infrastructure can only be created within the country.

EIR: What are the demands for the first of these, the industrial infrastructure?

Inotai: The basis for the physical infrastructure would be the development of a rapid rail-based transit system. From Vienna to Budapest, there is a system of electrically drawn trains. Also to the Soviet Union. There were plans during the 1970s for the development of a highway from the Baltic to the Mediterranean through Poland, Czechoslovakia, and Hungary to Yugoslavia. But these remained largely on the drawing board. A major highway is planned from Vienna to Budapest during the next five years, to be completed by the 1995 World's Fair which is likely to be held in both Vienna and Budapest. Previously, Eastern Europe was looking to

the East. Now we are looking more toward the West in our development plans.

EIR: What relationship would the new Hungary have to the Council on Mutual Economic Assistance [CMEA]?

Inotai: Actually there are two schools of thought on the integration question. One school sees CMEA integration as primary, after which there would follow integration with the West. A second school of thought envisions first integration with the West and then inter-CMEA development. All the East European countries have the same basic economic structure, and therefore don't have much to offer each other. I don't believe that it is possible to develop ideas for East European integration alone. However, a more elaborate East European division of labor is highly likely, if and when integration with the West brings results.

EIR: How will infrastructural development be financed?

Inotai: During the restructuring period, it must come from the outside. The best possibility is the European Investment Bank. There is however a political bottleneck in that their resources are only for the use of members of the [European] Community, except for special projects in the Mediterranean countries. The French have proposed that the EIB be allowed to finance projects in Hungary. The yearly budget of the EIB is around 10 billion ECU, with 700 million ECU earmarked for outsiders. If Hungary could get 100-200 million a year of this for the next five years, it would be a substantial contribution.

The main question then is how to implement these projects. . . . There must be a regional effort. With regard to the human infrastructure, however, each country must be dealt with individually. In Eastern Europe most of the countries belong to the Catholic world. Witness the role of the Roman Catholic Church in Poland, Czechoslovakia, and Hungary. Other countries have a different culture. The countries should not be treated as a homogeneous entity.

EIR: What type of infrastructural projects would be needed for Hungary?

Inotai: One important item would be the construction of more bridges on the Danube. The Danube cuts Hungary in half in a north-south direction. Outside of Budapest there are only three bridges over the Danube. The other seven are located in Budapest. In the north, the Danube cuts westward towards Vienna, serving as the Czech-Hungarian border for that part of the country. Here there is only one bridge. More bridges would be absolutely necessary in order to create greater possibilities for an increased flow of goods within the country. Transportation costs could then be cut and environmental demands met.

EIR: What is your situation with regard to the energy supply?

Inotai: Fifty percent of Hungarian energy resources are internal. We have modest oil and natural gas resources and low-quality coal. The rest has to be imported, primarily from the Soviet Union. Now it's clear that the Soviets can't deliver the required amounts to the CMEA countries. I favored making a common infrastructure with Austria and some other West European countries for energy needs. For structural reasons, you can't shift your machinery inputs, but you can shift your natural resources. In the 1970s the Adria pipeline was built, going through Czechoslovakia, Hungary, and into Yugoslavia, ending up at the port of Rijeka. At that time oil prices were falling and it would have been useful to use the pipeline for importing Mideast oil. Unfortunately, we did not carry through the agreement with the Yugoslavs. We also have seasonal energy trades with Austria. In the winter, we can supply them with energy and in the summer, their hydroelectrical power starts to function, and they export energy to us. This collaboration could be developed further.

EIR: Do you think Hungary will be facing a food shortage this winter?

Inotai: On the contrary. The main problem Hungary will be facing is a surplus of food. The restrictive EC policy has hurt the Hungarian food exports. During the 1970s, Bulgaria, Poland, Romania, and Hungary had an export surplus in food products. During the '80s Hungary was still a major exporter. There is no food shortage, although we will have a problem with inflation. In 1988 we had 16% inflation, mostly because of the Valued Added Tax. We have now cut subsidies on food items, although these are still maintained on heating, rent, and communal services. Subsidies on consumer goods have been cut. Some milk and flour subsidies are still maintained, but all the others will be knocked away as a result of the new agreements with the International Monetary Fund. Inflation was at around 20% during 1989 primarily due to the federal budget deficit and to unforeseen wage increases. The wage increase is more a result of political rather than economic factors. In certain areas, monopolies have raised prices. Companies operating at a loss are now paying high wages. Heavy industry has a

very strong lobby group in Hungary. Opposition from these Stalinist lobbies has not been overcome. It is not the ownership question in itself which is important, but rather the need of a de-monopolization of the Hungarian economy.

EIR: What economic measures do you see as necessary for reforming the Hungarian economy?

Inotai: First of all, it is important that there be a liberalization to increase competition. Secondly, there must be a reform of ownership and a breakup of the big companies, where feasible. Thirdly, we must encourage the rise of small companies and cooperatives.

EIR: How do you think the upcoming elections will turn out and what direction will that affect economic policy?

Inotai: The Democratic Forum will probably be the winner in the upcoming elections. They have strong support in the countryside. Although it is improbable that any two parties will get 50%. We might even have a three-party coalition, which will of course be a very weak government. Therefore the elections in March will give us some kind of coalition and, therefore, a weak government. We now have numerous parties. There is the Democratic Forum, the Liberal Democrats, two new parties from the transformation of the Hungarian Communist Party, (the Reformed Socialists grouped around Poszgay and the Hungarian Socialist Workers Party grouped around Grosz), traditional parties like the Smallholders, a Social Democratic Party (two factions), the Volkspartei, and the Christian Democrats. There are other parties, but these are the ones which will probably get above the 5% limit needed to get into the parliament. We have a lot of innovative talent in Hungary. A coalition might have a 50-60% majority. There will be great instability like in the Italian model. The difference here is that the Hungarian economy is so dependent on a functioning government.

The economic program of the new government will probably hurt heavy industry and the Stalinist lobby. They have a vital interest in exporting to the Soviet Union, an export which is considerable, as well as advantageous, since exports to the Soviet Union have been paid in a very short time. The government wants to substantially limit the export to the Soviet Union. An instrument to achieve this would be to revalue the forint [the Hungarian currency] and stop exporting subsidized goods to the Soviets. The future of Hungary depends on how successful the government is in wielding power over the industrial (and agricultural) lobbies.

One-third of the industrial production going presently to the Soviet Union and the East European countries in the framework of the CMEA would probably respond to limited incentives for exporting to the West. Another third could be transformed into competitive production by larger amounts of investments and technology transfer. In this field, direct capital investment is expected to play an essential role. Then there only remains one-third which might cause a political problem.

Colombia: 'economic opening' or industry

by Maximiliano Londoño Penilla

The author is secretary general of the Andean Labor Party, and a Colombian senatorial candidate.

The public unveiling of the first phase of Colombia's so-called "economic opening" took place in the last week of February. The ministers of development, economy, and national planning revealed an economic package whose main ingredient is the transfer of several hundred tariff categories from the pre-approval list to free-import status. The intent is to free all merchandise of import restrictions within the next five years.

Should this strategy be realized, thousands of foreign products will inundate the Colombian market, with the resulting bankruptcy of an already enfeebled national industry. The stated purpose of the World Bank, architect of the policy of the President Virgilio Barco government, is to try to force Colombia's backward industrial sector to compete with foreign industry, all under the guise of "modernizing" industrial production to make it "internationally competitive."

This kind of "opening" is not new; it has been imposed innumerable times during the past two centuries with the same results: to guarantee that Colombia never becomes an agricultural or industrial power in its own right. The situation today is so serious that the majority of Colombian economic associations, headed by the National Industrialists Association (ANDI) and the Federation of Metallurgical Industries (Fedemetal), have rejected these World Bank efforts to wipe out domestic industry.

President Barco is committing precisely the same kind of economic error that Gen. Francisco de Paula Santander did, when the latter granted a wide array of commercial and maritime privileges to the United States and Great Britain in 1824 and 1825, respectively. He granted most favored nation status unconditionally to the great powers, while Colombia's situation in its own hemisphere deteriorated and any cooperation with the rest of Ibero-America, with whom historic and cultural links exist, collapsed.

Suffering under absurd illusions, Colombia began to believe that it was a great industrial power that could rub shoulders as equals with the United States, Great Britain, and the Netherlands, and opened up its substantial market to those

nations. Despite this, New Grenada was left with a colonial economy, because Colombia refused to employ tariff protections that would have enabled it to develop its own manufacturing capability.

Therefore, let us be frank. The highly touted "opening" is not an instrument for industrializing the country. On the contrary, if implemented, it will guarantee that Colombia returns to a craft-based rural economy plagued by social chaos, unemployment, and violence.

The 'opening' is to pay the debt

The process of "industrial restructuring" has been promoted and imposed by the World Bank upon various nations since 1980. The Baker Plan and its successor Brady Plan insist that the problem of the developing sector's foreign debt be resolved by "structural adjustments" of these victim economies. The intention is to orient the economies of the Third World exclusively toward exports, to guarantee "trade surpluses" that would permit timely servicing of the foreign debt. The "opening," it is thus clear, has little to do with industrialization and everything to do with debt repayment.

"Restructuring" further implies a new international division of labor, according to which so-called Third World countries are expected to abandon their legitimate aspirations to develop a modern capital goods and machine tool sector. The bankers prefer that the Third World specialize, instead, in what they dub a "comparative advantage," namely, labor-intensive activities. In fact, this would condemn the developing sector to a permanent pick-and-shovel existence.

The World Bank's proposed "economic opening" includes the following measures:

- 1) eliminating import restrictions (the phase that has already been launched in Colombia);
- 2) privatizing state sector companies;
- 3) eliminating subsidies for all sorts of activities;
- 4) eliminating price controls, or freeing prices (a process which has already begun in Colombia);
- 5) modifying labor legislation to facilitate mass layoffs;
- 6) restructuring the financial sector to permit all kinds of transactions with foreign capital, which would thereby be enabled to take full control of developing sector economies; and
- 7) eliminating any independent nationalist force that seeks to oppose the designs of the World Bank and the International Monetary Fund.

This is the strategy of the international creditor banks toward the developing sector nations. However, the social explosions being triggered by application of these kinds of austerity packages will guarantee in the relatively short term that the treasonous governments which implement these measures rapidly lose whatever remnants of popular support they may still claim. The outcome could well be a revolt against economic liberalism, similar to the Eastern European revolutions now occurring against the tyranny of communism.

A bad fourth quarter

The year-end figures for 1989 show the banking collapse picked up speed, and no end is in sight.

The accelerating collapse of the nation's banking system was further demonstrated by the fourth-quarter results recently released by federal regulators.

For all of 1989, according to Federal Deposit Insurance Corporation statistics, the nation's banks earned an aggregate \$16.3 billion, down 34% from the \$24.8 billion they earned in 1988. While a drop of over one-third is incredible, that figure—as high as it is—is still deceptively low. For the year, banks added \$30 billion to their loan loss reserves—nearly twice the 1988 figure—and wrote off another \$22 billion of loans, meaning that their admitted losses were greater than their reported profits. And that's only for the loans they *admit* are bad. It does not include the billions more of bad loans which have yet to be conceded.

Five of the ten largest banks in the country—Chase Manhattan, Morgan Guaranty, Manufacturers Hanover, Bankers Trust, and Chemical, all of New York—lost money last year, largely as a result of increasing their reserves for Third World loan losses. Write-offs of foreign loans totaled \$7.6 billion in 1989, compared to \$5.5 billion in 1988. Most of these write-offs occurred in the third quarter.

The FDIC's statistics purport to show that the crisis is being contained. A smaller number of banks, 11.6%, recorded losses in 1989, compared to 14.6% in 1988 and 20.7% in 1986, the FDIC reported. The total number of banks fell to 12,700 in 1989, down from a 1984 peak of almost 15,000.

The number of banks of the FDIC's "problem" list dropped to 1,093 at the end of 1989—the smallest number since 1984—from 1,394 at the end of 1988, mainly because the worst banks from the previous wave of collapse have already either failed or been acquired, or are too large to be listed as problems. Moreover, whereas Texas was a unit banking state where even the big holding companies owned dozens of individual banks, most states—including California, New York, and the New England states, have branch banking systems. Thus, whereas a First Republic Bank of Texas would show up as some 70 troubled banks, a Bank of New England would show up as a mere handful. Same trouble, different count.

Total bank assets stood at \$3.3 trillion at the end of 1989, with real estate loan growth accounting for half of the \$168 billion increase from the previous year. That means that one out of every two dollars in new loans went into the already-deflating real estate sector, an ominous sign of trouble to come.

The inherent danger in this rush to real estate is shown by the increasing rate at which real estate loans are going bad. "Non-current" real estate loans—those loans that are 90 days or more past due or for which the banks aren't earning interest—doubled to 3.8% of all real estate loans in the Northeast in 1989, compared to 1.89% in 1988. In the Southeast, non-current real estate loans accounted for 1.8% of all real estate loans at the end of 1989, compared to 1.38% at the end of 1988. In the Southwest, where

the real estate bubble has already popped, non-current real estate loans stood at 7.76% at the end of 1989, down from 8.21% at the end of 1988 but still dangerously high.

The fourth quarter was a disaster in its own right, as banks managed to turn a mere \$2.7 billion profit, a 56% drop over the \$6.1 billion in profits from the fourth quarter of 1988. While it was, in terms of net profit, not as bad as the third quarter's \$744 million loss, it was worse in many respects. The nation's banks set aside a record \$8.4 billion as reserves for domestic loan losses in the quarter, mainly due to bad real estate and consumer credit loans. Total additions to loan loss reserves, including provisions for foreign loan losses, were nearly \$10 billion for the quarter. Total write-offs for the quarter were \$9.2 billion, over three times the nominal profit.

The bad news was not limited to commercial banks, either, as the savings and loan system had a terrible year, too. Depositors withdrew \$73.6 billion more from S&Ls than they put in in 1989, according to statistics released recently by the Office of Thrift Supervision. However, thanks to re-deposited interest payments, the total on deposit fell by only \$16 billion. Depositors withdrew a net \$8.8 billion in December, the 18th month of the past 19 in which net deposits dropped.

Thanks to the failure of several thrifts with large junk bond holdings, the Resolution Trust Corp. now holds some \$4 billion in junk bonds. The RTC is preparing to sell these bonds, according to RTC chairman William Seidman, who wisely declined to speculate on who would want to buy them.

All in all, 1989 was a disaster for the nation's banks and thrifts. Unfortunately, compared to 1990, it will soon be considered "the good old days."

Can dengue hemorrhagic return?

A child-killer that is easily destroyed by mosquito control is beginning to make epidemic appearances in the Americas.

During a roughly ten-week period, from the end of November 1989 to the end of January 1990, an epidemic of dengue hemorrhagic fever (DHF) struck 5,416 victims, killing at least 51 in Venezuela. The victims were children, 15 and younger, whom the disease struck with no regard for race or social status. Four different serotypes of the dengue virus exist, any or all of which can infect those who live in the areas where the serotypes are found.

Classical dengue infection is very severe, but rarely fatal. Dengue hemorrhagic fever, with its accompanying dengue shock syndrome (DSS), is lethal in 30-40% of cases, if undiagnosed or untreated.

Like many killers, DHF can be deceptive. Initially, a child will have a fever and flu-like symptoms for 2 to 7 days. The fever may subside and temperature even drop below normal, followed by sudden collapse, with symptoms of internal bleeding, and easy bruising of the skin. In some cases, bleeding in the gastrointestinal tract will cause the child to vomit blood. The child may show signs of shock and circulatory failure. Hospitalization is urgent.

The dengue virus is a good example of how pandemics evolve from a low-density, infrequent, and relatively benign disease—classical dengue—to an explosive epidemic killer—DHF and DSS. Today, 2 billion people live in areas where the disease vector mosquitoes—*Aedes aegypti*, *Aedes albopictus*, and *Aedes mediovittatus* are common.

In the 1940s and 1950s, *Aedes ae-*

gypti, which lives in and around houses, spread throughout Southeast Asia in the wake of the rapid postwar urbanization. Unfortunately, this urbanization, as in most non-industrialized countries, was accompanied by little in the way of proper infrastructure: Few houses had inside plumbing, running water, or window screens. Communities lacked sewage and waste water removal, medical and education infrastructure, and pest control programs. Much of the postwar urban growth actually occurred in huge shantytowns, surrounding older, decaying cities.

By the 1950s and 1960s, Southeast Asian nations were experiencing increased incidence of classical dengue, and ultimately epidemics of dengue, in which several of the disease's serotypes were identified. Mixing of different virus strains is believed to play a major role in the development of DHF, by a mechanism known as immunologic enhancement of infection, in which persons with low levels of immunity to one strain of a virus develop severe disease when exposed to a different strain of the same virus.

Slowly at first, dengue hemorrhagic cases occurred, then in 1954 the first epidemic of DHF exploded. In Thailand, which maintains a fair statistical account of the growing dimensions of the problem, the density of dengue hemorrhagic cases rose from 21.4 per 100,000 population in 1976, to 168.2 cases per 100,000 in 1985.

Over the last two decades, dengue became a jet traveler and spread to Africa, where lack of medical infra-

structure makes its deadly progress impossible to document, to Pacific Island nations, and to the Americas. In the 1950s and 1960s, DDT had eliminated *Aedes aegypti* in Mexico, Panama, Costa Rica, Colombia, Ecuador, Peru, Bolivia, Paraguay, Argentina, Chile, Uruguay, Brazil, the Cayman Islands, and Bermuda. However, penny-wise and pound-foolish budget cutters decided to virtually eliminate the expensive mosquito surveillance and control programs that had functioned so well. Consequently the disease-carrying mosquito has returned in the last 20 years, attended by both increased transmission of classical dengue and epidemics. In the last decade, multiple dengue serotypes have been documented, along with sporadic cases of DHF throughout the Americas. In 1981, Cuba suffered the first big epidemic of DHF in the Western Hemisphere.

In the United States, the southern Gulf states, from Texas through Florida and Georgia, are plagued by *Aedes aegypti*. The U.S. also now has the infamous Tiger mosquito—*Aedes albopictus*—imported from Asia inside tires. The Tiger mosquito has spread to 17 states, and unlike *Aedes aegypti*, its eggs are resistant to freezing, allowing it to spread as far north as Ohio. Also unlike *Aedes aegypti*, which is found primarily in urban settings, *Aedes albopictus* inhabits urban, suburban, and rural areas.

Because, in the U.S., air-conditioning allows people to stay indoors during the dawn and dusk hours when these two mosquitoes like to feed, and since most mosquito control programs remain intact, epidemic dengue hemorrhagic fever is not expected in the U.S. However, if shrinking budgets eliminate mosquito control, then epidemic dengue hemorrhagic fever could become a major killer of our children.

'America 92,' diplomacy without dollars

Advocates of the Quayle plan would terminate Brazilian independence and its Ibero-American integration designs.

Vice President Dan Quayle launched his recent tour of several Ibero-American countries by announcing his "America 92" plan, whose fundamental thesis is achieving hemispheric integration, Teddy Roosevelt-style. That is, America for North Americans! According to the March 6 issue of the Brazilian daily *O Globo*, Quayle said: "We, the United States of America, are part of the Western Hemisphere. We are all Americans. When you think of the idea of Europe 92, why don't we see what the Americas should be doing in 1992? When I speak of America 92, I am speaking of all the Americas: North America and South America, of all the countries which are on this continent."

But history has a way of repeating itself, sometimes. Following the "Roosevelt Corollary" to the Monroe Doctrine and its "big stick" diplomacy, Roosevelt's successor William H. Taft launched his famous "dollar diplomacy" to try to renew relations between the United States and its bruised Ibero-American neighbors. Just so, Quayle's statements sought to somehow soften the impact of the Panama invasion, which destroyed any notion of hemispheric order once and for all.

Nonetheless, there is a difference. George Bush's diplomacy is with a "big stick," but without dollars. In the midst of the worst economic and financial crisis of its history, the United States could not help Ibero-America's economies, exhausted by years of looting from usurious debt and high interest rates, even if it wanted to—which it doesn't.

In effect, Bush's "diplomacy without dollars" sells illusions to ingenuous Ibero-American governments, and real or threatened aggression to those who resist.

Despite this, "America 92" already has an adherent in Brazil: a faction of the Brazilian foreign ministry known as *universalists*. This grouping hopes to convince President Fernando Collor de Mello to reorient Brazil's foreign policy away from its relative independence, yoking it instead to Bush's "big stick without dollars" diplomacy. The "universalists" also hope to distance Brazil from "an eventual Latin American common market," placing it under the shadow of the Soviet-Anglo-American condominium instead.

The "universalist" faction headed by the current Brazilian ambassador to UNESCO José Guilherme Melquo is calling for the total opening of the economy, the broad acceptance of the rules and guidelines of the General Agreement on Tariffs and Trade (GATT), the removal of protectionist tariff barriers, and the destruction of Brazil's computer and pharmaceuticals programs. The same faction is pushing for the abandonment of Brazilian foreign policy toward Africa and the Middle East, ratification of the Nuclear Non-Proliferation Treaty and the Tlatelolco Treaty and, finally, an end to the already seriously weakened efforts at Ibero-American integration, which are the only real means of successfully overcoming the economic crisis—and confronting the foreign aggressions—afflict-

ing the continent.

Retired diplomat and mouthpiece for the "universalists" Helio de Burgos Cabal offered the outlines of this "new diplomacy" in the daily *Jornal do Brasil* of March 2-3: "Realistic Brazilian tendencies tend to focus on the limitations of an eventual Latin American common market. The first (limitation) is the lack of transport and communications infrastructure among countries in the region, which would limit interchange. The second is the poverty of the market itself, which makes up only 4% of world trade, of which 50% of the region's Gross National Product comes from Brazil."

De Burgos Cabal proposes instead a Kissingerian "special relationship" or, as he puts it, "a new *entente* between Brazil and the United States, which—in addition to U.S. help in solving the foreign debt—could encompass projects in tune with the new government's own platform: a) joint ventures in space technology and defense; b) incentives for investment in minerals; opening up the stock exchanges to U.S. investment . . . d) exchanging credits for stocks; e) cooperation of the two leading agricultural export nations in reducing unbridled EC and Japanese protectionism; f) supporting mixed business commissions; and g) finally and most importantly: eliminating the U.S.-Brazil trade *differential* within a climate of understanding and cooperation to facilitate this new *entente*, and restructuring the Brazilian economy, the symbol of the new government."

The problem is that Collor de Mello should have already learned from the experience of his Argentine colleague Carlos Menem, that the application of such ultraliberal policies leads inexorably to total loss of credibility with one's population, to institutional crisis, and to social chaos.

Business Briefs

Industry

Japanese and German groups collaborate

The Japanese Mitsubishi industrial grouping and the West German Daimler-Benz conglomerate disclosed plans for wide-ranging technological and commercial collaboration, according to the March 7 *Financial Times* of London.

The plans for collaboration were disclosed after a secret two-day meeting in early March in Singapore of the chairmen or presidents of the various Mitsubishi companies and Daimler-Benz chairman Edzard Reuter, who headed a German delegation which included the presidents of Mercedes-Benz, AEG (the electronics company), Deutsche Aerospace, and representatives from Daimler-Benz's trading, financial services, and information technology operations.

According to the *Financial Times*, "exploration by the two of possible ventures in the automotive, aerospace, electronics and service sectors could represent the beginning of a significant international adventure." Japan would become involved as never before in the international aerospace industry. At the same time, the Japanese "could enhance their access to European markets just as Western Europe is on the verge of economic integration and Europe is preparing for its reconstruction."

Markets

London securities industry shrinking

"Britain's battered securities industry continues to shrink" and "Frankfurt and Paris—and perhaps eventually even Berlin—could pose a big threat to Britain's primacy," the *Wall Street Journal* reported March 7.

Morgan Grenfell's Michael Dobson warned, "London can't be complacent. We have to grasp the opportunity of 1992 more than we have done."

In the wake of the 1986 "Big Bang," deregulating the British securities sector, many companies have reduced their City of London

operations. Morgan Grenfell closed its equity operations in December 1988, Merrill Lynch withdrew from the British government bond market last year, Salomon Brothers is cutting its overhead, and Citicorp dissolved its loss-ridden securities operation in January. Cutbacks have cost some 3,000 jobs, or about 6% of the City's "industry," since the stock market crash of 1987.

Space

Ibero-America considers technology applications

A conference exploring applications of space technology, including the use of remote sensing satellites to detect illegal crops, took place in Costa Rica during the second week of March, Reuters reported March 12.

Representatives from NASA, the European Space Agency, the British National Space Center, Spain, Brazil, and Indonesia were present, as were a number of countries from Ibero-America. Other topics included the use of radar for the control of forest fires, sensors to monitor the deforestation of the Amazon, and the use of space technology to prevent and control disasters.

U.S. Space Shuttle astronaut and fusion scientist Franklin Chang Diaz, who is originally from Costa Rica, has been trying to organize Ibero-American participation in space technology applications for a number of years.

Regulation

Gold leasing may prompt economic police state

A number of central banks, including those of Poland and Portugal, have leased billions of dollars of their gold reserves to such unstable financial institutions as Drexel Burnham for unregulated financial transactions, and are having trouble recovering the gold, according to the March 12 *Boston Globe*. The revelations will likely fuel the drive for police-state oversight of the economy.

The revelations "may add pressure to congressional and regulatory demands that the major securities firms holding companies, the parents of their brokerage and commodity operations, finally be placed under the supervision of government agencies in Washington. A bill to accomplish this," said the *Globe*, "has been introduced by Rep. Edward Markey" (D-Mass.).

The March 11 *Washington Post* editorially called for the Securities and Exchange Commission to be empowered to check the capital strength of parent firms, citing the case of Drexel, in which the brokerage subsidiary itself had adequate capital but the parent holding company did not, whereupon the holding company tried to save itself by transferring funds from the subsidiary to itself. "At present the regulators can't always find out how much capital stands behind those spectacular billion-dollar deals. Congress needs to fix that quickly," the *Post* said.

The U.S. Treasury has also leaked proposals to bring the Chicago futures markets under the central regulatory control of the New York SEC.

Infrastructure

Soviets fritter away West German gift

The infrastructure in the Soviet Union is so bad that they'll lose—oreffectively lose by paying hard currency to ship—one-third of the food aid offered by West German Chancellor Helmut Kohl, Soviet officials admit.

On Feb. 20, Soviet television nightly news interviewed A.K. Krivenko, chairman of the Prodtorg foreign economic association, who confirmed that there will be a DM 220 million subsidy for the delivery of "a large amount of food goods" from West Germany to the Soviet Union. It will be a one-time delivery of 142,000 tons of foodstuffs, including dried milk, butter, beef, pork, and other products.

Krivenko said, "We expect to bring in these goods during three to four months. But, unfortunately, even now we are experiencing a number of serious problems. In the first place, the Ministry of Merchant Marine replied to our request, that we do not have suffi-

cient tonnage to carry these goods. The Railways Ministry said it could carry only one-third of this freight for us. There is only one way out, to charter foreign tonnage."

When asked if the benefit subsidy is being lost, Krivenko admitted, "Yes, partially. But all the same, it probably is necessary to go in for this, in view of the need to deliver these goods to the consumer in good time."

Trade

Red China-U.S. trade rose despite repression

United States trade with the People's Republic of China is booming even as repression continues to increase, the March 11 *New York Times* reported. Commerce Department data show that Chinese exports to the U.S. rose 42% last year to a total of \$12 billion, and that much of the increase occurred in the second half of 1989, despite the killings at Tiananmen Square.

"The Chinese are desperately trying to increase exports," said Jan M. Whisler, an economist at the U.S. Trade Commission. "China must now depend almost entirely on export revenues for the hard currency needed to service its foreign debt of nearly \$40 billion."

Some Senate Republicans are collecting evidence to show that some of China's exports to the U.S. are produced in prisons and labor camps.

German Unification

Danes calculate they will benefit enormously

The Danish Ministry of Economics has calculated that Denmark would benefit enormously from a reunification of Germany, using the figures from a very conservative study by the EC Commission, which projects a modest economic growth of 1% per year in a reunified Germany. West Germany is already the most important trading partner of Denmark.

The Ministry calculated that the *direct ef-*

fects of German reunification on the Danish economy over the next five years would be to boost GNP by 2.5%; industrial exports by 10%; private consumption by 1%; wages by 1%; balance of payments would be improved by \$900 million; unemployment would drop by 40,000; and the public budget would improve by \$1.8 billion.

Danish Economics Minister Niels Helveg Petersen said, "The German-German economic union is our big chance. If we, as a neighboring country, exploit the possibilities of the coming economic growth, we will finally get rid of the deficit in our balance of payments."

Investment

Seoul cools on Siberian projects

Many top South Korean corporate groups, which as recently as two years ago displayed their intention to explore investment prospects in Soviet Siberia, and which some Korean entrepreneurs dubbed "the land of unlimited possibility," have either abandoned their plans or have shelved them at least until the investment environment improves, according to the Feb. 6 *Korean Herald*.

The *Herald* reported that most Korean businessmen agree that investment in Siberia is too risky, in view of its unfavorable climate, geographical position, and Moscow's tough regulations on profit remittance. They also were surprised at the Soviets' somewhat complex, outdated business practices, which they found too different from those of the Western world. Initial investment in infrastructure is also considered too costly, and the "incubation period"—the period from investment to profit making—too long.

Hyundai is going ahead with its joint venture investment in Siberia, but the *Herald* reports that Hyundai is doing this for political, not economic reasons.

A report by the Korean Association for Communist Studies, a leading Korean institute on Soviet affairs, suggested that Korean corporate groups should start with investments in consumer goods like soap, cigarette lighters, and matches, rather than heavy ventures.

● **VARGAS LLOSA**, the champion of the black market economy and presidential candidate of the Frede-mo coalition in Peru, said on March 9, "Mercantilism has been one of the principal causes of our underdevelopment, and also, of the discrimination and injustice of our society against the poor."

● **SOUTH KOREA** will sign a nine year contract to import 40 metric tons yearly of enriched uranium from the Soviet Union for use in its nuclear power plants, *Chosun Ilbo* reported March 5. The Soviets in turn will buy South Korean electronic goods worth 30% of the deal.

● **CORPORATE** profits are down 15% from 1989, indicating a coming drop in employment and output, the *Wall Street Journal* reported March 13. Corporate interest payments were 57% of pre-tax earnings in the fourth quarter of 1989, compared to 30% in 1987, and 15% in 1977.

● **SOME 489 S&LS** lost \$42 billion from 1980 to 1988 after they had become insolvent, according to a study by the Office of Thrift Supervision, the *Washington Post* reported March 11.

● **PROFITS** at the nation's banks fell to \$2.7 billion from \$6.1 billion, a 56% drop, in the fourth quarter of 1989 from a year earlier, according to figures released March 7 by the FDIC.

● **DEFENSE CARGOES** handled by U.S. East Coast ports could fall by 50% over the next five years, some private ship lines are forecasting. Gene Justice, deputy director of the Virginia Department of World Trade, told the *Richmond Times-Dispatch*, "There's no reason for us not to expect our exports to increase to Europe 8 to 10% over the next few years," as a substitute.

Cold fusion: one year old, alive, and kicking

One year after the March 23 press conference announcing cold fusion, steady research is continuing, despite attempts at press blackout. Marjorie Mazel Hecht reports.

When the National Cold Fusion Institute holds its first big research conference March 28-31 at the University of Utah in Salt Lake City, the scientific establishment and the general public will be in for a surprise. More than 50 scientists who have carried out cold fusion experiments will gather to discuss their work, and at least one researcher is rumored to be using the occasion to make a "spectacular" announcement about his work.

The meeting will take place just after the first anniversary of the March 23 announcement by scientists Martin Fleischmann and Stanley Pons that their experiments with a palladium cathode and platinum anode in a simple electrolytic cell sitting in heavy water produced excess heat at room temperature. Since then, researchers from laboratories around the world have replicated these results and discovered other anomalous effects. Excess heat, neutrons, tritium have been observed, in some cases for weeks and months. The experimental results have leapt ahead of the theories that could explain them.

Most of these positive developments are not known to the general public because of the wall of censorship created by the scientific establishment around cold fusion. This establishment has proclaimed that the laws of physics will not allow any of the anomalies being observed and, therefore, such effects could not possibly be occurring. Very few media outlets have bothered to look over this wall for a view of what is actually going on. The very mention of cold fusion, in fact, produces snickers and insulting remarks on the order of "They are not reading the measurements correctly," or "They stuck the thermometer in the wrong place." Two establishment scientists writing in the *New York Times Magazine* even went so far as to invent a new disease, "pathological

science," with which they described the "delusions" of cold fusion research. One so-called scientific organization "voted" that cold fusion had no merit!

This control from on high made it almost impossible for the public to find any accurate coverage of the ongoing research in cold fusion, except through reporters for this weekly.

One of the first cracks in this censorship came in the *Wall Street Journal* March 2, where staff reporter Jerry E. Bishop reviewed the progress that has been made, albeit cautiously. "The mystery of 'cold fusion' hasn't been solved, but a growing number of experiments suggest that the phenomenon can't be written off as a scientific error," Bishop said in his lead sentence. He then discusses many of the working experiments, including those at the Los Alamos National Laboratory where cold fusion cells have produced tritium.

Fortunately, most of the cold fusion pioneers are excited by what they are finding and don't care about the negative emanations coming from the establishment. From India to Bulgaria to Taiwan, innovative work is producing interesting results. In Japan, where teams of researchers are working on various approaches to cold fusion, it is reported that one project is scaling up an experiment from a laboratory beaker to "room size"!

Two researchers from U.S. laboratories that have pursued cold fusion since the March 23 announcement talked about their work in interviews with *21st Century Science & Technology* magazine published in the March-April 1990 issue: Prof. Robert Huggins from Stanford University and researcher Nigel Packham from Texas A&M. Excerpts from their wide-ranging interviews follow.

'Something, indeed, is happening'

One of the first researchers to announce that he had replicated the Fleischmann-Pons cold fusion effect was Dr. Robert A. Huggins of Stanford University's Solid State Ionics Laboratory in the Department of Materials Science and Engineering. Huggins, who has been at Stanford for 35 years, initiated and for 17 years directed the Center for Materials Research. Huggins was interviewed Dec. 15 by 21st Century Science & Technology correspondent Kevin L. Zondervan.

Q: What were you researching before the Fleischmann-Pons announcement?

Huggins: I've had a couple of sabbaticals in Germany, the first one was at the Max Planck Institute for Physical Chemistry in Göttingen where I worked with Carl Wagner. I had been interested in the diffusion of species of semiconductors, since my group had done some of the early work in this area. I intended to learn about atomic motion in solids from the standpoint of a physical chemist. Wagner, of course, was the world's leader in this area and the person who really developed the field that we now call solid-state electrochemistry.

I spent a year with him, and ever since I've really been doing solid-state chemistry or using electrochemical methods to study solids. In recent years we've been heavily involved in using electrochemical methods to insert or extract species from solids—species that move very rapidly inside solids such as lithium, hydrogen, and sodium. We use electrochemical methods to quantitatively dope these materials and also to study their thermodynamic properties and kinetic properties. It's a very, very powerful set of techniques.

EIR: What were you doing during the year prior to the Fleischmann-Pons announcement?

Huggins: We'd worked with electrochemical methods for studying hydrogen in solids. We'd done a number of things with hydrogen membranes, including hydrogen in palladium, and we studied the properties of hydrogen in metal hydrides and so forth, although we'd done nothing with deuterium.

EIR: When Fleischmann and Pons announced their results, what was your first reaction? Were you totally surprised?

Huggins: Oh, completely surprised. It looked to us that the kind of experiment they were reporting was the kind of thing

we ought to be able to do rather readily because of our equipment and the experience and know-how we had. And so, we set out to try to see if we could do similar things or repeat them.

EIR: How was your effort funded?

Huggins: We worked evenings and weekends. We didn't use any funds. There were seven or eight of us. Essentially, my whole research group got all excited about this, so we were doing this with no funds except money from my own pocket. . . . We have some funds now from the Electric Power Research Institute (EPRI).

EIR: Wasn't your team the first to set up side-by-side experiments with heavy water and regular water?

Huggins: Sure. We decided early on, that that was a useful thing to do. One of the reasons that reinforced us here was, as you may remember, Stanley Pons's comments at the American Chemical Society meeting in Texas. Subsequent to that, I believe Harold Furth from Princeton [Plasma Physics Laboratory] in discussing this topic said he'd really believe it only when he saw that it happened in a case where deuterium was present, but not in a case where hydrogen was present. . . .

The Fleischmann-Pons announcement was on March 23, 1989. It took us about a week to collect the various things together to do our first experiment.

EIR: How long did it take before you actually began charging the cell and got some results, some excess heat?

Huggins: We saw differences, very significant differences, in the hydrogen and deuterium cases by April 13, and we made a presentation of this here [on April 18].

EIR: Are you totally convinced that this is a nuclear reaction that's taking place?

Huggins: Let me answer that in a slightly different way, rather than directly. We're totally convinced that something, indeed, is happening. And, it's quite obvious that the major products that people have observed are heat and tritium. A number of people—I think we have a list of more than 20 labs now, including four Department of Energy labs—have observed excess heat. We have a list of around 14 or 15 which have observed large amounts of tritium. . . .

EIR: Let's talk about this question of reproducibility. Are you having any problems reproducing your results? If not, can you give any hints to people that might help them?

Huggins: We know of a number of things that will make the excess heat effect *not* appear. In general, when we use our particular method of preparation and our particular major source of palladium, we always seem to get about the same results. We don't have the two kinds of problems that other people seem to have: A number of people seem to have nothing happen for a long time. They have to wait and then

suddenly something happens. . . . We don't have that. We see results within a matter of hours to a few days in every case. Also, with one exception, we have not seen large heat bursts.

EIR: Your heat output is uniform, or steady?

Huggins: We tend to get what we might call quasi-steady-state effects, rather than nothing, a big burst, nothing, a big burst, and so on. Milton Wadsworth [at the University of Utah's Cold Fusion Institute], for example, has gotten [this burst pattern]. But we use a different material and we treat it and prepare it in a different way. . . .

So, the reproducibility problem is a very serious problem. It seems to be dependent upon the material, the synthesis and preparation of the material, and probably, to some extent, the way you run the experiment.

EIR: Are you still running open cells?

Huggins: We are now running closed cells where we can demonstrate that we have 100% recombination of evolved gases. We've been using an automatic data acquisition system so that we're able to measure things, more or less continuously with time, rather than just making measurements every day or so by hand, as we were doing before.

EIR: What do you mean by a closed cell?

Huggins: In the same cell we have a catalyst which causes the gases, the deuterium and oxygen gases, to recombine and stay within the cell. So the catalyst and everything is inside the same cell. The cell is connected to a bubbler, and we see no bubbles coming out after an initial transient, so we know that we're recombining 100% of the gases that are being formed.

EIR: As far as measuring the heat, do you place the whole contraption in a calorimeter?

Huggins: Yes, the whole thing is in a new design calorimeter. We have a calorimeter accurate to 1% now, and we're seeing effects that are much more than 1%.

EIR: How does your calorimeter work? Do you try to maintain a constant temperature?

Huggins: No, we like to let the temperature rise in the cell. We capture the heat in a large aluminum cylinder and we measure the difference between this cylinder and another larger, concentric one. The cylinders are separated by a small space filled with insulator. . . .

EIR: So you record the change in temperature?

Huggins: And by proper calibration this works very, very well. There's no question related to stirring or mixing in the cell. There's no question with regard to the location at which the heat is produced, because the temperatures are homogenized in these large metal blocks. It's a much more foolproof

method.

EIR: Could you quantitatively describe the effects you are seeing?

Huggins: One cell that started operating the day after Thanksgiving and had been running steadily for about 12 days or so produced energy on a more or less steady-state basis—lots of excess energy. It was over 23 megajoules of excess energy per mole of palladium in the sample, over about 12 days. There is no way you can get 23 megajoules of excess energy per mole by any chemical reaction.

EIR: How much current and voltage were you applying to the cell?

Huggins: It varied. We were trying various different things during that period and no matter what we tried, we seemed to get excess energy out. . . . A lot of things that we and others have presented before have been excess powers, and there's always the question: "Is this system getting energy back that's been somehow stored, and, what happens if you keep going for a long time? Do you ever get above breakeven in energy?"

Our data showed a very, very large amount of energy above breakeven. Stan Pons also showed energy above breakeven at the National Science Foundation meeting in Washington on Oct. 17, 1989 [see *EIR* Vol. 16, No. 48, Dec. 1, 1989].

EIR: What do you think the future portends for your group? Do you see any application at scaling this up?

Huggins: Oh, I don't see any reason at all why it cannot be scaled up.

EIR: Are you going to attempt it?

Huggins: I'm not sure that we're going to do much on scaling, but there is expected to be an effort in another laboratory with which we may cooperate, aimed at scaling.

EIR: Any predictions on where this new research might take us?

Huggins: Well, no, of course not. But, as I said before, we're convinced that something indeed is happening. That the major products at this moment seem to be heat and tritium, and that's not all bad. Tritium is probably one of the more innocuous products you could think of. Helium is my favorite product but my second favorite one would be tritium because it has a relatively short half-life. It is a soft beta emitter, so it doesn't go through your skin, and if you don't breathe it or drink it, it's not a very big hazard to you. And people know how to handle tritium. It's a lot better than having neutrons . . . because essentially there's no radiation damage from the presence of tritium. . . .

If one is concerned about whether what's happening here is nuclear or not, he ought to pay attention to the tritium

results. There are lots of people who have seen large amounts of tritium. In very quickly perusing the copy I just got of the ERAB [the DOE Energy Research Advisory Board] report, it appears to me that that committee didn't pay much attention to the tritium observations. . . . They seem to pay much more attention to neutrons, which are evidently not that important. If you believe the tritium results, you've got to believe that something nuclear is happening.

EIR: So, that's a whole new ball game. It looks very exciting for the future.

Huggins: We think it's certainly very, very interesting and potentially could be very important. . . . It's a big surprise to us as well as to a lot of other people. And, I believe, that anybody who feels that the whole thing is an experimental artifact has got his head in the sand.

Interview: Nigel Packham

'Something is producing tritium and excess heat'

Nigel Packham is part of the Texas A&M team, working under John Bockris and Kevin Wolf at the Department of Chemistry and Cyclotron Institute, that reproduced part of the Fleischmann-Pons cold fusion experiment soon after the initial Utah announcement. The Texas A&M group was also the first to announce the detection of large amounts of tritium in a cold fusion cell. Packham was interviewed by 21st Century managing editor Marjorie Mazel Hecht on Dec. 5, 1989.

EIR: What's new in cold fusion at Texas A&M?

Packham: Recently we've had a cell in which we saw both heat and tritium at the same time. It shows that the tritium we have found can only really account for about 0.1% of the heat that we see at the same time. . . .

EIR: Can you explain that in a little more detail?

Packham: If you take into account all of the energy that could have been produced by the tritium evolution, where each act of tritium production gives you 4.02 MeV (mega-electron volts), and you know the rate at which the tritium is being evolved, then you can calculate the power that is produced in that time.

If all the heat was being produced from, for example, a deuterium-deuterium fusion reaction producing only tritium, for example, and if you take into account at the same time the amount of heat (or excess heat) that is being produced

and integrate that and find the total power produced during the same time, it should be able to be accounted for totally by the tritium energy.

Well, when we do the calculation, it comes out that it isn't, in fact, the tritium accounts for only about 0.1% of the heat produced.

EIR: That's very low!

Packham: Yes. So really what it shows is that there is something else going on. We don't know *what*, but it's something else. . . .

EIR: Has this amount of tritium been seen in one cell or more than one cell?

Packham: The tritium with a direct correlation to the heat has only been seen in one cell. I do know that Dr. Guruswamy at the National Cold Fusion Institute in Utah has obtained a similar result, but not as high tritium values as we have seen. Really, I think our experiment is the first time that tritium and heat have been seen in the same cell. . . .

EIR: What is your thinking about a theoretical explanation for the production of tritium?

Packham: One of the theories that needs to be developed is how to account for the tritium with no neutrons. Apart from the Japanese people that just came out this week saying they had large numbers of neutrons—40,000 a minute—there really aren't that many reports about neutrons from anywhere in the world.

In general, when I was in Utah, the feeling was that this is a so-called aneutronic process. Again, theories abound as to what may be going on, but let's say that it is not deuterium-deuterium (D-D) fusion. Let's say that it's hydrogen-deuterium (H-D) fusion. Now, I'm not enough of a theoretician to know whether that's possible or not. I've got a feeling that it would just form an unstable product and then fall back to H-D.

We've discussed that around somewhat. But it would account certainly for the fact that we usually get large amounts of tritium without neutrons. I think that's another thing that we just have to work on.

A theoretician in our group is working on the nuclear structure of the deuteron. Perhaps, just perhaps, when a deuterium becomes adsorbed on the surface of an electrode, the nuclear distances which are normally present may be extended because of the field that they are in, up to maybe 20 fermi. In that case, the structure or the tightness with which the neutron and the proton are bound together is lessened or weakened.

In that respect it may be able to direct the reaction toward tritium, rather than neutrons. But that is still something *very* speculative. I would love to be able to tell you that we have a theory that can account for all of this, and prove that theory, but I don't think anyone really can. . . .

U.S. trade deficit falls because we're not producing goods

by Anthony K. Wikrent

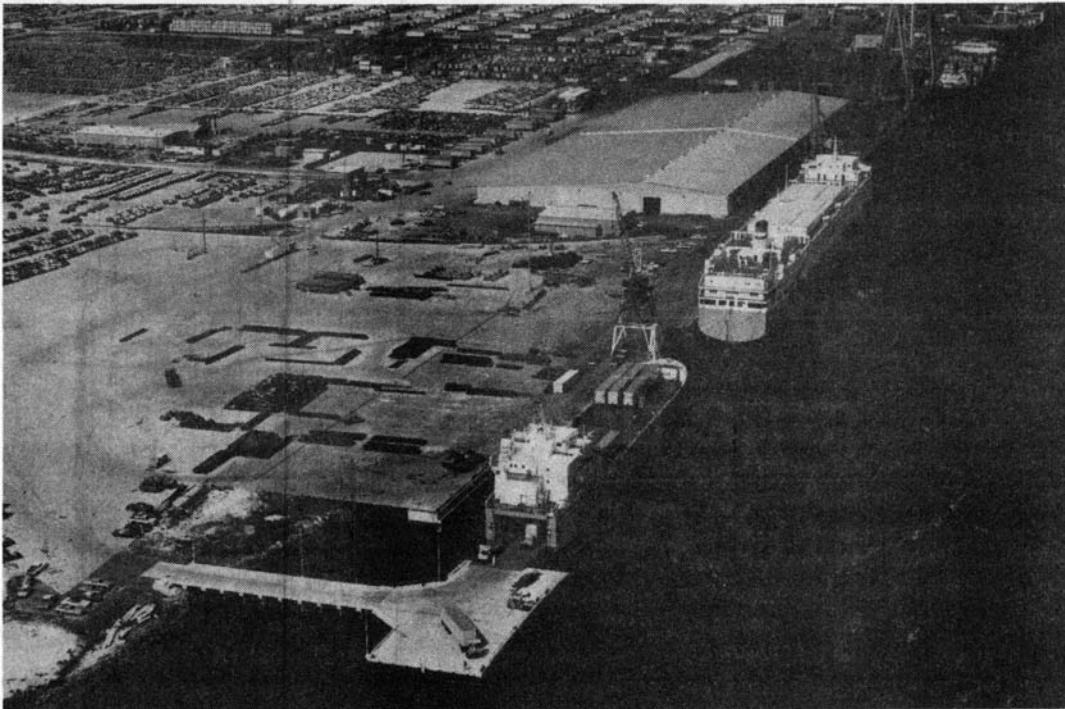
The news that the \$108.6 billion U.S. trade deficit for 1989 was the smallest since 1984 was widely hailed as evidence of the growing strength of the U.S. economy. If imports are down, it means more is being produced here at home, and more jobs for Americans, right? Wrong! If you look at units of merchandise imported and consumed, rather than just the dollar figures compiled and regurgitated by the U.S. Department of Commerce, the picture that emerges is of a *drop in production and consumption*, as well as in imports.

In other words, U.S. producers and consumers cannot afford to buy the goods they were previously buying from foreign countries—goods which the United States, in many cases, can no longer produce. That brings the trade imbalance down, but it does nothing to rejuvenate the failing economy.

The U.S. trade deficit fell 30.3% in December 1989, compared to the previous December, leaving the yearly trade deficit at \$108.6 billion, the smallest since the 1984 deficit of \$106.7 billion. Some attributed the December figures to a healthy surge of exports of commercial aircraft after the Boeing strike, but the dramatic collapse of durable goods orders, factory output, and factory orders the following month, gives the lie to that optimistic theory. January orders of merchandise and equipment expected to last at least three years, such as industrial machinery, household appliances, transport equipment, and military equipment, fell 10.5% to \$118.6 billion—the single largest drop in durable goods orders posted since the Department of Commerce first began keeping records in 1958. Figures released by the Federal Reserve Board showed output from the nation's mines, plants, and utilities in January slipped to the lowest rate in more than three years, with factories running at only 81.9% capacity, compared with 83.1% in December. Other Commerce Department figures revealed that orders received by American factories in January fell at the steepest rate in 15 years—5.4%—leaving factory orders at a seasonally adjusted \$227.7 billion.

Those falling orders for goods demonstrate the falling purchasing power of American consumers and producers alike.

In January 1986, the *EIR Quarterly Economic Report* titled "Gramm-Rudman:



All that's missing, are the exports: The Blount Island terminal in Jacksonville, Florida is fitted with container berths, cargo berths, various types of cranes, and rail and highway connections.

Acro-Pic

Catalyst of a new depression in 1986?" warned of such a collapse of purchasing power and living standards: "Unless present policies are reversed, the underlying economic collapse of the United States, estimated at a rate of 2.5% per annum, will accelerate during 1986, to perhaps pass over the line into the deflationary part of the depression process. Vulnerabilities that have accumulated under the evil and misguided policies that produced the so-called 'Recovery of 1983-84' create the potential for a further 15-30% ratchet collapse in living standards, from the levels of the late 1960s and early 1970s, and for a further estimated 9-15% reduction in the physical economy."

As we will show in the present and future articles, such a 15-30% collapse in living standards is exactly what has occurred since 1986. The extent of the collapse was hidden somewhat, by Washington strongarming U.S. allies and developing sector countries to essentially *give* to the United States what it no longer could produce for itself. But the collapse of the U.S. productive economy continued, generating, among other things, the two stock market collapses of October 1987 and October 1989. The U.S. economy has now rotted to the point that it can no longer afford to import the merchandise required to hide the extent of the crisis.

What went wrong?

The United States stopped producing for itself because of the decision of the Anglo-American elites to impose, top-down, a "post-industrial" policy designed to allow various schemes of ground rent and usury to loot the accumulated wealth represented by the nation's social and physical infra-

structure, and the capital structure of its industrial and agricultural bases. The "disinvestment" in infrastructure recently discovered by many economists and politicians is actually a symptom of the problem, and not the problem itself. The hoax of environmentalism was conjured up in order to persuade people to accept or tolerate the slow collapse in living standards that this "post-industrial" policy would cause.

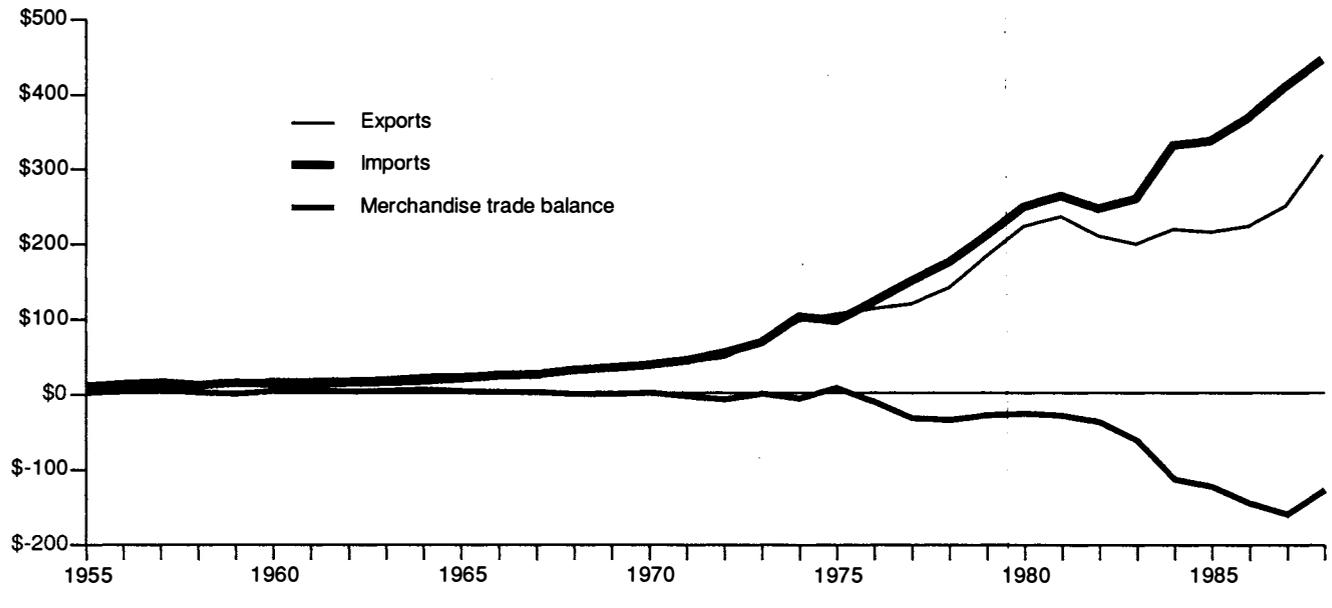
The Eastern Establishment was able to begin to implement this "post-industrial" policy after they cowed potential institutional opponents with the 1963 assassination of President John Kennedy, and subsequent successful coverup—an important turning point in the "cultural paradigm shift" in American life away from traditional values. By 1971, the United States suffered its first merchandise trade deficit since 1893. The trade deficits of that year, and of 1972 and 1974, should have been early warnings that prevailing economic, monetary, financial, and fiscal policies were great dangers to the continued ability of the physical economy to provide for the maintenance of the population (see **Figure 1**).

The change in status of the United States, from net exporter to net importer, was a great tragedy for the developing nations in particular, which desired and desperately required the industrial and technological capabilities the United States could uniquely supply at that time. But not only did the United States cease being a powerhouse and supplier of innovation and invention, but the export markets in developing countries were destroyed by International Monetary Fund/World Bank austerity conditionalities policies, and the Anglo-American elites' insistence that the developing countries make do with "appropriate technology." The ensuing holo-

FIGURE 1

U.S. merchandise exports, imports, and trade balance, 1955-1989

(billions \$)



Source: International Monetary Fund

caust of famine and death, which has since claimed at least half a billion lives, is a grim testimonial to the success of the Establishment's "population control" policies.

The oil shock of 1973, and the acceleration of the environmentalist hoax, shut down entire chunks of the U.S. base of production. By popularizing the notion of conservation as opposed to growth, the oil shock made possible the institutionalization of the post-industrial policies within the federal government. In 1976, and every year thereafter, the United States ran trade deficits, as the country turned to foreign producers to provide what it no longer produced itself.

U.S. trading partners, especially West Germany and Japan, received almost nothing in return—except the military protection of the U.S. nuclear umbrella. U.S. trading partners have been accepting paper of increasingly questionable worth, issued by an increasingly bankrupt socio-economic system, in exchange for their merchandise. After Armand Hammer and Charles Wick were able to guide President Ronald Reagan into accepting a condominium deal with the Soviet Union, Germany and Japan became increasingly nervous about the apparent willingness of the United States to sacrifice its allies in the quest for a global *modus vivendi* with the Russian empire. Since the Malta summit of December 1989, major U.S. trading partners have apparently reached the decision to abandon the United States to its fate, and have begun positioning themselves for the massive recapitalization of a freed Eastern Europe (*EIR*, Feb. 23, 1990, "The Bush factor: International funds flee depression, pact with Gorbachov").

By 1986, the industrial base of the U.S. economy had become 10-20% dependent on imports to continue functioning. It is now 20-30% dependent on inflows of foreign capital goods and certain raw materials. In certain areas, most noticeably in machine tools and oil, the dependency is much greater, approaching levels of up to 50%.

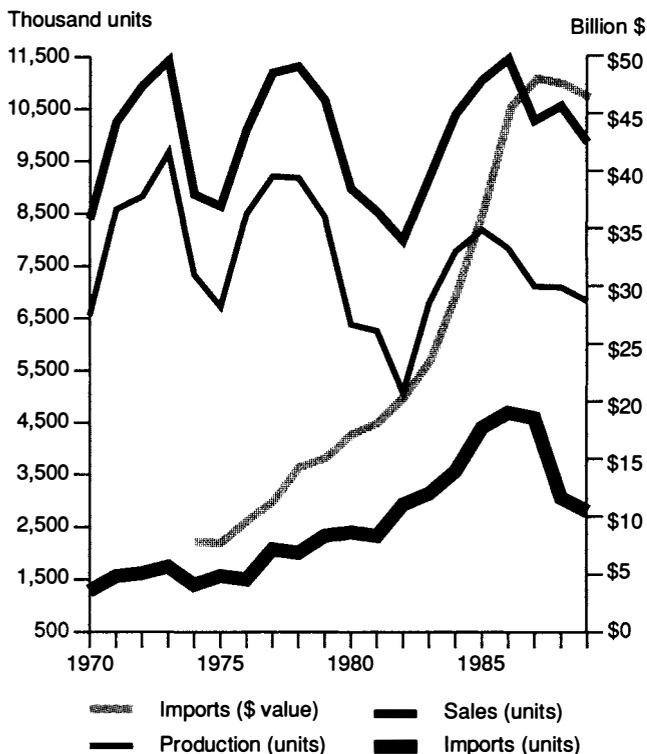
The consumer sector of the U.S. economy is now about one-half dependent on imports. That is, if the country were to cease all imports of consumer goods, such as automobiles, clothing and apparel, and consumer electronics, the apparent standard of living would collapse by a full 50%, and the true bankruptcy of the economy—its utter inability to meet its own needs—would be nakedly displayed for all to see.

There was a whopping \$72.199 billion trade deficit in durable and non-durable consumer goods, not including automobiles, in 1988. If automobiles are included, the deficit in consumer goods was a staggering \$127.926 billion, or slightly more than the total U.S. merchandise trade deficit. Here we clearly see the attempt to hide the collapse of U.S. manufacturing capability, by importing such a high volume of consumer goods.

Crisis in the auto industry

Automotive vehicles, parts, and engines comprise the largest single area of imports, as measured by dollar value. In 1988, the United States had an automotive trade deficit of \$55.727 billion, from \$87.941 billion of imports and \$32.514 billion in exports. The trade with Canada—\$29.200

FIGURE 2
Automobile production, sales, and imports



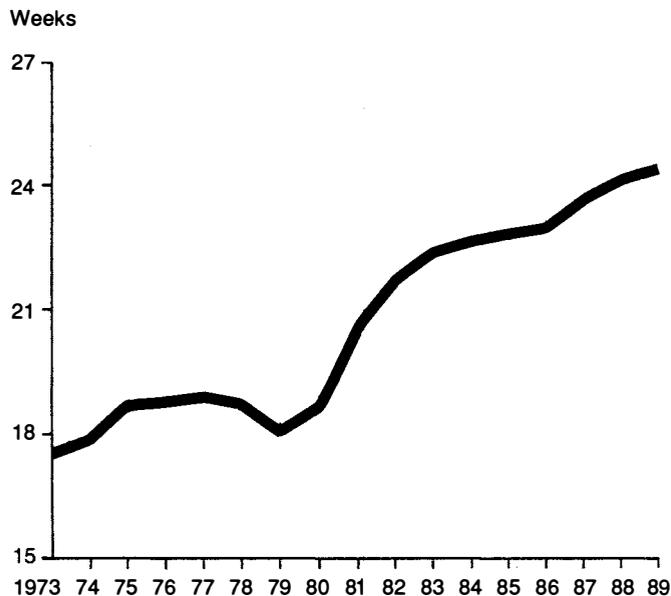
Sources: *Statistical Abstract of the United States*; Motor Vehicle Manufacturers Association, *Facts & Figures*; *Wall Street Journal*

billion in imports and \$22.572 billion in exports—should be factored out, since Canadian manufacturing and assembly plants are part of the integrated North American operations of the U.S. Big Three (General Motors Corp., Ford Motor Co., and Chrysler Corp.). That leaves a trade deficit of \$48.799 billion in the automotive area.

Figure 2, which is based on actual number of automobiles, not dollar value, shows the collapse of both imports and total retail sales, underlining the point that consumption, and hence imports, are falling absolutely. Car prices relative to family income are now at a 22-year high. According to David Litmann, an economist at Manufacturer's National Bank in Detroit, the average American must work 24.9 weeks to earn the \$15,281 average price of a new car, compared to only 18.7 weeks in 1980 (**Figure 3**).

The impoverishment evident in this area of the U.S. economy was largely covered up by radically increasing the length of a car loan, to keep the monthly payment "affordable." The average length of a new car loan is now 54 months, compared to 45 months in 1980; and the 84-month (seven-year!) car loan has just been introduced. According to the Federal Reserve, the average cost of a new car in the early 1970s was

FIGURE 3
Weeks of work to afford average car expense
 (median family income)



Source: Manufacturers National Bank, Detroit, Michigan

\$3,500, and the average loan was for \$3,100, taken out for less than three years, at about \$100 a month. Now, a three-year \$20,000 car loan at 12% interest would cost \$664 a month. Even with the seven-year alternative, the monthly payment is still \$353.

Rather than attack the "post-industrial" policy—a very risky thing to do politically—the management of the Big Three auto makers have chosen instead to claim that there is excess capacity in car production, and point a blaming finger at the Japanese. Harold Poling, the incoming chairman at Ford Motor Co., told the Automotive News World Congress in January that the world automotive industry has a production "overcapacity" of 8.4 million vehicles, or 20%. Most of the alleged "overcapacity" is in North America, with the ability to produce 6 million vehicles too many. Poling was particularly upset that the Japanese auto makers had built eight new assembly plants in North America and Europe in the past 18 months. The Japanese facilities in the United States, known as transplants, have become a favorite whipping boy of auto executives, United Auto Workers labor union officials, and the media.

In fact, the Big Three have been doing well in other areas, such as Europe, while taking a beating in their core North American automobile operations, where they have resorted to massive rebates and incentives, double those of 1988, to prop up collapsing sales. Chrysler lost a record \$664 million in the fourth quarter of last year, largely because of \$577 million in costs related to closing down two assembly plants,

Who will make uniforms for American soldiers?

During his tenure as secretary of defense during the Reagan administration, Caspar Weinberger ordered a review of the ability of the U.S. industrial base to meet military mobilization requirements. Initial findings indicated deficiencies so serious, that a regular process of Production Base Analysis was instituted, under the direction of the Defense Logistics Agency. In response to weaknesses in the industrial base identified by this process, the DLA established a Manufacturing Technology Program, with the goal of helping develop, demonstrate, and introduce into use more efficient and productive machinery and techniques.

Thus far, the DLA has identified four major types of military supplies for which the U.S. economy appears to be ill-prepared to supply emergency levels. These areas are combat food rations, precision gears, roller bearings, and textiles and apparel. In each of these areas, the DLA has taken actions to try to remedy the situation.

In the area of textiles and apparel, the agency has undertaken three different efforts. First, it has funded a project at North Carolina State University to develop and demonstrate new machinery, such as robots able to separate and manipulate materials, aimed at introducing greater automation into the production process. Second, state-of-the-art manufacturing technology demonstration and research centers have been established at Clemson University, the Southern Technical Institute (in conjunction with Georgia Tech and Georgia Tech Research Institute), and the Fashion Institute of Technology. Third, the DLA has joined with the Army to develop stitchless technology for apparel assembly. The Navy also has a program for advancing uniform-manufacturing technology.

The Department of Defense purchases about \$1 billion worth of textiles and apparel each year.

laying off thousands of workers, and eliminating about one-tenth of its salaried workforce. But the most significant detail was an operating loss of \$87 million, resulting from Chrysler's average rebate per vehicle sold of \$1,200. It was Chrysler's first quarterly loss in seven years. Ford lost \$123 million on its U.S. operations during 1989. GM does not break out separate figures for its U.S. operations, but implicitly acknowledged that it barely broke even on its domestic

auto operations, and may even have lost money.

U.S. passenger car sales in February were the lowest in seven years, with an annual average selling rate of 6.8 million units. "This past Saturday we didn't sell one new car. That has never happened before," the assistant manager of a car dealership in Indianapolis told the *Wall Street Journal* the first week of March.

Officials at the Big Three whine that Japan is being unfair, but a look at the auto market in Japan does not induce much sympathy for them. U.S. auto makers sold about 20,000 cars in Japan in 1989, whereas West German car makers, chiefly BMW and Mercedes-Benz, sold about 175,000 cars. One suspects that, if they really wanted to, the U.S. auto makers could sell in Japan. But, though they were given equal status at the Tokyo Auto Show in November, the Big Three could not come up with anything as impressive as some of the new automotive technologies displayed by the Japanese auto makers.

The Japanese have insisted upon the capital reinvestment required to consistently build better cars than the United States, for most of the past decade. Automotive industry analyst Maryann Keller has estimated that, since 1986, Toyota has raised \$6.2 billion at interest rates of only 1.2% to 4.0%. U.S. auto makers simply cannot come close to that, under the present U.S. financial system.

The American automotive industry clearly shows the effect of having its capital structure looted. Whereas a quarter-century ago, "Made In Japan" was something of a joke, denoting poor quality, U.S. automotive technology is now five years behind that of the Japanese. The best-selling car in the United States is now a foreign car—the Honda Accord.

The Japanese can now design, engineer, and launch a new model almost three times more quickly than their American counterparts. And the quality of the finished product will be better. In 1980, a GM car had an average of 7.4 defects, a Ford car had 6.7, and a Chrysler had 8.1; the average Japanese car had only 2.0 defects. By last year, the U.S. Big Three had closed the gap significantly: GM had 1.7 defects, Ford had 1.5, and Chrysler had 1.8; but the Japanese had not stood still, and were down to 1.2 defects.

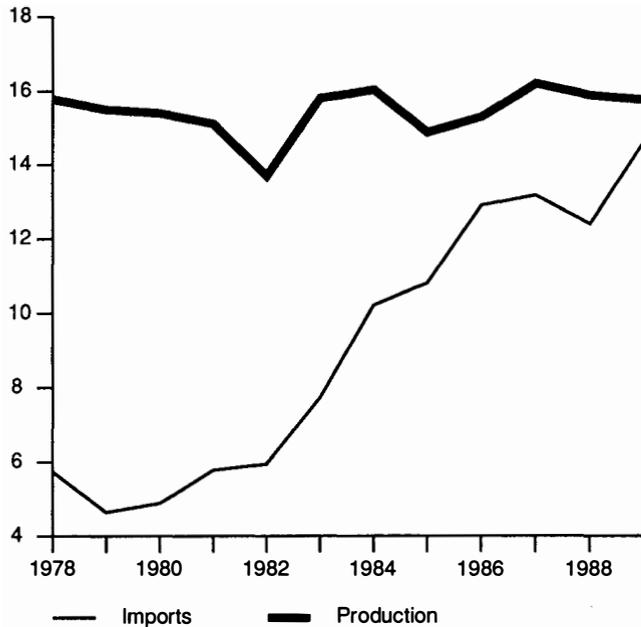
Moreover, the Japanese have been able to invest far more in robotic manufacturing technology, and can turn out a car in about 20% less time than can the U.S. auto makers. MIT analyst John Krafcik, who has studied 40 auto assembly plants in 13 countries, estimates that the average plant in Japan needs 20.3 hours of labor to assemble a car, compared to 24.4 hours in North America.

It's not that the Big Three don't have the money: Ford is sitting on \$5.7 billion in cash. But, rather than invest in new technologies, Ford chose to take a loss of \$424 million on the sale of its River Rouge steel-making facility. The problem is that the U.S. financial system, with supporting tax and credit laws, favors usury and speculation far more than production. The insanity of this situation is exacerbated by the legion of environmental regulations productive industries

FIGURE 4

Imports and production of textile manufactures

(billions of equivalent square yards)



Source: American Textile Manufacturers Institute, Inc., *Textile Highlights*

must comply with.

In fact, the Big Three are hoping to use new laws mandating better fuel economy as a foil against rapidly emerging Japanese competition in the luxury car market, by far the most profitable per unit sold. The U.S. auto makers want Congress to force all auto makers in the U.S. market to raise their fleet fuel economy averages by the same amount—regardless of their starting point. Since, for example, Toyota was already at 32.6 miles per gallon in 1988, compared to Ford's 26.4 mpg, the Japanese car makers would be at a disadvantage.

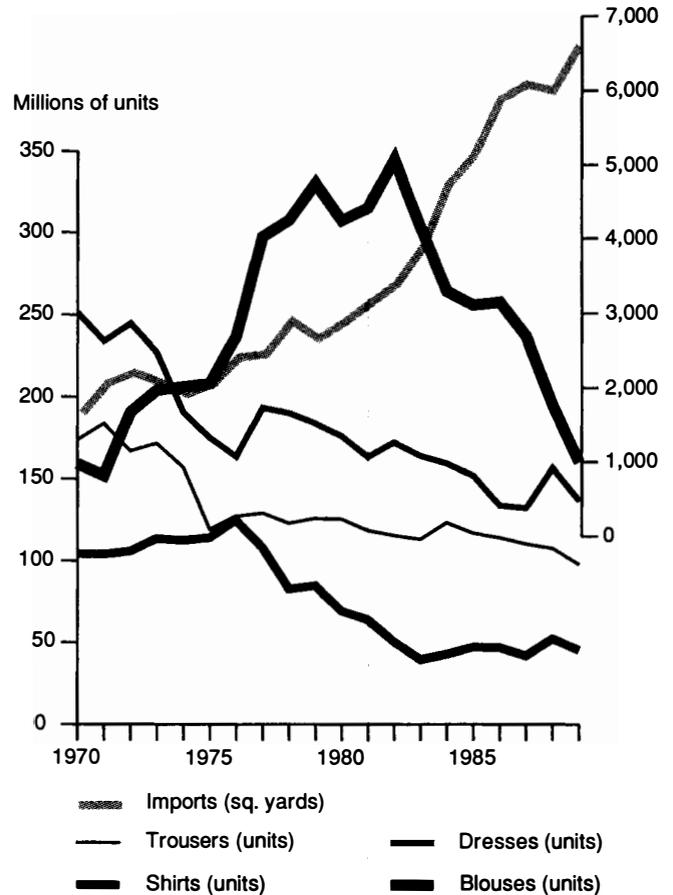
The luxury car market is crucial for the U.S. auto makers, since the Big Three have practically abandoned the field of small cars. Profit margins on small cars are excruciatingly slim, partly because technology for manufacturing and assembling them is now firmly established in many developing or newly industrialized countries, such as Mexico, India, Brazil, Taiwan, Thailand, and South Korea, which have exceptionally low costs.

This does not necessarily mean that developing countries can make money by producing small cars for the U.S. market. A case in point is the Yugo, an import from Yugoslavia that enjoyed very brief popularity some years ago. Cash-strapped American consumers were initially attracted by the Yugo's very low sticker price of just over \$4,000, but once the car's horrendous quality became known, the Yugo was

FIGURE 5

Production and imports of apparel

Millions of sq. yd. 15 equivalents



Source: American Apparel Manufacturers Association, 1989 *Focus: An Economic Profile of the Apparel Industry*

shunned. Yugoslavs are bitter about their experience, since it was Kissinger Associates President Lawrence Eagleburger, now deputy secretary of state, who persuaded them to attempt an export boom to the United States. Kissinger Associates made millions by advertising the car, while the Yugoslavs had nothing but losses. Yugoslav officials now privately say they were manipulated and betrayed by Eagleburger.

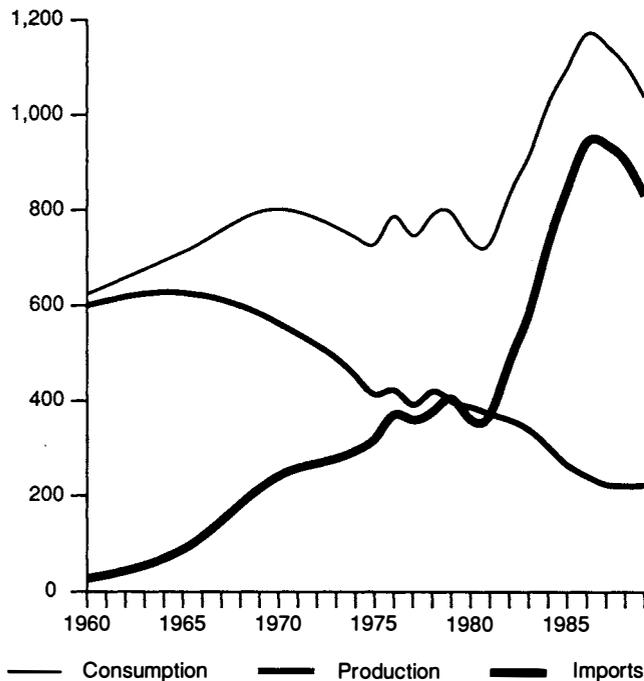
Textiles, clothing, and footwear

The third largest import items (in dollars) are textiles, clothing and apparel, and footwear. Fully one-third of U.S. domestic consumption is accounted for by imports, with the United States running a trade deficit in this area of about \$20 billion each year. Imports of textiles and apparel soared 13% to a new record in 1989, according to the American Textile Manufacturers Institute. The United States imported the

FIGURE 6

Consumption, production, and imports of non-rubber footwear

(millions of pairs)



Sources: *Statistical Abstract of the United States*; U.S. Department of Commerce, 1990 *U.S. Industrial Outlook: Prospects for Over 350 Industries*, January 1990

equivalent of 12.19 billion square meters in 1989, compared to 10.74 in 1988, causing the trade deficit in textiles and apparel to swell 8% to \$26.4 billion (Figures 4 and 5).

About one-quarter of this area is comprised of household furnishings (curtains, bed linens, towels) and miscellaneous items such as automotive trimmings, in which the trade deficit is rather small—only about \$650 million a year. Therefore, the extent of import dependency in clothing is probably much higher than one-third, and may even be over 50%.

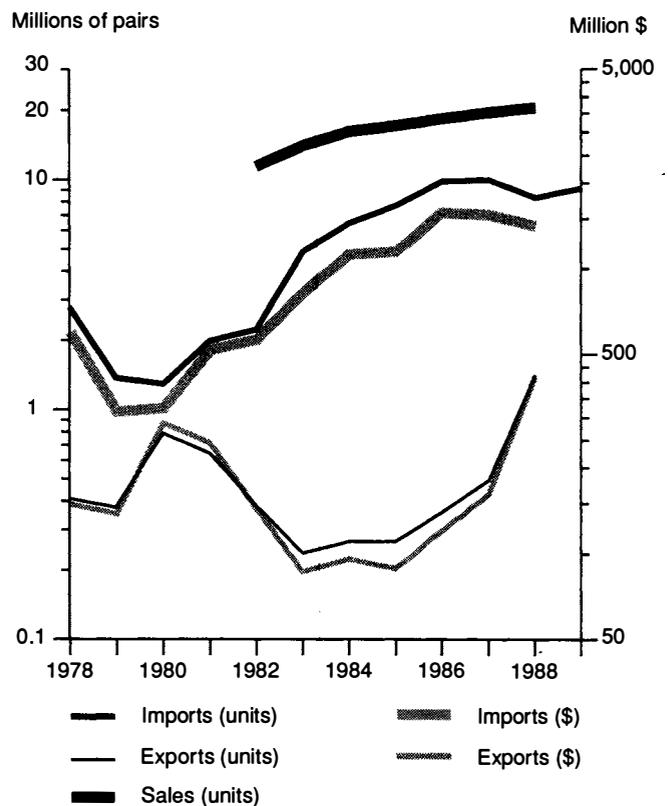
The Defense Logistics Agency has identified the textiles and apparel industry as one of several critically weak industries unable to assure the U.S. Armed Forces of an adequate supply, especially during emergencies. The DLA has established a Manufacturing Technology Program in an attempt to address the problem. (See box.)

Sixty percent of the fibers consumed in the United States are man-made. The domestic man-made fiber industry is 90% dominated by fewer than a dozen horizontally integrated, multinational corporations. These companies have significantly reduced production capacity in the past few years. Meanwhile, production capacity in Asian countries, particularly the People's Republic of China, increased over 50%

FIGURE 7

Imports, exports, and sales of consumer electronics

(logarithmic scale)



Source: Electronic Industries Association, *The U.S. Consumer Electronics Industry 1989 Annual Review*

from 1984 to 1988.

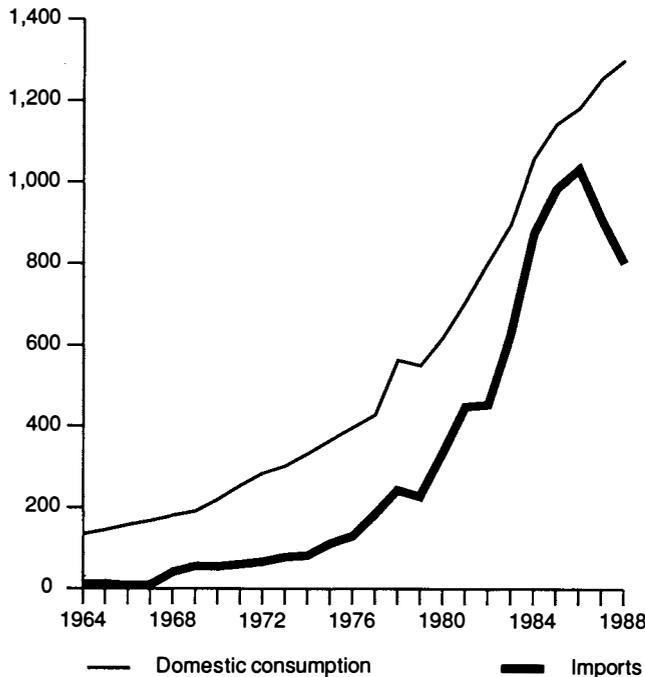
The United States now depends on foreign countries for over half of the machinery used to manufacture textiles. On a dollar value basis, imported textile machinery amounted to \$1.332 billion, compared to domestic shipments of \$1.472 billion in 1989. Imports in 1987 and 1988 were \$1.166 billion and \$1.413 billion, respectively, while domestic shipments were \$1.231 billion and \$1.325 billion, respectively.

Again, the outlook for this industry is grim, not because of the industry itself, but because it must operate in the hostile environment of the U.S. financial system. Domestic apparel makers are already showing significant losses as a result of the junk bond bankruptcy of Campeau Corp.'s two U.S. branches, Allied and Federated Department Stores. Not only have apparel makers suffered by cutting back shipments to the Campeau operations, many of them have been stuck with hundreds of thousands or even millions of dollars in Allied and Federated checks that can no longer be cashed, since Allied and Federated are operating with bankruptcy protec-

FIGURE 8

Domestic consumption and imports of photocopier machines

(thousands of units)



Sources: Computer and Business Equipment Manufacturers Association, *The Information Technology Industry Data Book 1960-1989*; U.S. Department of Commerce, *U.S. Industrial Outlook: Prospects for Over 350 Industries*, January 1990.

tion from their creditors. Leslie Fay Cos., a major women's clothing manufacturer, reported that a 49% plunge in net income—including a \$1.9 million addition to loss reserves—involved its accounts receivable from the Campeau operations. Bernard Chaus, another big apparel maker, suffered a \$2.8 million net loss for the fourth quarter. Fourth-quarter profit at Hartmarx plunged 73%. Many manufacturers were forced to dump merchandise slated for sale to Allied and Federated at a substantial loss.

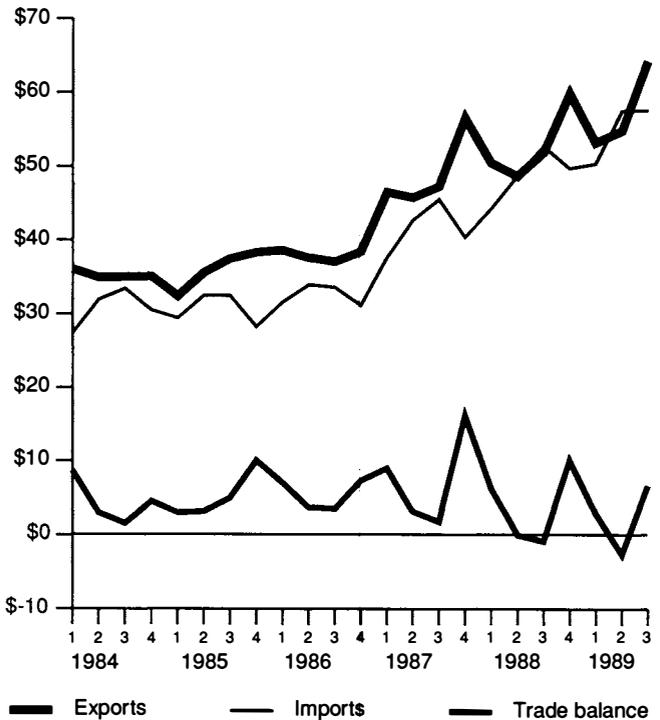
While the United States is the largest exporter of cattle hides in the world, exporting three-quarters of the 33-35 million hides produced each year, it imports two-thirds of the shoes it consumes each year. Many other countries which have not bought the tragic mythology of "post-industrialism," such as Argentina, Brazil, or India, impose strict export controls on their production of cattle hides, as an indirect means of promoting the growth of their tanning and leather products industries.

Per capita consumption of non-rubber footwear in the United States is now collapsing again, after weakly rebounding from the 1980 low of 3.3 pairs (see **Figure 6**). Apparent consumption in 1989 was 1.038 billion pairs, or 4.2 pairs

FIGURE 9

U.S. Services exports, imports, and trade balance, by quarter, 1984-89

(billions of \$)



Source: International Monetary Fund

per capita, compared to 4.5 pairs in 1988, and 4.9 pairs in 1986. U.S. government agencies are quick to point out that much of the decline is due to the increasing popularity of various types of "quality" sports shoes, a trend started by Adidas in the early 1980s. But, the harsh truth is that with personal disposable income of 80-90% of Americans eroding 10-15% each year, more and more people see \$50 sports shoes as the only affordable alternative to \$100 leather shoes for day-to-day use.

Consumer electronics

The trade deficit in consumer electronics in 1989 was a record \$11.4 billion. The United States imports all its compact disc players, and all its digital audiotape players—there is simply no domestic production capability. We also import more than 90% of our VCRs, as there is no significant capability to manufacture them domestically. Virtually all camcorders are imported.

There is a clear trend of shifting from higher-cost imports from Japan, to much lower-cost imports from developing countries. Japan's share of U.S. imports dropped from 53% in 1988 to about 40% in 1989. South Korea and Mexico supplied about 13% each; Taiwan supplied about 10%. Other

U.S. seeks to impose its follies on Europe

“Contrary to what cult fanatic [Trade Negotiator] Carla Hills may argue, the present economic miseries of the United States are not due to the unfairness of Japan and West Germany, but rather, to the stupidity of the United States. It is therefore particularly obscene when the United States intervenes in the affairs of more successful managers of economies, those of Western Europe, and proposes to impose upon the bank project the same follies which have led to the ruin of the U.S. economy,” jailed American political economist Lyndon LaRouche declared on March 12.

Mr. LaRouche, who was speaking from the Rochester Federal Medical Facility, in Minnesota, went on to explain his reference. “Some time ago, France’s President François Mitterrand proposed the establishment of a new European bank. It was understood that this bank would steer its efforts toward financing some of the crucial elements of economic development, of the newly liberated, formerly Soviet Captive Nations of Eastern Europe.

“This was heralded by everyone except some fellows in London, and, unfortunately, Washington.

“From Washington, from the Bush administration, came recently the demand that this bank should be forbidden from making infrastructure loans in Eastern Europe, that the business of infrastructure loans should be left to the respon-

sible international supervisory agency, the World Bank.

“The result of this is that Washington did not have its way, respecting the founding of the bank, but that it did manage to drag its feet to the point of crippling the bank, relative to what it might have been. France’s Jacques Attali, the apparent preferred choice of sponsoring President François Mitterrand, has been appointed head of the bank. The bank will unfortunately be headquartered, apparently, in London, and there will be undoubtedly some restriction on its lending practices—though the Europeans will predominate, nonetheless the United States, and, presumably, some fellows in Britain, have succeeded in significantly sabotaging the bank, relative to what it might have become.”

What’s wrong with the World Bank

LaRouche, who has been a political prisoner in the United States since January 1989, for the “crime” of having spoken out too bluntly against the powerful financial interests who run the U.S. justice system—went on to underscore why the U.S. meddling will have nefarious effects. “The World Bank, especially since the days of the rather kookish McNamara, Robert S. McNamara—Robert Strange McNamara to be specific—has been a malthusian organization, dedicated to devolution of economies, and has promoted the cessation of infrastructural development as a way of preventing economies from developing,” he pointed out. “In other words, forcing economies to cut their population through the same kind of mechanism ultimately used by Adolf Hitler to reduce the population through his concentration camp slave-labor system, the use of the pencil, or the red-line, as a way of imposing a high rate of death or increased death rate, in affected countries.”

“The same kind of practice has occurred in the United States, also under malthusian influences,” said LaRouche, who is running for Congress from Virginia’s 10th C.D. from imprisonment, and is leading a nationwide slate of candidates

significant suppliers include Thailand, the Philippines, Indonesia, Malaysia, and Communist China. Sixty-nine percent of VCRs came from Japan (down from 75% in 1988), while 21% came from Korea. Taiwan supplied 6%, and Thailand emerged as a new supplier, with 4%. Ninety-eight percent of camcorders were from Japan, which also supplied 75% of CD players (down from 86% in 1988), with Korea and Taiwan being the two other most significant suppliers.

While 60% of color televisions sold in the United States are produced domestically, the level of U.S. ownership of that production capability has fallen to only 11% in 1989, from 43% in 1979. The only significant U.S. television manufacturer left is Zenith, which has 12.0% of the U.S. market, placing it second after RCA (owned by Thomson S.A. of France). For years, Zenith has been seeking to sell its con-

sumer electronics operations, since they have not been profitable since 1984. But with the domestic market squeezed by the collapse of discretionary personal income, no one could be found willing to compete with the cheap labor in the developing countries. The largest exporter of televisions to the United States in 1988 and 1989 was Mexico, while Japan was only the eighth-largest exporter. In December, Zenith sold its profitable computer business to Groupe Bull of France (**Figure 7**).

About 22% of U.S. consumer electronics exports went to Mexico, mostly parts that were then imported after assembly into final products.

The impoverishment of the American workforce was the result. Labor costs in Mexico are about \$3 an hour, compared to an average hourly wage of \$9.50, plus another 35% in

committed to reversing the malthusian bias of so many elected officials. "Go back to the 1960s," he urged. "During the early part of the 1960s, under Kennedy, we began to achieve the highest rate of economic growth we'd known in the 20th century.

"This was a result of several things. First of all, Kennedy's sponsorship of the crash program approach to the Moon landing, the crash program approach to the aerospace task. It was also due to the Kennedy investment tax credit policy, which the Reagan and Bush administrations, especially the Bush administration, stoutly opposed. It was contributed to by lower interest rates." He added that it was "promoted by the Kennedy administration's continuation of a high rate of investment in basic economic infrastructure, water systems, development of the generation and distribution of power, transportation systems, and so forth.

"This gave the United States the highest rate of annual growth of physical productivity per capita, which continued, until the Johnson administration went into a malthusian phase, with about the 1966-67 budget."

The beginning of the end

Around 1970, LaRouche continued, large numbers of the infrastructure projects that had been under way were terminated, "to the effect that after 1970 the net growth of infrastructure in the United States, was negative. We have been going downhill in infrastructure ever since 1970. Some estimates would say that we would have to spend \$4 trillion in order to put our basic economic infrastructure into the state of repair it was in 1970.

"It is this collapse of infrastructure, combined with the malthusian approach to agriculture and to manufacturing, together with a deregulation of finance and related matters, which has turned the United States into now almost a Third World condition. The United States economy is a Third World nation, in terms of the unstable character of its foreign debt."

LaRouche made some obvious points, which are further

documented in the *Feature* in this issue: "We do not produce enough to meet our own needs, that is, in terms of net, after all of trading is considered. We depend upon the largesse of not only Japan and West Germany, we depend upon donations, albeit forced donations, which we steal from some of the hungriest nations of the world, including the food that we take from nations such as Brazil, Mexico, and so forth. We steal it, by rigging the terms of trade and exchange rates and that sort of thing. This is all in the name of deregulation and free trade.

"So, what they proposed to do in Washington, under the Bush administration, was to force Europe to repeat that which has caused our destruction."

German unity more crucial than ever

What this means, he concluded, is that "to the extent that the Bush administration has sabotaged what should have been the fully effective functioning of the bank proposed by France's President Mitterrand, Europe now depends absolutely upon the success of the German unification program, that is, its early completion, and its most unhindered and rapid implementation. Because the only agency left with the partial crippling of the new European bank, which can meet the needs of Eastern Europe, that can accelerate the process of integration of Eastern European economies into Western continental European prosperity, is a united Germany.

"So, anyone who's repeating or continuing the policies which the Bush administration advanced recently, in respect to the proposal to use the World Bank as the supervising agency, for loans to Eastern Europe, has to be insane.

"What we need to do is insist less that Japan and Western Europe listen to the economics advice of the United States, and we ought to insist more that for a change Japan and West Germany ought to come to Washington and give the Bush administration a lesson in at least the ABCs of sound economic policies and practice."

benefit costs, in the United States. A representative of the Communications Workers of America told the *Journal of Commerce*, "We approached the company to ask, 'What can we do to keep the plant in the United States?' The response was, 'Nothing. . . . Even if you agreed to the minimum wage, there's nothing we can do. There's no way you can compete with the Mexicans.'"

In the area of electronic office equipment, a picture similar to autos and footwear emerges. Unit shipments of photocopiers slowed in 1987 and turned down in 1988. Imports of photocopiers first took half of the U.S. market in 1980, and now control almost three-quarters of the market (**Figure 8**). Imports control about 95% of the facsimile machine market. Of the 583,800 facsimile machines sold in 1986 in the United States, 554,661 were imported. Sales are now slowing, sup-

posedly because the market has become saturated.

Services put out the warning flag

In a repudiation of the post-industrial policy that has destroyed the U.S. economy, the U.S. trade balance in services has itself shown the first quarterly deficits ever (**Figure 9**). This is truly ironic, since the concept of a post-industrial economy was based upon the shift to a "services" economy. The Department of Commerce, the Federal Reserve, and other government agencies, are now studying changes in statistical analysis of economic activity designed to reflect the greater importance of services in the economy. If the first merchandise trade deficits in the 1970s were warnings, these new service trade deficits should mark the beginning of the end of the "post-industrial" fantasy.

Lithuanian independence requires Western support

by Konstantin George

Lithuania's March 11 Declaration of Independence and election of Sajudis (Lithuanian Popular Front) chairman Vytautas Landsbergis as President of the first Captive Nation of the U.S.S.R. to declare itself free of Bolshevik despotism, is an historic occasion and inspiration for freedom-fighters the world over. The independence proclamation, creating the sovereign Republic of Lithuania, and restoring the 1938 Constitution of pre-war independent Lithuania, was timed with a sharp eye on the political calendar in the Russian empire's capital, Moscow. It was also taken with no illusions regarding the vast difference between proclaiming independence and actually achieving it.

How tough that road to genuine independence will be was soon made plain. While the Lithuanians were celebrating their freedom, following a litany of threats against Lithuania by Soviet leader Mikhail Gorbachov, a new autocratic dictatorship was being installed in Moscow. On March 14, as expected, the U.S.S.R. Congress of People's Deputies confirmed Gorbachov as President-Dictator of the U.S.S.R., in effect crowning him as "Czar" Mikhail. Gorbachov's last policy statement before being elected was a rude rejection of Lithuania's demand for negotiations with Moscow to have its independence duly recognized and respected:

"I believe this decision was illegitimate and invalid. Lithuanians, along with representatives of Estonia and Latvia, have asked to hold talks. There can be no question of talks. We hold talks only with foreign states."

The two events, Lithuania proclaiming independence, and Gorbachov enthroned as "Czar"-autocrat, epitomize the two primary political dynamics under way in the crisis-racked Soviet Union: the tendency of republics seeking freedom and independence, and a Moscow state leadership committed to preventing the empire's dissolution at all costs. The crisis manifestations inside the U.S.S.R. to date, dra-

matic as they may have been, were only an overture to the next phase.

As Gorbachov admitted in his statement rejecting talks, Lithuania's independence has created a precedent and has given hope to all the other Captive Nations in the Russian empire to follow Lithuania's example, beginning with Lithuania's fellow Baltic republics of Estonia and Latvia, which like Lithuania were illegally annexed to the U.S.S.R. in 1940 under the terms of the Hitler-Stalin Pact. The abrogation of the 1940 Soviet annexation formed the prelude to the historic Lithuanian Declaration of Independence, read aloud over Lithuanian television and radio: "The Supreme Soviet of the Republic of Lithuania, expressing the will of the people, has resolved that its exercise of sovereign powers, which had been curtailed by foreign powers [Nazi Germany and Soviet Russia] in 1940, has been restored."

This was followed by Landsbergis, the republic's President, declaring, "We are standing at the threshold of an historic turnaround. . . . It's a question of a free Lithuania, a free people, on a free soil."

Independence wave

On the weekend when Lithuanian independence was declared, 499 delegates, members of the Estonian National Congress, convened in that republic's capital of Tallinn, and proclaimed Estonia independent. These delegates had been duly chosen by 700,000 Estonians in an Estonians-only election (due to Soviet postwar migration policies, 40% of Estonia's population today are non-Estonians, primarily Russians) held on Feb. 24, the anniversary of Estonia's 1918 Declaration of Independence. Estonia's Supreme Soviet elections will be held on March 18, and as the above events show, a majority mandate for Estonia to follow Lithuania and proclaim independence is certain.

A mass movement for proclaiming independence has swept the Transcaucasian republic of Georgia during March. On March 9, the Georgian Supreme Soviet passed a resolution calling for negotiations with Moscow to work out the details of Georgian independence. In Ukraine, the largest non-Russian republic, the Ukrainian National Movement, Rukh, following its large vote in the March 4 elections, announced it will convene to work out a platform for Ukrainian independence.

War of independence has just begun

Lithuania's Independence Declaration was followed on the same day by the Lithuanian Parliament's issuing a dramatic appeal to all nations of the world to extend support and recognition. The response to the appeal has demonstrated once again the moral bankruptcy of most Western governments, above all the Anglo-American side.

At a March 13 press conference, President George Bush stated that the United States would not yet recognize Lithuania, even though the U.S.A., at least on paper, has never recognized Moscow's 1940 annexation of the Baltic states. Bush being Bush, the point was made with rather incoherent phrases. Question: "Why are you unwilling to recognize Lithuania as independent?" Answer: "There is a standard of control of one's territory that we are—I've been advised is—should guide this. We want to see a peaceful resolution to this question."

The British government issued an identical response, albeit more crisply, in this case by William Waldegrave, Minister of State at the Foreign Office: "When it comes to recognition of states, the state has to be an existing viable state under our criteria, with control over its external policy and control over its territory. I think, as of today, we would probably have to say, 'No' . . . it isn't yet a genuine, separate state."

Such policy statements place the cart before the horse—out of an undisguised desire to propitiate Gorbachov. With Western recognition and support, Lithuania will become in no time a "viable, genuine, separate state." Denial of such support threatens to create a self-fulfilling prophecy that the infant republic will not prove "viable."

In the first days of its independence, no state, including from Western or Eastern Europe, has extended recognition or real support to Lithuania. The nation is totally dependent on the U.S.S.R. for its supply of energy and raw materials; it remains occupied by Soviet troops. It stands exposed to an entire gamut of Soviet economic warfare and territorial demands, designed to bring Lithuania, over a period of time, to its knees.

Memel, East Prussia, Vilnius

Moscow's threats of economic warfare, up to blockade, plus the raising of territorial questions, were already issued before Lithuania proclaimed independence. As was revealed in the Lithuanian media, Gorbachov told Lithuanian repre-

sentatives in a Moscow meeting March 6 that an "independent" Lithuania would have to cede to the Soviet Union a strip of territory that connects Soviet Belorussia with the Russian Republic exclave, formed by Soviet-occupied East Prussia (the region around Kaliningrad, formerly Königsberg); and "clarify" the status of the following territories: 1) Lithuania's capital Vilnius and the surrounding region; 2) Lithuania's coastal strip extending north from Soviet-occupied East Prussia to Lithuania's sole port, Klaipeda, the former Memel. This strip of territory was known historically as Memelland, and until 1940, a region of mixed Lithuanian-German population.

Gorbachov employed the following legal fiction to justify Soviet moves to cripple independent Lithuania: 1) Since Lithuania was restoring its pre-war independence, its maximal boundaries would be those of pre-war Lithuania. Pre-war Lithuania did not include Vilnius, its present capital. Before the war, the Vilnius region had been under Polish rule. 2) Under the terms of the Hitler-Stalin Pact, Memelland was detached from Lithuania and awarded to Nazi Germany, and therefore was not part of the independent Lithuania seized by Stalin in 1940, but was "restored" to Lithuania in 1945 by a Moscow act of alleged "generosity," rather than remaining part of Soviet-occupied East Prussia, and thus ending up in the Russian Federation.

These legal fictions are being employed now not only with the aim of strangling Lithuania, but in order to consolidate the most important region of the Soviet military's western theater existing anywhere in the western Soviet Union.

The most important piece of military-strategic real estate for Moscow in the Baltic, containing the largest Soviet military concentrations in the Baltic Military District, is not any of the three Baltic republics, but the Russian Republic enclave formed by the part of former German East Prussia occupied by the Soviet Union after World War II. This small geographic area borders on Poland and lies the closest to what is now the German Democratic Republic—East Germany—of any part of the U.S.S.R. It contains the largest single army in the Soviet military's order of battle, the 11th Guards Army, which, unique to any Soviet army, contains two artillery divisions, an incredible concentration of artillery and short-range missile firepower. Soviet-occupied East Prussia also contains the former German port of Pillau, the headquarters and main naval base for the Soviet Baltic Fleet. Beyond that, Soviet forces in this region are being quietly built up through the transfer of units now being withdrawn from Eastern Europe.

Moscow's territorial demands on Lithuania have an importance extending far beyond Lithuania. Soviet-occupied East Prussia, with the addition of the "corridor" connecting it to Belorussia and the Klaipeda (Memel) strip, is on its way to becoming Moscow's springboard for any future military operations or power projection blackmail westward, against Germany, in the context of Central European demilitariza-

tion. Gorbachov's demand that Memelland be added to this springboard is critical to maximizing the springboard's logistical capabilities, in addition to the economic and political devastation it would wreak on Lithuania by depriving it of its only port and hence, physical access to the Western world.

The port of Klaipeda (Memel), as *EIR* had documented in its 1985 *Global Showdown* special report, was vastly expanded during the 1980s, to become the key rail ferry logistics port for Soviet forces operating in Central Europe.

'Trojan Horse' Brazauskas

By March 15, the next level of Moscow's counter-offensive had surfaced: the activation of the numerically strong Russian minority in the Baltic republics, to march in opposition to independence, and the activation of Baltic Communist "Trojan Horses," who have pretended to be for independence, but whose true colors are now emerging.

The activation of the Russian ethnics began on March 15 in Tallinn, the capital of Estonia, where thousands of Russians demonstrated, preemptively, before the March 18 Estonian elections, against Estonia following Lithuania's road. This is only the prelude to events that will show that Estonia's road will be even harder than Lithuania's. Lithuanians comprise 80% of their republic's population, whereas Estonians make up only some 60% of their republic's population. In Latvia, matters are worst. Latvians form at most 50% of the population. Political freedom in no way is a threat to the well-being of these ethnic minorities—but the Soviet KGB has busied itself in convincing them that it is, and is mobilizing them to oppose independence from Moscow.

In tandem, on March 15, Algirdas Brazauskas, the head of Lithuania's "independent" Communist Party, who had profiled himself and his party as "pro-independence" during the election campaign to secure Sajudis support and thus get some 40 "pro-independence" Communists elected to the Lithuanian Parliament, exposed himself as a Moscow Trojan Horse inside the Lithuanian Independence camp. Radio Moscow announced, with hardly concealed glee, that "the Lithuanian Parliament is split" between Sajudis and "their leader, Landsbergis on the one side," and "Brazauskas and the Lithuanian Communist Party on the other side." Brazauskas and the CP are using what he has termed in post-independence broadcasts, "the economic consequences of independence," to argue for a pullback from full independence, to negotiate with Moscow Lithuania's receiving "complete domestic independence," but remain tied in foreign and defense policy to the Soviet Federation.

Economic warfare has already begun to hit the republic. Moscow has slowed down deliveries of components and parts, and enterprises in Lithuania are feeling the pinch. Shortages are growing. On March 17, demonstrations by non-Lithuanian minorities (Russians and Poles) against independence will be held in Vilnius. A state of siege has begun. The nations of the West, including the nations of Eastern

Europe such as Poland, Czechoslovakia, and Hungary, which historically and culturally belong to the West, must recognize the Republic of Lithuania and come to its assistance.

What happens next concerning Lithuania is an open question. Moscow may even succeed in temporarily ending Lithuanian independence. However, the courageous act by that proud Baltic people, seeking to rejoin the Europe to which they belong, historically and culturally, has unleashed a tidal wave moving toward freedom and independence in Moscow's entire prison of Captive Nations.

Documentation

LaRouche challenges Moscow's intentions

In a commentary issued March 13, U. S. congressional candidate Lyndon LaRouche advised, "We must say [to Lithuania], 'You have every right to assert your sovereign independence, because you have all the reasons for separating yourself from the Great Russians. . . ."

"Now, let me just take one little sticking point which reveals the whole issue. There's a strip of Lithuania, which is associated with the city of Memel. Now, the Lithuanians naturally would be inclined to say, 'Well, give us back this part of our territory, as part of our independent territory.' The Soviets have already said in advance, 'No.' What's the significance of Memel . . . to Moscow? It has only one significance. It is the crucial strategic point for launching a surprise attack on not only Poland, but parts of a united Germany, up to the city of Kiel in Schleswig-Holstein. . . ."

"Therefore, if the Russians are so determined, the Muscovites, to hold onto Lithuania, and particularly Memel as distinct from the rest of Lithuania, we must . . . say, 'Dear Czar Mikhail V of all the Russias: If you grant the Baltic states independence, as they may desire it, that will not hurt the Russians, that will help them in our eyes and you shall gain more by giving the Balts their freedom than you shall by trying to continue to hold them as your slaves and vassals. Because you will have better relations with us, the Baltic region itself will become economically better, much better, and rapidly, than it was or could be under your domination, and you will benefit from having a progressive state on your borders which represents no military threat whatsoever to you. Whereas, if you insist on owning this territory, then we cannot believe a thing you say about all your great humanistic reforms. And if you insist on holding Memel, then we know that aggressive war is lurking somewhere in the halls of the Kremlin.' "

Romanians demand ouster of Iliescu

by Konstantin George

Thousands of Romanians demonstrated in the capital of Bucharest March 11, joined by another 15,000 in the western Romanian city of Timisoara, demanding the immediate resignation of the post-Ceausescu, Soviet puppet National Salvation Front (NSF) regime, headed by President Ion Iliescu and Prime Minister Petre Roman. The population detests Iliescu, Roman, and the entire cabinet because they, like the ousted Ceausescu clan, are Communists. The demonstrators, however, are not simply reacting to the fact that Communists *now* hold the power in Romania. Romanians are furious that Iliescu and his cohorts are employing all means possible to rig the so-called "free elections" set for May 20, and thus legitimize their coming to power on Dec. 22, 1989, backed by the Army and the Soviets.

Under Iliescu, anti-communist political parties have been legalized. These include the National Liberal Party and the National Peasants Party, which, both before the war and in Romania's only semi-free immediate postwar election, received the votes of the overwhelming majority. Today these parties are running candidates, but under crippling handicaps imposed by Iliescu. Opposition parties have *no* access to TV and radio, no mass press of their own, and no control over the media. Every basic material necessity for a political party, down to typewriters and copier machines, is lacking. The NSF has proclaimed that it has "surrendered" the Communist "monopoly of power." In reality, it has granted itself a monopoly of the mass media and infrastructure required to compete in an election.

The Iliescu regime is attempting to instill fear that any major break with "socialism" would mean mass unemployment, high inflation, and even greater misery. This media campaign, unreported in the West, has centered on playing up the misery of Poland as an "example" of what will happen should the NSF lose the elections and the opposition come to power. Romanians, as seen by letters received from citizens of that country, react with horror to what is happening in Poland following Poland's decision to capitulate to International Monetary Fund austerity demands. The majority of Romanians have no interest either in preserving the present system or in repeating a Polish tragedy. They will have nothing to do with a system that proved after 45 years it doesn't work, and will not replace it with an IMF "free enterprise"

model that is also a proven failure. The fear campaign is meant to deflect the opposition parties from focusing on a program for Romania's economic and social development based on expanding infrastructure and the productive sphere of the economy, including private agriculture, and calling Iliescu to account for prolonging Romania's misery by his refusal to utilize financial assets acquired by the Romanian state over the years at the expense of the population, as the "motor" to relaunch Romania's economy.

A fresh start

For reasons ironically linked to Nicolae Ceausescu's ruinous policy of paying off *all* of Romania's foreign debts, Romania has excellent potential to become an East European economic success story. Under Ceausescu, Romania had accumulated, as a result of ending debt repayment and drastically slashing imports, large foreign exchange reserves, estimated by Western experts at upwards of \$1 billion. The nation thus has a starting capital fund for a national bank which, if based on the Hamiltonian model established by the young United States, could grant long-term, low interest credits to finance infrastructural development and industrial and agricultural modernization.

Romania had this extraordinary fund of at least \$1 billion, at least through the Dec. 22 revolution. But the subject of the country's foreign exchange reserves has disappeared behind a curtain of silence imposed by the Iliescu regime. Is it still there? Iliescu must answer. That fund was amassed at the cost of thousands of lives, semi-starvation, and millions living in dark and freezing winters. Has Iliescu thrown away Romania's prime national asset for economic reconstruction by paying Moscow in dollars for Soviet oil, natural gas, and electricity? Are Romania's precious assets being squandered to meet Moscow's looting demands? The \$1 billion (or more) question is the question around which Iliescu could lose the May 20 election. Presidents have been forced to resign in disgrace for much less.

The other Iliescu looting policy, the internal looting of the population through enforced low wages, is already being resisted. The regime's Big Lie, that it enjoys the support of the "industrial working class majority" of Romanians, has been shattered. On March 6, 15,000 coal miners in the Jiu region of southwest Romania began a strike, demanding higher pay, better working conditions, and an independent trade union. The NSF lied on March 9 that the strike was ending; but it continued until March 12, and a mass meeting of coal miners resolved to continue the strike unless their demands were met by March 14. The action is politically significant since it was the Jiu coal miners who, in 1977, carried out the first political mass strike against Ceausescu's despotic regime. That strike was brutally crushed in a bloodbath where hundreds were executed and hundreds more sent to prisons and camps, but the example was crucial in keeping hopes for eventual freedom alive in those dark years.

Next task: rebuilding a ruined country

The countdown to the March 18 East German elections was marked by dirty tricks and threats from the communists. Rainer Apel reports.

The election campaign for East German parliament—the first free vote since 1946 in this part of divided Germany—closed two days before election day, March 18. Mostly because of East German news media which are still under communist control, the campaign took a very dirty turn toward the end, showing that the regime that had ruled the country for 44 years, would not pass power to the new, freely elected government without leaving behind a kind of “scorched earth,” a political territory filled with land mines set to explode at a later time.

The dirty trick against Wolfgang Schnur, chairman of the anti-communist Democratic Revolution (Demokratische Aufbruch, DA) party, 10 days before election day, was typical of the old regime’s methods. Out of the blue, sources whose real identities have never been revealed, circulated secret documents from the former Stasi secret police apparatus, charging that Schnur had been a “longtime collaborator and informant of the Stasi.”

From what information was available as of March 15, it seems that Schur indeed did have closer contact to the Stasi than most East Germans. Five days after the campaign against him began, Schnur stepped down from all party posts and from his position as slate leader of his DA party, admitting “partial collaboration with the Stasi” over a period of several years. A lawyer who specialized in the defense of political dissidents and other oppositionists over the past 20-odd years, Schnur had to deal, and made deals, with the agency. He may have passed on information on some dissidents, in order to help others. On the other hand, according to the assistant minister of German-German affairs in Bonn, West Germany, Schnur also provided the West German government with vital information on human rights cases and regime crimes in East Germany, over many years. In a strict sense, then, Schnur is probably guilty, but his case certainly is a complicated one, since Schnur was under heavy blackmail and was as much of a victim as most East Germans.

The “get Schnur” operation came in the context of slanders against West German Chancellor Helmut Kohl, and death threats and other forms of intimidation against other non-socialist leaders. Prominent in this pattern are disruptive leftist counter-rallies against Kohl’s speaking events in East

German cities, like Erfurt and Chemnitz, where banners openly threatened to assassinate him and slandered him as “the new Adolf Hitler.” The leftist-dominated “citizen roundtable” in Leipzig first voted to cancel a scheduled rally on March 14 at which Kohl was to speak, but a court decided in favor of Kohl. On March 8, the same roundtable published a release stating that if Helmut Kohl came to Leipzig, he should know that nobody would be able to guarantee his personal security.

What about the big culprits?

After the elections, Schnur’s case will soon look like a relatively minor affair, however. The really big scandals involving the role of the former Stasi were not investigated in public before March 18, because the regime of Prime Minister Hans Modrow insisted that all files and other documentary material be sealed until after the elections.

Some of the culprits will first have to be brought back into the country: Markus Wolf, for example, head of the former foreign and domestic espionage and blackmail network, sought refuge in Moscow; Alexander Schalck-Golodkowski, head of the illegal arms and dope trading apparatus (linked into the Iran-Contra network as well) sought asylum with the CIA in Langley, Virginia. Most of the numerous leading officials of the past regime are still free, and, like the former SED central committee member Guenter Schabowski, are enjoying their undeserved freedom by taking long walks on the Kurfürstendamm Avenue in West Berlin. Some say Markus Wolf may even have been directing the phony scandal against Schnur from Moscow, as a symbolic punitive action to “burn” a leading politician of the new, post-communist movement in East Germany.

Economy has utmost priority

Looking into the structure of the past regime is necessary, and will require a lot of effort, but it is not the only thing to do. It should not absorb energies that have to be spent on the giant job of rebuilding this country, which was ruined in 44 years of Soviet military and political occupation, of communist mismanagement and suppression.

The country is in bad shape—worse, many say, than

neighboring Czechoslovakia, but better than most of Poland or the Soviet Union. There are estimates now that in order to provide decent housing—having a bathroom inside one's own apartment, for example, and central heating instead of a stove powered by brown coal—for the 16 million East Germans, will require up to 1.2 billion deutschemarks of investment over the next 10-year period. To put the ailing road and railroad system into shape, will require some DM200-300 billion; to rebuild the public health sector, the hospitals and ambulances, will require another DM80-100 billion. East Germany's industry, partially operating with machines dating from the 1920s and 1930s, has to be modernized—a giant job costing up to DM500 billion. Canals have to be widened, water management and the urban sewage systems modernized, which requires another DM200-300 billion over the next 10 years. Many older residents who still remember how the cities looked like after the Allied bombing raids in 1945, tell you that parts of the country, or the industry today, look just the same. It will take years to rebuild it, and many East Germans don't want to wait that long: There are still about 10,000 moving across the inner-German border into West Germany every week.

This is the reason that the Bonn government of Chancellor Helmut Kohl, backed by most of the industry of both Germanys, wants to move ahead with the German-German monetary union, to create one single zone of investment and economic management, to link East Germany up with the relatively stable and generally successful West German economy.

A grand design of what to do exactly—where to invest from the state side and from the private sector side first, where to lift taxes, where to block speculation with goods and real estate and the like—has not yet been worked out by Chancellor Kohl. There is intense, behind-the-scenes discussion about U.S. economist Lyndon LaRouche's proposal for a "productive triangle" of sound investment in the capital goods sector, in basic infrastructure and so on, extending from Paris to Berlin to Vienna; but a grand design, or even an approximation of that, has not been adopted yet in Bonn or in East Berlin. The two German governments have to get together after March 18, discuss a joint approach, also in view of the need to negotiate on the reunification issue with the Four Powers of 1945 (the United States, Soviet Union, France, and the United Kingdom), which still claim a decisive say on the German question. A lot of delay, diplomatic sabotage, and wasting of time has to be expected in these "2-plus-4" talks (the two Germanys and the Four Powers) that began in Bonn March 14. There is no time, however, to be wasted on the economic issues; East Germany has to be rebuilt, immediately after the elections, starting on March 19.

There is a peculiar situation in the two Germanys now: full sovereignty, full reunification have still not been achieved, although the vast majority of the Germans in both

parts of the divided country feel like one nation. There is a productive industrial potential in East Germany, but it is chained by the remains of state-planning socialist legislation. In order to have real recovery begin on March 19, it would be necessary to have legislation at least reminiscent of West German laws, which in spite of all the recent ecologist clauses still generally encourage industrious labor and productive manufacturing of goods.

This legislation, and an appropriate system of taxation, aren't there. Some of what is needed will come together with the German-German monetary union which makes the West German deutschemark the currency of East Germany as well. Most of the legislation will still have to be worked out, and the situation in East Germany will have to be adjusted to the new requirements.

An economic policy 'as if'

There can be no International Monetary Fund-style approach in this adjustment process, or the effort of reconstruction is lost from the start. So what will the productive enterprises of the *Mittelstand*, the medium-sized sector of industry in West Germany which will play a crucial role in the reconstruction of East Germany, do in the first days and weeks after the March 18 elections? Ironically, as a manager of one medium-sized firm told this news service, they "have to act as if"—i.e., do what they have to do, as if the entire environment they are used to in West Germany, were already there. There is no doubt that homes, and entire sections of East Germany's cities, have to be rebuilt and restored. The West German home-building sector can start work anywhere in East Germany, because such work is needed everywhere. East and West German road-builders and railway workers have already begun work on some cross-border routes, and one of the last decisions the past regime made before March 18, was to give the official go-ahead for the long-delayed project of a high-speed rail route from Hanover across East German territory to Berlin. The Modrow government decided that work on this big project, costing about DM5 billion, should begin in the spring of 1992. The newly elected government in East Germany can speed it up and begin work this year, maybe even this summer.

It is fascinating to see how this "as-if" spirit is intersecting with LaRouche's widely circulated infrastructure proposals. The week before the elections, no fewer than 12,000 craftsmen gathered for an international crafts exhibition in Munich, many of them traveling from East Germany, Czechoslovakia, and Hungary. Anton Hinterdohler, chairman of the Lower Bavaria Chamber of Commerce, told an audience there, that in order to improve transportation from northern Bavaria to East Germany, a high-speed railway connection should be constructed from Munich northward to Regensburg and Hof, and then to Berlin, while another high-speed line should be built from Furth im Wald, Bavaria, through Pilsen to Prague, Czechoslovakia.

Colombian voters demand total war on the drug cartels

by José Restrepo

The landslide victory of anti-drug candidate César Gaviria Trujillo in the presidential primary election on March 11, and the smashing defeat of Ernesto Samper Pizano, the darling of the international pro-drug legalization forces, are a dramatic testimony to the will of Colombians to win the war on drugs, despite a barrage of worldwide media propaganda to the contrary. Gaviria was the only candidate for the Liberal Party's presidential nomination who did not support negotiations with the drug traffickers, and who backed a policy of extraditing the mafiosi.

Despite threats by the drug mafia and by the Castro-linked narco-terrorist National Liberal Army (ELN), wrote the anti-drug newspaper *El Espectador* in its editorial on March 13, "democracy triumphed. Just as in Eastern Europe, it was the people who decided, peacefully, testifying to the efforts of the government and of the Armed Forces."

Luis Carlos Galán, the most popular candidate for the presidential bid, was assassinated on Aug. 18, 1989 by the drug cartels, in the opening salvo of a war to force the country to its knees, to accept drug legalization and "negotiation" that would amnesty the drug lords, forbid their extradition for their crimes, and admit them as "respectable businessmen" into national economic and political life. But this strategy failed: The assassination of Galán triggered a backlash, when President Virgilio Barco launched a war on drugs from which he has refused to back down in the intervening months.

Galán had founded his movement in 1981 with Rodrigo Lara Bonilla, and they decided to expel drug trafficker Pablo Escobar when he tried to infiltrate their movement. In 1984, Pablo Escobar ordered his assassins to kill Lara Bonilla, who, as justice minister, had begun a serious war on drugs.

César Gaviria was the manager of Galán's presidential campaign when Galán was killed, and was designated as Galán's successor by Galán's family and congressional supporters.

In the March 11 vote, with 77.91% of the vote counted as of March 15, Gaviria had obtained 50.39% of the vote. His most important opponents, Hernando Durán Dussán, Ernesto Samper Pizano, and Alberto Santofimio Botero, won 22.61%, 18.9%, and 5.61% respectively. In May, when

the presidential election is held, a victory by Gaviria over Conservative presidential candidate Rodrigo Lloreda Caicedo is virtually assured.

Commenting on his success, Gaviria said, "Citizens, this is the victory of Luis Carlos Galán," and added that it was also the victory of Galán's family and "all of those who accompanied him in his long and difficult path in our public life. It is the victory of his conceptual clarity, of his faith in Colombia. This is a great and tragic moment, that his death was necessary for the triumph of his ideals."

No to the drug legalizers

Ernesto Samper Pizano, who for more than a decade has led the lobby for drug legalization in Colombia, and who in 1982 took money from convicted drug trafficker Carlos Lehder to support the presidential campaign of former President Alfonso López Michelsen, reportedly wept bitterly on hearing of his defeat. He had believed so strongly that he would win, as was promised by his international supporters, that he was the last contender for the nomination to appear on television and admit defeat. In his speech, he pledged to abandon politics and spend time with his family. Sources close to him say he is now in deep depression and under medical supervision.

"Defeated" also by the election results were the press in Europe and in the United States, which falsely portrayed Samper as an "anti-drug candidate," as "Galán's successor," and as the likely next President of Colombia.

Samper was a political creation of López Michelsen, a political advocate for the drug mafia since 1984, when he met with the top Colombian drug lords in Panama, to set the groundwork for an amnesty. Again this year, López Michelsen met with a representative of Pablo Escobar in order to negotiate "peace" with the Extraditables, as the drug cartel likes to be called.

After Galán's assassination, Samper made drug legalization, the promise that he would not extradite anyone to face drug-trafficking charges in the United States, and negotiation with the drug traffickers into the central issues of his campaign. He even went to Europe to rally international support

for his candidacy in November 1989. But the distribution there by the Schiller Institute and various national anti-drug coalitions of a fact sheet exposing his true colors, prevented more decisive international support for his campaign. (See *EIR*, Oct. 13, 1989, for a full dossier on Samper.)

Still, the support for Samper continued in the international press. Fortunately, it was the voters of Colombia who determined the March 11 election results, not newspaper editors in Washington and London.

Narcos' electoral machinery defeated

Congressional and local elections, held the same day as the presidential primary, also resulted in victory for the anti-drug majority. The same *El Espectador* editorial cited above, noted that there was "notorious abstentionism in the vote for Congress, which, if confirmed, would indicate the ill repute into which many of its members—who have not hesitated to sell their consciences to the worst criminals, the drug chieftains—have fallen."

Alberto Santofimio, so notorious for his links to Pablo Escobar that even the U.S. State Department canceled his visa to visit the United States, only obtained 4% of the vote. His political machine lost the post of mayor of Ibagué, the capital of the Tolima district, where Santofimio's machine has long been based. Other cities in which corrupt electoral machines lost mayoral races include Cali, Boyacá, Medellín, Neiva, and Barranquilla.

Jairo Ortega Ramírez, Santofimio's supporter in Medellín made famous by being Pablo Escobar's congressional alternate in Congress, lost his seat in the House of Representatives. Samuel Escruceria Manzi, whose father is in jail in the United States for drug trafficking, also lost his seat. There will be a new look in the Colombian Congress this term, when 30 new faces will replace many corrupt congressmen.

El Tiempo's editorial on March 13 speculated that President Barco's war on drugs helped defeat the corrupt political machines by cutting the funds given to them by the drug traffickers. "Fortunately, 'hot money' did not appear in sectors where [drug traffickers'] support was expected for individuals linked in one way or another to their activities. They failed them. They left them twisting in the wind. Thank God—and we don't know if it was a result of the blows they received—dirty money did not play a fundamental part in bribing the consciences of Colombians," the paper wrote.

Gaviria's life in danger

After months of telling U.S. readers that Samper was to be the next Colombian President and that he was an "anti-drug fighter," the *Washington Post* recognized on March 13 that Gaviria was "the only major candidate to openly favor extradition of suspected drug traffickers to the United States and to fully support Barco's all-out war against cocaine barons." The *Post* said that Pablo Escobar, the leader of the Medellín Cartel, has personally ordered Gaviria's assassina-

tion, and has told associates that Gaviria "is a dead man."

Gaviria's hard line against drug trafficking, said the *Post*, has "made him a prime target for the Medellín cocaine cartel, whose gunmen killed Galán on Aug. 18." The *Financial Times* of London reported that "as Galán's successor with a firm anti-drug stance, he will also be in the traffickers' gunsight."

Refusing to admit defeat, mafia front-man López Michelsen is trying to revive his protégé Samper and get him a share of power in the next administration. López called the vote "a revolution" and, while not admitting that he was himself a target of that "revolution," did confess that Gaviria won because "he represented the opponents of the traditional Liberal establishment."

As part of López's pressure tactics, Samper's campaign manager Horacio Serpa Uribe said that Samper's forces won more seats in Congress and have emerged as the second Liberal force in the country. "The movement will advance," he said, "because it is a long-term political project which is not subordinate to a single electoral moment." With that argument, Samper's men are trying to force Gaviria to name Samper as his campaign manager.

El Tiempo columnist and Samper supporter "D'Artagnan," in his column of March 14, called on Gaviria to accept the tutelage of the "electoral barons" of the Liberal party, and to endorse the so-called "Economic Opening" to free-market economics demanded by the international bankers.

The British news agency Reuters is supporting this line in its coverage of Colombia. It claimed that "anti-drug candidate" Samper Pizano lost and that Gaviria is "moderate" on the question of drugs, and it quoted a sociologist, Orlando Fals-Borda, who said that Gaviria would be "more realistic than Barco, he will try to accommodate, not only the traffickers but also the guerrillas."

A problem for the drug lords

The drug mafia has two alternatives: to kill Gaviria or make him compromise with the López-Samper political faction. However, the problem is that Colombians have voted their demand that the drug mafia apparatus be absolutely wiped out. As *El Espectador* pointed out, "Now, given the size of his vote, Dr. Gaviria should put to rest any doubts about secret pacts with other candidates of his party for a sharing of the future government." In particular, emphasized the newspaper's editors, Gaviria does not need Samper's help, because "he doesn't need to make any under-the-table deals to win the Colombian presidency with general support."

Alfonso Cano, the brother of *El Espectador's* editor Guillermo Cano who was murdered by the drug mafia, wrote in the newspaper on March 13 that Gaviria's election as Liberal Party presidential candidate "was done freely by the people, and not by the barons of corruption. Therefore, Dr. Gaviria owes them nothing, and can govern with complete independence."

Havel's diplomacy: Supersede Yalta

by Laurent Murawiec

Czechoslovak President Vaclav Havel chose Germany, East and West, for his first foreign visits. He then went to Poland where he addressed both chambers of the Parliament. Then, and only then did he visit both superpowers—Washington first, but only after an official sojourn in Canada—and Moscow. The foreign policy themes of his presidency have been set. They correspond to what he announced in his inaugural speech last December: “We will not be the appendage of anyone,” read: the Soviet Union, “or the poor relative of anyone,” read: the United States, or anyone in the West for that matter.

Having set the parameters—independence from superpowers—Havel set out to outline the principles of his foreign policy, and to start giving it a content. President Havel has invited a number of Central European countries' leaders to join him in Bratislava, the capital of Slovakia, for a meeting on April 9. “The vacuum left in Central Europe by the collapse of the Hapsburg monarchy must be filled up,” he explained, “new structures have to be created.” Czechoslovakia should be the “pivot” for the new mode of organization. Invited to the meeting are Hungary, Poland, and Austria—with observer status. These countries simultaneously face the challenge of “returning to Europe,” as Havel has formulated it, and, as he told both the Polish and Hungarian parliaments in February, they will do it much faster and efficiently if they do it together. But Havel intends to broaden the network of Central European relations to the Baltic Republics, Scandinavia, and even Italy. In the same spirit, Havel expressed his “regret” that a debate was allowed to develop on the question of the border between Germany and Poland. In an interview with the March 10 German daily *Die Welt*, while reiterating his support for German reunification—“a united Germany should be a motor for the process of unification of Europe; I have no fear of a unified Germany, because I am sure that it will be democratic and peaceful”—he explained the new style of relations with the former occupier, the Soviet Union: “Our relationship with the U.S.S.R. is now that of equal partners. There is no lord and no subject any more.” It is the spirit of Yalta that must be terminated: “The new order must replace the relations caused by the results of World War II.

The times of the protectorates and of dependence are over. Freedom and self-determination are on the agenda, and they will lead to a higher degree of European integration.”

The sight of neighboring Poland seeking Soviet, British, or American support in a hoked-up quarrel with Germany, cannot but strengthen the Czechoslovak resolve to act boldly to create a new unity in Europe.

Yalta's progeny challenged

The latest in many post-Yalta plans and scenarios that uphold the spirit of the spheres of influence, appeared in the form of a report from the U.S. Defense Intelligence Agency, which will be presented before NATO on March 19. Author Phillip Petersen, the Pentagon's chief Sovietologist since 1983, under the guise of presenting a Soviet gameplan, promulgates a bizarre plan for the reorganization of Europe. Given the collapse of the Soviets' Western glacis, Petersen presents a patchwork of a “Mitteleuropa” modeled on the Hapsburg Empire, an Italian-dominated economic entity including Austria, Hungary, Yugoslavia, and Czechoslovakia. There would be an expanded Nordic Council consisting of Sweden, Norway, Denmark, Latvia, Estonia, and Lithuania. There would also be a West European confederation with Germany, the Benelux, France, and Spain. There is clearly no limit to the conceited imagination of cabinet diplomacy fans.



Vaclav Havel first went to visit his European neighbors, then the superpowers. Here the Czech President is shown in Munich on Feb. 1, with Federal German President Richard von Weizsäcker (left).

Klaus Fimmen

The interest of this plan does not lie with its silly details, but with the mind that conceived it: It is the same as that of the 1815 Congress of Vienna, the 1878 Congress of Berlin, the 1919 Treaty of Versailles, and the Teheran (1943), Yalta (1944), and Potsdam (1945) series, it is the spirit of superpowers bargaining to carve out their respective spheres of influence. It is the spirit of the "balance of powers" and the "concert of nations" that kept Europe under British imperial domination, with the help of a Russian "gendarme," throughout the 19th century. When Mrs. Thatcher demands that Poland be given a say in German reunification, and alongside Poland, Great Britain, Canada, the U.S.A., all 35 member-countries of the Helsinki Agreement, not to mention the Benevolent Association of London Taxi Drivers, she perpetuates that spirit, playing Poland against Germany, America against Europe, etc.

It is interesting in that regard to see French Socialist parliamentarian Michel Vauzelle, a longtime collaborator of President François Mitterrand, write in *Le Monde* on March 9: "The subtle diplomatic constructions of the 19th century, founded on dubious searches for equilibrium, are not appropriate to the current period. It is certainly not on the basis of mistrust toward Germany that we can base a serious European policy. We should not be thinking of creating with Eastern Europe or Southern Europe, counterweights to Central Europe."

Similarly, Maurice Allais, French Nobel laureate for economics, polemicizes against the way in which the phony German-Polish debate (*Le Figaro*, March 12) has been conducted, and defines the real line of demarcation: "The eastern border of Europe is nothing else but the eastern border of Poland. Thus, Poland's eastern border is nothing but the eastern border of the future Europe." Allais' analysis of Mrs. Thatcher's policy is severe: "It is in the pure tradition of the nationalist policy pursued in the last century by Britain, with the aim of dominating Europe by dividing it." It is no accident, then, that Allais should praise Havel: "A very special homage must be paid here to the exemplary, high ideals and sense of history of the Czechoslovak President Vaclav Havel."

The Ukrainian press lavished praise on Havel, in the period preceding the March 4 elections there. His writings have been translated into Ukrainian, and are being circulated there by the Rukh, the Ukrainian national movement—in striking parallel with the inspiration earlier drawn by the independent Republic of Ukraine, after World War I, from the works of Tomas G. Masaryk, President of the first Czechoslovak Republic. When Havel proposes to integrate the Baltic Republics, already independent Lithuania, Latvia, and Estonia, into the new European order, he is cutting the Gordian knot of Eastern Europe: In order for independence to be effective, the small countries formerly owned or dominated by Moscow need a partnership—ranging from economics to security—which will save them from a deadly "tête-à-tête" with the former Russian colonial power.

Is the U.S. moving to dump Aquino?

by Our Special Correspondent

For weeks now, Manila has been rife with rumors of a new coup attempt by Col. Gregorio Honason and remnants of his Reformed Armed Forces Movement (RAM), the alleged perpetrators of at least six other coup attempts. In response, the Philippines Armed Forces have been on their highest state of alert. But a new rumor circulating in political circles in Manila has been the possibility of a snap election, backed, if not actively promoted, by the United States. Some observers in Manila say this "election" would be to legitimize a coup, not the one that the current state of alert is supposedly aimed at suppressing, but a "legitimate coup" or "electoral coup." Led by whom? It is widely believed that President Corazon Aquino's heir-apparent will be Defense Secretary Fidel Ramos, whom many think to be the preferred choice of Washington.

Since it is no longer fashionable for Washington to openly support military coups and since the Philippines is too large for a Panama solution, other means are necessary. But why get rid of Mrs. Aquino?

Debt and bases

The only considerations entertained by the Bush administration in its policy toward the Philippines are the security of the \$26 billion foreign debt and the American military bases, the Navy's huge Subic Bay Naval Base and the Air Force's Clark Air Base. Concerning the debt, it has become clear that the Aquino government hasn't the wherewithal to implement the type of brutal economic policies called for by International Monetary Fund conditionalities now being demanded by the United States. With the 1989 trade deficit of \$2.69 billion, double that of 1988, the Philippines is hopelessly in arrears in its debt payments. This fact was underscored when the United States abstained from voting on a \$390 million World Bank loan in February, in protest of the Philippines' current economic policies.

The military base question is clear: Bush is demanding freedom of action with the same Teddy Roosevelt yahoo imperialistic attitude that the world saw in Panama. If Bush wants the bases for less money, then he doesn't want Philippine nationalism to get in the way. The only thing staying his hand is the fact that the Philippines' 60 million people might be a bit more difficult to pacify.

If the snap election rumor is true, then Mrs. Aquino's much-touted "get tough" policy toward the opposition looks more like eliminating the opposition not just to her, but to

her own early demise, thus clearing the way for her defense secretary, General Ramos.

Since Washington's decision to dump Ferdinand Marcos, their man has always been Fidel Ramos. It was his desertion of Marcos in 1986 that brought the Army behind Aquino, in fact providing her escort to Malacanang Palace. It was the same Washington connections that enabled Ramos to come out on top after six coup attempts since 1986.

As with Mrs. Aquino in 1986, getting the Army behind Ramos would be the decisive factor in his own bid for the presidential palace. The events of the last weeks tend to confirm this, particularly following Aquino's refusal to receive U.S. Defense Secretary Richard Cheney in February. Ramos's strong U.S. backing is joined by backing from elite business circles such as the Makati Businessmen's Club and the informal and overlapping group of Philippine businessmen and other elite circles called the Council of Trent.

The Aguinaldo affair

Taking a leaf from U.S. Attorney General Richard Thornburgh's book of judicial dirty tricks and the CIA's divide-and-conquer pacification tactics, Ramos has moved against the opposition in the military. The early March release of opposition leader Juan Ponce Enrile on orders of the Philippine Supreme Court underscored the judicial travesty of the indictments of half a dozen individuals on charges of "rebellion and murder." The linking of rebellion with murder had been thrown out in a 1950 decision of the Supreme Court. Nonetheless, such charges enabled Ramos to take out of circulation potential organizers of opposition to his own path to the presidency. Although Enrile managed to secure his release, others, such as Brig. Gen. Felix Brawner (ret.), the former commander of the elite Scout Rangers, who spearheaded the last coup, remain in custody.

The most reckless action was the attempt to serve an arrest warrant against Rodolfo Aguinaldo, the suspended governor of Cagayan Province. Aguinaldo was indicted for "rebellion and murder" for his alleged support of last December's coup attempt. A former colonel and member of the RAM, he has been a very popular governor who has ruthlessly taken on the communist New People's Army as well as the local political oligarchy. His "private army" reflects more of his grassroots support than the warlord image created in the press. As a personal acquaintance said of him, "He has guts; he would always be in the barrios taking the political pulse of the people."

The "rebellion" that resulted from the attempt to arrest him was in fact provoked by Army Chief of Staff General Villa and no doubt Ramos himself. Rather than send an officer of the court, Ramos sent in four battalions of troops and four top officers, including Brig. Gen. Oscar Florendo, chief of the Civil Relations Department of the Philippines Armed Forces. Florendo was better known as chief of the Armed Forces psychological warfare operations. He died in the

shootout in Cagayan, a death now believed by government investigators to have been caused not by his would-be hostage-takers but by a bullet fired from a gun of government troops. Others sent in to arrest Aguinaldo included Colonel Templo, deputy chief of staff in charge of civil relations; Luis Santos, cabinet secretary in charge of civil relations; and Commodore Chuck Augustine, deputy chief of staff for personnel. He was the former Philippine military attaché in Washington.

That such a high-powered group would be made responsible for simply serving an arrest warrant could only be seen by someone in Aguinaldo's position as a deployment of a task force with orders to take him "dead or alive." He obviously did not wish to accommodate them. Following a shootout lasting several hours, Aguinaldo managed to escape and remains in the hills of Cagayan Province, pursued by 2,700 government troops who stand little chance of capturing him.

Adding irony to the government's growing image of ineptitude, Romulo Kintanar, head of the New People's Army, issued a statement inviting the rebels to join the communist insurgents against the common enemy. Kintanar stated that the RAM rebels and the NPA share the same goals: anti-Americanism, anti-imperialism, anti-corruption. Some observers believe that such an alliance is not out of the question by any means, particularly among the junior officer corps.

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Washington freezes the peace process

by Thierry Lalevée

The collapse of Israel's National Unity government on March 12 was the logical outcome of the diplomatic crisis initiated at the beginning of March by the United States. It erupted when, in the midst of the debate of the emigration of Soviet Jews to Israel, President George Bush, and then U.S. Secretary of State James Baker, cautioned Israel against settling Soviet Jews in the occupied territories, including East Jerusalem. At first, the statements seem anodyne enough, given that East Jerusalem was occupied by Israel in 1967. But it was not anodyne considering that Israel considers a united Jerusalem as its capital while the United States and other nations consider it an occupied territory whose final status is subject to negotiations.

A few days later, after Israel's strong protests, the U.S. State Department argued that Bush was saying nothing new, merely re-stating Washington's traditional policy since 1967. While true, the timing of the reiteration has raised questions. Some of Bush's Middle East advisers have even been heard confiding that Bush may have made one of his "worst personal blunders."

Prior to this exchange, there had been weeks of discreet negotiations between the United States, Israel, and Egypt concerning the two starting points of the Baker plan—a tripartite conference between the three foreign ministers, and the establishment of the agenda for direct Israeli-Palestinian negotiations to be held in Cairo. By late February, Moshe Arens, the Israeli foreign minister, was in Washington. Arens listened to Baker's grievances against Israeli foot-dragging.

At the same time, State Department officials Dennis Ross and John Kelly were meeting discreetly with Radwan Abo Ayash, chairman of the West Bank journalists' association, who is expected to lead the Palestinian negotiating team. When Ayash left Washington on March 1, he was told that after the Arens-Baker meeting, Yitzhak Shamir had called Washington to accept the terms of the plan. Baker was expected to issue the invitation for a tripartite meeting within days.

Whether Shamir had at that time accepted Baker's terms or not, may now never be confirmed. However, the general outline of the compromise which had been worked out was known. Shamir's original peace plan, presented in May 1989, called for elections to be held in the West Bank and

Gaza following negotiations. East Jerusalem is carefully excluded from these elections, given that Israel does not consider it an occupied territory. For the same reason, Israel also objected to East Jerusalem-based Palestinians being in the negotiating team.

By early March, a subtle compromise had been found. East Jerusalem would not be an issue in the first phases of the negotiations. Palestinian negotiators, if they were to come from East Jerusalem, would be identified according to their other residences in the West Bank. It had been agreed that the priority remained the setting into motion of the negotiation and elections process, before tackling specific issues.

Meanwhile, negotiations were under way inside Israel between the Likud and Labor parties over formulation of Israel's answer. Following a late-February Central Committee meeting, Labor had decided to give Shamir an ultimatum to accept the Baker plan by March 7, a date which came and went, as did the ultimatum. Both Labor and Likud had decided that such a showdown was unnecessary. The regular cabinet meeting on March 11 was to make the decision.

Deal is off

Yet, by the time the cabinet convened, the deal was off. With the sudden focus on the issue of East Jerusalem, Shamir could not accept the Baker plan. First, it smacked of an American diktat which Shamir could not possibly accept for personal and political reasons. Second, it was endangering the carefully worked out compromise made earlier. To go ahead with negotiations in such an environment only meant to give ammunition to the right wing around Ariel Sharon and provoke a split in the Likud. Hence, Shamir's choices: Either bow to American pressure, provoking a split in the right wing, a general outcry over the emotional issue of Jerusalem, and ultimately having to call early elections, or provoke an early governmental crisis by breaking with Labor, which would lead to a caretaker government, and hold new elections with Shamir firmly leading his coalition. By March 12, Shamir had made his choice and dismissed Shimon Peres. The 11 other Labor ministers followed.

The decision was made easier in the knowledge that the Likud ultimately holds the key to the negotiations, and that both Egypt and the Palestinians are known to favor negotiations with a strong Likud rather than a weak Labor Party. After all, the argument runs, while Begin signed the Camp David peace treaty, it was Labor which led Israel into three major wars. Hence, the dilemma of the Labor Party. It can only become an acceptable partner in the negotiations through an alliance with Likud, or through winning a sizeable majority in the next parliamentary elections. However, this is unlikely to occur. Issues of foreign policy and of peace will take second place behind immediate economic and social issues. Labor's record, given Peres's tenure as finance minister, is disastrous. Whether Labor is ripe for a leadership change remains to be seen.

Thatcher government seeks a 'British OSI'

by Mark Burdman

As a political boon to Moscow, the government of Margaret Thatcher in London formally submitted a War Crimes Bill to the House of Commons on March 8. The bill, should it be passed, would set up an elaborate infrastructure for investigating and prosecuting alleged World War II "Nazi war criminals" now living in Britain. A special police investigations unit would be established, involving detectives, lawyers, interpreters, historians, and archivists. The March 9 *Times* of London commented that this "is expected to be one of the most expensive and complex criminal inquiries conducted in Britain."

Almost all of the entire list of 300 potential suspects are from the Baltic countries. Guess who would benefit from a big campaign now, to defame Lithuanians, Estonians, and Latvians as "Nazis"?

The bill was motivated to the parliamentarians by Sir Thomas Hetherington, the former Director of Public Prosecutions, appointed by the British government last year to a head a "War Crimes Inquiry" that would investigate whether Britain should hold "Nazi war crimes" trials, and by Home Secretary David Waddington. Sir Thomas had traveled to the Soviet Union four times in 1989, to discuss the "war crimes" issue with Soviet officials. As for Waddington, he was recently in the U.S., where he visited the Quantico, Virginia training center of the Federal Bureau of Investigation. He returned to Britain and advised that the U.K. create a national police agency on the FBI model.

Together with Moscow, the U.S. Justice Department, particularly its Office of Special Investigations (OSI), has been lobbying for Britain to set up "war crimes" tribunals, and its own version of the OSI, as Commonwealth countries Canada and Australia have already done.

Sher and Thornburgh

On Oct. 23, 1989, OSI head Neal Sher had been the chief speaker at a one-day conference in London sponsored by the U.K.'s All-Party Parliamentary War Crimes Group, which has lobbied for the new bill. In his speech, he strongly defended use of evidence in Western courts that is supplied from Communist countries, and insisted that there had never been a case in which evidence from Eastern Europe had been overturned. Amazingly enough, he cited as proof of this the case of Karl Linna, an aging man of Estonian origin living in New York, who was sent by the U.S. authorities, on the basis of a civil procedure, to the Soviet Union, where he soon

died at the hands of the Russians.

Shortly before Sher appeared in London, U.S. Attorney General Richard Thornburgh had been in Moscow for several days in October. He met senior Soviet officials, including KGB chief Vladimir Kryuchkov, and signed a number of U.S.-Soviet protocols for legal cooperation, including one on the "anti-Nazi" issue. Thornburgh cosigned a formal Memorandum of Understanding with Soviet Procurator-General A.T. Sukharev, to further U.S.-Soviet collaboration in hunting down alleged Nazi war criminals. This upgraded the years-long cooperation between the OSI and the Soviets.

In the British case, as the *Times* reported March 9, the U.K. Crown Prosecution Service is "likely to request its counterparts" in the Soviet Union to take evidence on its behalf from witnesses too old or frail to attend trials in Britain. Provisions permitting such "letters of request" are contained in the Criminal Justice (International Co-Operation) Bill, introduced earlier this year.

The War Crimes Bill was to go through a second reading in the House of Commons the week of March 19, and must also be debated in the House of Lords, where are clear signs of resistance to its passage. The March 9 *Daily Telegraph* said that the legislation is "certain to arouse fierce controversy in Parliament."

In an interview with the *Sunday Express* March 11, the influential former Lord Chancellor (head of the entire legal profession of the U.K.) Lord Hailsham stated: "I think the whole proposal is against the principle of natural justice. I cannot see a case for it. . . . It raises the fundamental question of how you can assure these people of a fair trial." He said most witnesses in trials of "former Nazis" would have to remember details from 50 years ago.

Hailsham also revealed that out of 301 complaints made against "former Nazis," 148 had been selected out as among the most promising. Of these, it had been discovered that only four were worth putting on trial! Of these four, one has since died, one is too ill to stand trial, and one other would be acquitted easily. That leaves a grand total of one apparently valid trial! For the rest of the 301 or 148, he said, the whole process would be a "lottery." Hailsham told the *Sunday Express* that war crimes investigations would "divert enormous amounts of manpower, resources, and judges."

British influentials may get cold feet about going through this whole process if they look at the John Demjanjuk fiasco in Israel. Demjanjuk was accused by the U.S. authorities of being the notorious "Ivan the Terrible" at the Treblinka concentration camp, based on Soviet-doctored evidence and suppression of evidence by the U.S. Justice Department that pointed to the fact that Demjanjuk was *not* Ivan. Tried in Jerusalem, following U.S. pressure that Israel conduct such a trial, he was found guilty and sentenced to death. Now, Israel's courts have agreed to hear a new witness for the defense, who claims to have evidence proving that Demjanjuk was not in Treblinka at the time of the "Ivan" crimes.

Bushmen promote Argentine model

by Cynthia R. Rush

U.S. Vice President Dan Quayle, Spanish Prime Minister Felipe González, and Italian Prime Minister Giulio Andreotti all flocked to Buenos Aires the second week in March to offer their full support to the monetarist policies of President Carlos Menem. In the midst of Argentina's devastating crisis, Quayle gushed on March 10 that "Menem has shown himself a courageous leader, who is working very hard to reform the economy, so that the Argentine people can have a better life." Quayle also announced that George Bush would be traveling to Argentina in September of this year. On the same day that Quayle made his statement, the vice president of the World Bank, Sahid Hussain, reported that his institution also backs Menem's policies, adding that "we consider ourselves to be partners of Argentina in its development."

Quayle's remarks were not intended to convince the Argentine people that they will have a better life under Menem, since no one believes that anyway. The "free market" quackery implemented by the Peronist President since he took power last July, has exacerbated the mess left behind by his predecessor Raúl Alfonsín, producing soaring inflation, unemployment, and recession. Opposition to Menem's policies is fierce within the Peronist movement and the trade union confederation.

Despite this, Quayle and the Bush administration are presenting Menem and the "free market" model as the only way to go—as opposed to a dirigistic, Hamiltonian approach which has a strong tradition throughout Ibero-America.

With such backing, Menem, for the moment, is enjoying his chosen role. During a March 11 interview with Peruvian journalist César Hildebrant, shown on Lima's Channel 4, Menem told viewers that "there is no alternative but shock policy." Warming to the topic, Menem boasted that Uruguayan President Lacalle, Brazil's President-elect Collor de Mello, and Nicaragua's new President Violetta Chamorro would all follow a program similar to Argentina's, which, he said, "in the end, will show results." Sounding very much like Peru's economic libertarian, pornographic writer, and presidential candidate Mario Vargas Llosa, Menem attacked the "dirigist state," built in Argentina by Gen. Juan Perón, and brayed that "this government in six months has done more than all governments of the past 40 years."

On the same program, Argentina's Finance Minister Antonio Erman González explained to Peruvians that Argentina's real problem is that its monetary reform has been "too gradual . . . not a shock policy."

Domestically, Menem's total commitment to the policies desired by the International Monetary Fund and Argentina's creditors, is bringing him into confrontation with almost every sector of the economy, particularly the labor movement. When the Peronist-run General Confederation of Labor (CGT) presented him with an alternative economic program which calls for strengthening "the real economy," Menem responded that he "will not even read it." Saúl Ubaldini, secretary general of one faction of the divided CGT, stated that Menem's refusal "belittles the CGT's contribution to a solution of national problems," adding that "democracy with hunger, is authoritarianism."

Growing strike wave

The union of state-sector workers, totaling 145,000 people, will stage a 24-hour strike on March 22, to protest Menem's plan to privatize much of the state sector and reduce its budget, which will leave many of them without jobs. State workers also plan to join teachers, court employees, and railroad workers in a march to protest the government's "adjustment" policies. Despite this growing protest, the Argentine President boasted that "not even 1,000 strikes could make me change my economic policies."

The international banking community and the IMF are reportedly prepared to reward Menem for sticking to his guns. Within 20 days, the government expects to receive a \$480 million bridge loan from the United States, and a new letter of intent with the IMF will be signed shortly.

There has also been increasing speculation that Menem might consider taking steps like closing the Congress and effectively ruling with the Armed Forces, as a means of enforcing a hated economic policy. Menem's recent decision to authorize the Army to repress social conflict, granting it a greater role in internal affairs, heightened that speculation. Menem's own brother-in-law, Peronist Deputy Jorge Yoma, publicly confirmed that he had seen memoranda to that effect prepared for the President.

Figures such as former president Raúl Alfonsín and his coterie of leftists within the Radical Civic Union (UCR) are trying to take advantage of such revelations in order to boost their own political fortunes. On March 9, Alfonsín, an asset of the U.S. Project Democracy crowd, charged that Menem was harboring "anti-democratic" intentions. The former President knows that millions of Argentines who voted for Menem are now turning to the nationalist movement, led by Col. Mohamed Alí Seineldín, rather than to the UCR or the left. Seineldín, who has repeatedly denounced Alfonsín's social democratic agenda, calls for the creation of a civilian-military front to "fight against the domination of the two imperialisms: the United States and the Soviet Union."

S. Korea's 'Northern Policy' gamble

by Lydia Cherry

South Korean President Noh Tae Woo harshly warned "the highest responsible authority" of the North Korean government that "armed provocation against the South will never succeed and only lead to its own grave of self-destruction," at a press conference March 6. The warning came with the discovery that North Korea had constructed yet another underground tunnel crossing the buffer zone into the South. The only thing the South can do is "to defend freedom by blocking North Korean aggression through a firm defense posture and induce it to join a forum for national integration," Noh said.

In recent months, Seoul has offered dialogue to Pyongyang, a policy first spelled out by President Noh on Oct. 4, 1988 as his "Northern Policy"—a plan to open relations with both Beijing and Moscow in an effort to begin talks on the reunification of the Korean peninsula and rebuilding the North Korean economy. In the wake of the changes in Eastern Europe and the United States' announcement that it will begin cutting troops, Seoul's diplomacy with the North and with Moscow has intensified.

In February, Seoul decided to maintain current rice production of 6 million tons, despite a glut, in order to help the North, which produces 2.1 million tons and has severe shortages. In January, sources at the Energy and Resources Ministry revealed that Seoul is considering supplying North Korea with electricity as part of an effort to activate inter-Korean exchanges, the South Korean news agency Yonhap reported. It also reported Jan. 8 that Seoul "is considering buying goods from the North at prices far higher than normal while selling the goods at below normal prices, compensating private traders for their losses, possibly from the South-North Korean cooperation fund."

At the same time the Kim Il-sung North Korean government was showing small signs of a desire to negotiate with Seoul, South Korean military intelligence determined that military cooperation between North Korea and the Soviet Union was increasing. A joint maritime exercise off the east coast of Korea in late September involved more than 40 vessels and 50 aircraft. It was determined through satellite photographs that North Korea has significantly expanded nuclear facilities and it is strongly believed to already have the atomic bomb. The Japanese government Feb. 9 voiced concern over the matter, after a team at Tokai University Research and Information Center ran computer analysis of

two sets of photographs taken by a French satellite in 1986 and September 1989. The team said the photographs showed North Korea had expanded the facility substantially, located near Nyongbyong, about 55 miles north of Pyongyang.

Will North Korea negotiate?

President Noh is still optimistic that pressure can bring Pyongyang to the negotiating table. "It seems that North Korea will resume dialogue with the South after a system to hand Kim Il-sung's mantle of power to his son is consolidated," Noh told Yonhap on Feb. 24. A few days later, Japan's Kyodo news agency reported, citing Beijing sources, that the elder Kim would step down April 15 and hand over power to Kim Chong-il, his long-designated heir who is believed to be the mastermind of the Rangoon, Burma bombing in October 1983 which killed 17 South Korean government officials, including the foreign minister.

Following the changes that shifted the geometry of Eastern Europe, the South Korean government—strengthened by the merger of the ruling party with two opposition parties, and the isolation of firebrand Kim Dae-jung—became more convinced that the totalitarian regime of the aged Kim Il-sung would soon be superseded. (East European developments have led the student movement in the South to vote out its pro-North Korean leadership). Placards began to appear on the streets of Seoul saying, "Let the East European winds spread to Pyongyang," and "Kim Il-sung is finished."

Some experts on North Korea think Seoul's policy is based on wishful thinking. Japanese Diet members who visited Pyongyang in December returned saying they were of the opinion that no changes would be made. Foreign Minister Taro Nakayama warned U.S. Defense Secretary Richard Cheney against U.S. troop pullbacks from Korea on Feb. 21 when Cheney was in Tokyo, saying there was simply no lessening of the North Korean threat.

The expectation that the developments in Eastern Europe will affect North Korea "is not based on any careful analysis of the internal situation in North Korea and its policies," insisted Hajime Izumi of Shizuoka Prefectural University in Japan, in the February *Wolgan Chungang*, a South Korean publication. Izumi, who visited Pyongyang in April and November 1989, insists that comparisons between Germany and Korea cannot be made; that East and West Germany normalized relations in 1972, joining the U.N. as two separate states a year later—none of which could occur in the foreseeable future on the peninsula. He insists that for the West, "the consideration has to be what will maintain peace and security on the Korean peninsula. . . . Any attempt to induce North Korea immediately to open its society is a matter which should be weighed very carefully, and it should *not be made*. No one can preclude the strong possibility that the North Korean leadership will take an oppressive attitude to forestall unrest. . . . Tension between North and South may become aggravated due to this."

Lebanon: the last reporters

The first casualty of the nation-wreckers has been the once-prestigious and modern press community.

In Beirut, journalism is a high-risk pursuit. Before the war Lebanon had 448 publications and 42 press agencies. As modern as they were prestigious, they became the first target of the shipwreckers of Lebanon.

In 1966, Kamel Mrowa, founder of the journal *Al Hayat*, was assassinated in his office by hired PLO killers. Dozens of others followed—"warning" murders. Called to choose sides, the pens were sharpened and dipped in vitriolic ink. And there was good reason.

In 1976, the pro-Syrian Saika forces carried out a raid on two pro-Iraq publications. Death toll: ten. Months later, a bullet shot from a nursery hit Edouard Saab, correspondent for the Paris daily *Le Monde*, right in the face. The editor of *An Nahar* is held in Damascus, and will only be released in exchange for 17 post office functionaries who had been arrested for having wiretapped President Franjeh.

After seeing his newspaper blown up, the editor of *Al Hawadat*, Salim el Lozi, anti-Syrian, was also kidnapped and his body later found, atrociously mutilated. Other great professionals of Lebanon journalism, such as Zouheir Chalak or Khalil Brayez, simply and purely evaporated. And that's just a drop in the bucket among the 2,521 disappeared persons reported between 1982 and 1984, including Russians, Kuwaitis, North Koreans, Englishmen, and Frenchmen.

The only remaining reporters are the "scoop" nuts, not content with covering the news from Cyprus or set-

ting up quarters in one of the camps, who go everywhere and take all risks.

The press has become a ghost in Beirut. Once bustling with activity, the Naggar building of the Information Ministry is half deserted. In West Beirut, there are no communications functioning. In the East, you wait for hours for communications and almost all the telephone lines are cut. More terrifying yet is the border between the two sectors, where snipers practice on those who have drunk too much Arrak (the local anisette liqueur). Edouard Iranian, an American freelancer, went to Damascus with a phony passport and thus found himself stuck in East Beirut. The Swiss TV newsman Michel Castelain met the same fate.

In revenge, all the seasoned reporters, who have become masters of the art of managing their sources, are crossing the green line in their own way. We cite Marc Kravetz of *Libération*, or Françoise Chipeaux, whose voice, broken by too many Gitane cigarettes and the vicissitudes she lived through as mistress of a Syrian general, is known all over Beirut. These journalists are often driven around by the chauffeur of Agence France Presse, which, together with the embassy where the Anda generators power the photo lab, is the last symbol of France in Lebanon. The darkroom is fed images by Joseph Barrak, who goes out protected by a helmet and bullet-proof vest—very useful against ambushes and car bombs. Patrick Baz and Karim Daher (Gamma-AFP) use no other armor. Karim sleeps with his two

Canons in his Achafieh apartment, where the shutters remain twisted by the explosion of the nearby refinery. On the floor, artillery debris and the remains of a car-bomb have made their hole among the stocks of film and Coca-Cola. That gives you an idea of the working conditions.

To stay alive in Beirut is to know how to walk on a knife's edge. To interview Walid Jumblatt in the Shouf, we had to go through Aley under General Aoun's artillery. With the escort, we shelled this completely ruined village at 400 ISO, from the church to the cemetery. The earth vibrated as the explosions got closer and closer together.

Nabib Ismail, photographer in Lebanon for 15 years, dreamed of artistic images. Today he runs the AFP photo agency for West Beirut. He lived through his baptism by fire in 1975, when the Palestinians battled the Army in front of the Lebanese Parliament. The journalists went to take cover in the building but he stayed outside, hypnotized, firing his dual-cartridge machine gun until he crumpled, his foot shattered. Carried off on a stretcher by the Red Cross, he has kept a cynicism from that incident that has become celebrated. He is the guy who phoned the Boeing TWA hijackers and asked them to pose with a pistol at the temple of a hostage. The photo went around the world.

Another Beirut "crazy," Issam Dakroub, took a bullet in the thigh one month after he put together the paper *Visnews*. Four months later, he went off to film the battle of Tripoli. Karim and Issam, but also Riad, Ali, and Nadim for UPI, or the Palestinian Sana Issa for *Newsweek*—today, the majority of the press agencies and the papers are represented by locals. Journalistic reality from Lebanon has gone back into the hands of the Lebanese. Getting back to the sources, in a way.

Will Bush un-recognize Endara?

By the standards applied to Lithuania, the U.S. may be preparing to declare Panama's puppet government illegal.

On March 13 President George Bush said that he would not recognize Lithuania's Declaration of Independence from the Soviet Union, because he is not sure that the new Lithuanian government "controls the territory there." If the President applies the same criterion elsewhere, he will have to withdraw recognition from the narco-government installed in Panama by the U.S. invasion.

Echoing *EIR's* earlier reports, the Mexican daily *Excelsior* on March 11 reported that "the Bush administration has installed personnel from the Pentagon and the State Department as controllers for each member of the Panamanian government." Cecilio Simon, Dean of the School of Public Administration, University of Panama, said, according to the article, that since its installation, the governing troika has proven "it lacks popular support, credibility and the ability to govern."

Crime in the streets is running out of control since the invasion. Security, to the extent it exists, is provided by U.S. troops, who patrol accompanied by a Panamanian cop (he translates). Patrols are carried out in recovered stolen vehicles that the American-run police forget to return to their rightful owners.

So pervasive is the U.S. military, that even the government-run Panamanian press is grumbling that the Commander of U.S. Army South, Gen. Marc Cisneros, is "a dictator, just like Gen. Manuel Noriega." A discomfited Cisneros told reporters, "it is not fair that I am being compared with Noriega," reported *La Estrella* on March 10.

According to Cisneros, the current

role of U.S. forces in Panama is to cooperate with the Endara government and the police to "fight against common criminals." This is the pretext for daily search-and-destroy operations against "high crime areas"—areas where opposition is strongest to the U.S. occupation and the narco-government.

On March 13, U.S. troops launched one of those sweeps against San Miguelito, a working-class district in Panama City, detaining hundreds. The operation continued for two days. A similar operation conducted March 9 against Curundu resulted in the detention of over 700 people, many of them women and children who were innocent of any crimes, as Leslie Loaiza, the head of Panama's secret police, admitted.

On March 13, too, 15 people were wounded by shotgun pellets fired by anti-riot police to break up a demonstration to demand compensation for their losses by war refugees from El Chorrillo, a neighborhood leveled by the invading forces.

Meanwhile, a fight has broken out between factions of the narco-government. Acting Attorney General Rogelio Cruz, a partner of Cali Cartel kingpin Gilberto Rodríguez Orejuela, has been reluctantly nominated by President Guillermo "Porky" Endara, a partner of Medellín Cartel laundromat Banco Interoceánico, to stay in the post. But the nomination faces opposition in the National Legislative Assembly from the majority Christian Democratic Party of First Vice President Ricardo Arias Calderón, whose family links are with the Cali Cartel, and who wants to impose his own Attorney General.

Americans have been kept ignorant of these events by the liberal media. Instead, in recent weeks, the media have reported that Congress is stalling on a "generous" \$1 billion aid package proposed by Bush for Panama. The package is *not* generous. There is, in fact, no "aid," just a boondoggle to support drug trafficking at the U.S. taxpayer's expense. And the White House, not Congress, is foot-dragging.

"The March 11 *New York Times* editorial says that Mr. Bush's \$500 million Panama aid package is meandering through Congress," said Rep. Sam Gejdenson (D-Ct.), during hearings at the House on March 16. "Well, as of 20 minutes ago, we did not have a Panama aid program from the administration," said Gejdenson.

At these hearings, Rep. George Crockett (D-Mich.) noted that most of the money requested by Bush is going to subsidize Panama's white "elite" bankers and big corporations and to pay Panama's foreign debt. "Of the total aid that the administration is asking the U.S. taxpayers to secure, only \$42 million . . . is slated as humanitarian aid," said Crockett. "Of that \$42 million, \$12.3 is slated for the Panamanian police forces; \$22 million is slated for housing, and \$7.7 million are for public works."

Where is the money coming from? The administration proposes to cut several congressional pet projects in the defense budget, plus domestic programs. But, "We cannot ask Americans to get in line behind Panamanians and Nicaraguans, and East Germans and Romanians," said Gejdenson. Chances are that if the defense budget is cut to fund the package, the cuts will come from the wages and benefits of those same soldiers who are risking their lives, and Panamanian lives, under the false pretext of "fighting drugs."

Kashmir: a new strategy on the anvil

The new all-party committee on Kashmir will help keep the politicians honest in dealing with this grave crisis.

Following a useless day-long session in Srinagar, Kashmir, where India's major political party leaders assembled on March 8 to discuss and formulate a plan to quell the disturbances that have crippled the state of Jammu and Kashmir, the government of Prime Minister V.P. Singh announced the formation of an all-party committee to "provide political inputs on Kashmir." Minister of Railways George Fernandes has been entrusted with the additional portfolio of "Minister-in-Charge of Kashmir."

Formation of the committee came after prolonged consultations. In informal discussion with newsmen on Jan. 21, V.P. Singh had first referred to the need for all-party participation in formulating a strategy to deal with the growing internal crisis in Kashmir. In subsequent weeks the crisis has only intensified, in spite of the dismissal of the discredited state government and firm administrative measures taken by the newly installed Governor Jagmohan. The militants' success in gathering men, women, and children to voice the demand for secession from India has seen no let-up.

According to Fernandes, the all-party committee will not interfere with the state's daily affairs. It will function as an advisory council and a way of working out a consensus "as one moves along," he says. Fernandes also points out that the committee will not come into conflict with either the governor or the Home Ministry.

But besides the built-in constraints

that permit the committee to function only within a rather narrowly defined perimeter, the partisan jockeying and exercise in scoring debaters' points robbed the March 8 meeting of credibility, and raises a question about what the committee will actually be able to achieve.

In Srinagar, top national leaders showed that despite the gravity of the situation which had brought them there, they were clearly more interested in squeezing political mileage out of it than in solving problems.

It is evident that the Congress (I) party, now in the opposition for the last 15 weeks, is feeling the need to counter the obvious accusation that it was their own 40 years of misrule which is responsible for the present state of affairs in Kashmir. The Congress (I) has targeted the government's appointment of Jagmohan, who is considered a hardline law-and-order man, as governor, and charges that it was his decision to dissolve the state assembly that gave rise to the militant activities. These moves have alienated Kashmiris because they indicated the *ad hoc* nature of Delhi's policy toward Kashmir, Congress (I) claims, while at the same time the release of five extremists as ransom for the kidnaped daughter of Home Minister Mufti Sayeed in December gave the militants a boost.

There is no doubt that the militants are in full cry now. According to available reports, when daytime curfew was relaxed in Srinagar in mid-February, thousands of people began

to congregate in the streets chanting for "freedom" from Indian rule. On Feb. 25, a human wave of more than 200,000 men, women, and children, boarding all kinds of vehicles, went to Chaar-e-Sharif, a Sufi shrine, to seek the saint's blessing. All along their way, they waved flags of Pakistan while the various militant groups shouted anti-India slogans and sang their "choruses of freedom."

The human wave became a daily phenomenon in the following weeks. Each day, thousands of people, organized by the militant groups in corners of the city, marched to the United Nations Military Observer's office in Srinagar to hand over a memorandum demanding enforcement of the U.N. Resolutions of 1948 and 1956 which call for holding a plebiscite in Kashmir. Soon, the demonstrators were clashing with security forces, and a day-long curfew has had to be reimposed.

The circumstances, though certainly greatly exacerbated during the last two years, reflect the policy failures in Kashmir since 1947. Almost in unison, Kashmiris denounced the policies of Jawaharlal Nehru, Indira Gandhi, and her son Rajiv Gandhi, who, they say, with the help of a handful of Kashmiri families such as the Abdullahs, have kept political power out of the hands of the population.

One prominent result of such failed policies is the unprecedented level of corruption in the state. The state has also been kept devoid of industries, other than the traditional cottage industries and tourism, so that unemployment and cynicism are widespread.

If it is to make a useful contribution, the all-party committee will have to look through all the sins of the past and rise above petty political feuds to chalk out a concrete program for bettering the average Kashmiri's life.

International Intelligence

U.S., Soviets hold negotiations on SDI

The United States and the Soviet Union are holding negotiations on the Strategic Defense Initiative (SDI) in Geneva. Entitled the Defense and Space Talks (DST), these negotiations are part of the Nuclear and Space Talks, of which the START talks on strategic offensive weapons are also a part.

The aim of the talks is to come to a joint understanding on if, when, and how, strategic ballistic missile defense will be deployed if SDI research and development proves feasible, said a spokesman for the U.S. Information Service. The U.S. is seeking a separate Defense and Space treaty, while the Soviets are said to want to maintain a narrow interpretation of the ABM Treaty.

Pope to make first visit to Czechoslovakia

Pope John Paul II will visit three cities and celebrate three masses during a 34-hour trip to Czechoslovakia in April, to pay tribute to the country's fledgling democracy, the Vatican said on March 10. It will be the first trip by a Pope to Czechoslovakia and John Paul's first to a Warsaw Pact country besides his native Poland, which he has visited three times.

According to the official program of the April 21-22 trip, reported Reuters, the Pope will hold private talks with Czechoslovak President Vaclav Havel. He will also meet priests and nuns at St. Vitus Cathedral in Prague and celebrate an outdoor Mass on Letna Hill. On Sunday, April 22, he will celebrate Mass at a sanctuary in the historic religious center of Velehrad, burial place of St. Methodius, who brought Christianity to the Slavs. That evening, he celebrates another Mass at the airport in Bratislava, whence he will return to Rome.

In his New Year's address, Havel invited the Pope to make a visit before June

elections to help the country resume its role as a spiritual crossroads of Europe. In February, John Paul II named five bishops to fill the last vacant bishoprics in Czechoslovakia, ending decades of tense church-state relations under communist governments.

KGB headquarters vows to 'protect socialism'

The KGB is circulating a warning that there is a danger of a split in the Soviet Communist Party, and has vowed to act if there is a threat to the country's socialist way of life, according to Soviet press reports.

A new, avowedly "independent," news agency, Postfactum, on March 8 quoted parliamentary deputy Anatoly Sobchak as saying an appeal from the KGB central office had been circulated in the Supreme Soviet. "Cheka collectives say they are perplexed because the leading organs of the country, possessing . . . data on the ripening negative phenomena, clearly lagged behind with vitally important political decisions, are too slow and indecisive," it quoted the appeal as saying. "Gambling on glasnost and pluralism of opinions, loud-mouthed advocates of social interests denigrate the sacred name of Lenin and the notions of Motherland, patriotism, and October [the Bolshevik Revolution] that are so dear to every Soviet person."

"Soviet Cheka forces act and will act in the interests of the people firmly, consistently and reliably," the statement continued. "They will protect the security of the socialist system, the rights and freedoms of each person and our socialist democracy."

The appeal added that KGB representatives saw a real threat of a split in the Communist Party, which was in danger of losing its influence on cooperation between "sound forces in society."

The KGB appeal was also covered in *Komsomolskaya Pravda*, the Communist youth newspaper.

Did Syria assassinate Turkish journalist?

A leading Turkish journalist known for his harsh criticism of the Syrian regime and of Islamic fundamentalism, was assassinated in Istanbul on March 7. Cetin Emec, a board member and columnist of the mass-circulation daily *Hurriyet*, was shot seven times by at least two gunmen as he left his home.

Emec had just written an article implicating the Syrian government of Hafez al-Assad in a string of murders of moderate political leaders in Turkey. The article appeared in *Hurriyet* on the day Emec was murdered. It dealt with a rising wave of terrorism in Turkey, citing the killing in February of Ankara Bar Association head Muammer Aksoy and two other prominent opponents of Islamic fundamentalism inroads into Turkey's secular constitution. Emec wrote that the conspiracy behind the murders "seems to reach up into the highest echelons of neighboring governments, especially Syria."

During the late 1970s, an average of 20 people were killed each day in Turkey by terrorists, which triggered the 1980 military coup.

U.S. Ambassador to Ankara Morton Abramowitz has been regularly meeting with former Prime Minister Suleyman Demirel, an opponent of Prime Minister Turgut Özal. Abramowitz ran State Department intelligence during the Reagan-Bush administration, and is known as a coup specialist.

Peru's human rights chief appeals for LaRouche

The executive secretary of Peru's National Human Rights Council, Guillermo A. Palacios Dodero, sent a letter to President Bush on March 5, on behalf of U.S. political prisoner Lyndon LaRouche, who was imprisoned on Jan. 27, 1989 on "conspiracy" charges, along with six associates.

Briefly

"This Council," Palacios Dodero wrote, "whose function it is to preserve and respect human rights, has read and analyzed information regarding this case and considers that the trial of Mr. LaRouche and seven [sic] of his collaborators has violated several basic juridical rules that are common to all known judicial systems."

The letter cites several key points on which the accused were denied a fair trial: the extreme haste with which they were rushed to trial; the fact that defense counsel were not permitted to present exculpatory evidence; the fact that federal bankruptcy Judge Martin V.B. Bostetter, Jr. subsequently ruled that the government acted in bad faith in placing several companies associated with LaRouche into involuntary bankruptcy; and that lawyers from around the world have denounced the government's conduct in the LaRouche case.

"In this regard, President George Bush, we ask you to guard the constitutional rights of Mr. Lyndon LaRouche, which will positively influence the administration of North American justice," the letter concludes.

Jewish leaders hail German unity prospects

Edgar Bronfman, the Seagram's liquor magnate who also heads the World Jewish Congress (WJC), is leading a campaign to sabotage German reunification efforts, but his bid is by no means universally supported by other Jewish organizations. For the first time since the end of World War II, the WJC will hold a meeting in West Berlin, and Bronfman will deliver a speech there May 8 on "the Jewish perspective on the issue of German unification."

Said Bronfman, "The process of unification cannot be isolated from the historical context which initially gave rise to the division of Germany. I am astonished that the world seems to be treating this issue so lightly and has a loose attitude toward this problem and a very limited memory of the past."

One of fallen East German communist leader Erich Honecker's last acts in office last fall, was to present a medal to Edgar Bronfman.

But prominent Jewish spokesmen in

Great Britain distanced themselves from the anti-German campaign of Bronfman and Margaret Thatcher, at a debate that took place at the beginning of March at the Institute of Jewish Affairs in London.

According to a report in the *Frankfurter Allgemeine Zeitung* of March 7, Professor Alderman maintained that there is no reason to hold on to the thesis that a unified Germany always provided a fertile ground for evil doings. "The German unification of 1871," he said, "had nothing to do with the outbreak of World War I, and little to do with the outbreak of World War II."

Alderman said that the rise to power of Hitler rather had a lot to do with the "revengist posture of Western statesmen" after the 1919 Treaty of Versailles, and with the fact that several among the "next generation" of British politicians were admirers of Hitler.

Lord Beloff argued that it is not the German military that is marching across Europe, but rather the German Bundesbank (meant by Beloff, contrary to the views of many in the City of London these days, as an indication of peaceful change).

Chinese CP affirms return to Maoist road

At the end of a four-day meeting of the Chinese Communist Party's Central Committee in Beijing on March 12, all that was released to the public were calls to return to the ideological purity of Maoism.

According to the official news services, the party revived a 1960s call to unite with the masses, saying it had become separated from the people because of "bureaucracy, subjectivism, formalism, passivism, corruption and other serious phenomena." "Adhere to the practice of coming from the masses and going to the masses," said a Xinhua news agency statement, ordering party officials to "go down to the grassroots units and go among the masses." The statement laid out a seven-point plan for the survival of the party, but gave no details.

Party leader Jiang Zemin and Premier Li Peng made what the agency called "important speeches," but the contents were not made public.

● **FRENCH DEFENSE** Minister Jean-Pierre Chevenement said, in an interview to the magazine *Cosmopolitiques*, that he believes Gorbachov will behave toward the Soviet Central Asian republics as Gen. Charles de Gaulle did toward Algeria, and that Russia "would thus be pushed, by a sort of reflex, toward Europe."

● **THE TERRORIST M-19** was officially legitimized as a political party in Colombia on March 9. At a ceremony at the presidential palace, President Virgilio Barco signed a peace treaty with the group, in which the M-19 agreed to "quit guerrilla warfare" and become an official political party. M-19 leader Carlos Pizarro ran as a mayoral candidate in the Bogota elections on March 11.

● **NIKOLAI RYZHKOV**, the Soviet prime minister, is trying to position himself as an alternative to Gorbachov, one of the Bush administration's leading Soviet experts told Reuters in an interview on March 9. He said that Gorbachov must show some signs of economic success quickly. "He's got to begin to deliver something. He doesn't have to deliver a lot."

● **MONGOLIA'S** ruling Politburo resigned on March 12, along with the secretariat of the Communist Party's Central Committee. Communist leader Zhambyn Batmunkh said he would ask parliament on March 21 to amend the constitution, which describes the party as "the vanguard and the leading power of all state and other mass organizations of working people."

● **FRENCH NOBEL** laureate Maurice Allais said West German Chancellor Kohl was juridically and politically correct in his much criticized stance on the issue of Poland's western borders with Germany. The crucial French backing came in a full-page feature in *Le Figaro* March 12.

Andrei Sakharov: portrait of a resistance fighter

by Robert Primack

Alone Together

by Elena Bonner

Alfred A. Knopf, Inc., New York, 1986
270 pages, hardbound, \$17.95

My Country and the World

by Andrei Sakharov

Alfred A. Knopf, Inc., New York, 1976
128 pages, hardbound

At a time when freedom movements are springing up throughout the world, particularly in the East, what could be more relevant than the story of a leader of that fight within the Soviet Union itself? The fact that he was also one of the greatest scientific minds of the 20th century, and certainly the most famous scientist of modern Russia, merely indicates the enormity of the task that he undertook. This man was Andrei Sakharov, and he and his wife Elena Bonner paint a haunting, and inspiring, picture of their fight for freedom.

The picture of Sakharov carried globally by satellite handing several letters to Soviet President Gorbachov opposing Article 6 of the Constitution, which guarantees the supremacy of the Communist Party in all Soviet institutions, was a vivid demonstration of his moral authority. Two days later Andrei Sakharov, a man that many have heard of, but

few know, was dead. That was why I picked up these two books, the only ones I could find in the local bookstore and library.

Bonner's book *Alone Together* is a harrowing account of the outrages and abuses that the Soviet state bureaucracy and legal system could inflict upon its citizens. Without question, without the support that first he and then they received from the West, Sakharov and his wife would have been dead long ago. However, the horrors that Bonner documents, interwoven with her own personal experiences, document a 20-year period of torture directed at Sakharov and anyone associated with him. While Sakharov had been overtly harassed by the authorities since 1973, he had been morally troubled by the military and destructive use of his scientific work since the early 1950s; but he was not sent into internal exile until 1980 when he was picked up on the street, taken to the procurator's office, read a statement by the U.S.S.R. Supreme Soviet, depriving him of all awards and honors, and taken directly to exile in Gorky.

Elena Bonner was the daughter of Gevork Alikhanov, First Secretary of the Armenian Bolshevik Party and head of the personnel department of the Comintern, who was purged in 1937 and executed. Her mother Ruth Grigorievna Bonner, a party member, was also arrested in 1937, but not executed. Bonner joined the Russian Army in 1940 as a nurse and was badly wounded in 1941. When she recovered, she was reassigned and rose to the rank of lieutenant. After the war, in spite of serious eye problems caused by her battle wounds, Bonner completed medical school by 1953. She free-lanced as a writer and joined the Communist Party in

1965, but resigned after the invasion of Czechoslovakia. In the meantime, she met Andrei Sakharov.

Almost immediately, Bonner became blamed for the "Sakharov Problem." She was accused of everything from taking his money, starving him to death by supporting his hunger strikes, and of being a Zionist and a CIA agent. In 1984, Bonner was tried, convicted, and exiled internally under Article 190-1 of the Russian Criminal Code for "slandering the Soviet social and state system." The trial, as reported in her book, was a mockery of justice. The courtroom had about 85 attendees—all KGB. Her husband was not allowed to testify or attend, and she was accused of slandering the Russian prison system. The prosecution harped on two quotes they attributed to her, both in their indictment and the trial: "Soviet newspapers have nothing, but lies" and "I think they are killing us." They were.

It is worthwhile to look through the kaleidoscope Bonner presents of family experiences: constant surveillance, the inability to freely communicate (letters were changed or never arrived; there was no home phone and the pay phones didn't work; the KGB put its jamming device right in the apartment, etc.). Family members were forced into hospitalization when they didn't want it and denied medical care when they most needed it. When Sakharov underwent hunger strikes to force the Soviets to permit his wife and others to travel abroad for much-needed medical attention, he was brutally subjected to forced feeding, injections, and isolation. Bonner documents the couple's efforts to defend the human rights of individual scientists, Jews, Pentecostals, and others who were being denied the right to emigrate, work according to their conscience, or have the freedom to worship.

Contrary to what many believe, Sakharov is not Jewish. And contrary to what many have been led to believe, he is also not a KGB agent, nor a pacifist. He is most definitely a Russian: His family was friendly with the Tolstoys, and he traces his genealogy back through several generations of rural Russian priests. However, he grew up in a large Moscow apartment where his father, a physics teacher who wrote textbooks and popular science books, played Chopin, Grieg, and Beethoven on the piano. As a child, Sakharov could recite Pushkin's poems by heart and Schiller's "The Glove."

During World War II, Sakharov worked in an armaments factory and developed several procedures which improved the production time and quality of product. This he considered to be his first "original scientific work." After the war he became a graduate student at Lebedev Physical Institute, where his adviser and collaborator was physicist Igor Tamm. In Moscow and later at a special research center, he, Tamm, and others developed the Soviet atomic bomb, the principles of thermonuclear explosions, and built the first hydrogen bomb. Sakharov also led the work in 1950 on the construction of magnetoplosive generators in formulating the principles of a controlled thermonuclear reaction based on magnet-

ically controlled plasma which became known as the tokamak fusion device, and in 1960 he proposed the use of pulsed lasers to heat deuterium and produce useful energy. Up to his recent, unexpected death, he wrote published and unpublished works on cosmology, asymmetry, curved space, and other scientific frontiers.

As one reads *My Country and the World*, one clearly sees that Sakharov was for a strong Western alliance, a strong NATO, led by the United States with a reunified Germany, as the premier solution to the problems of a troubled world and the only solution to the myriad problems destroying his own country. Sakharov was also always personally troubled by the moral dilemma that his scientific discoveries were being used for destructive purposes. In 1968, when he published his first book, *Thoughts on Progress, Peaceful Coexistence, and Intellectual Freedom*, he was stripped of his security clearance. He stated that he hoped that he was helping to "establish military equilibrium" when he was building the atomic and hydrogen bombs. But later he developed an extreme distrust of military leadership and their possible willingness to launch a first strike, believing that MIRVed weapons and ABM systems might create the conditions to make such a first strike advantageous.

Sakharov was a warrior for human rights both globally and in his own country. He attacked Lysenko and his work, both because it was destroying the Soviet biological sciences and because decent scientists were being harassed. He hated the way African students were subjected to "barbarous race hatred." He despised the new *nomenklatura*, the Communist Party that was becoming the privileged bureaucracy of a two-tiered society. Sakharov attacked the political use of psychiatry, and though he fought for religious toleration, he felt that Russian Orthodoxy and Islam were becoming appendages of the state.

Sakharov on Kissinger

However, it is in the political realm, that one sees the true independence of Sakharov's thinking. Sakharov supported the initial Jackson-Vanik trade bill to force Soviet concessions on emigration, at a time when in 1975, the Republicans and notably Henry Kissinger opposed it, because Kissinger insisted the same ends could be accomplished through his inevitable "secret negotiations," an argument that has resurfaced since last year's massacre at Tiananmen Square. Kissinger's détente, he said, was "in reality constituting a plot behind the backs of peoples." Later, when Kissinger tried to amend the bill so that it only dealt with Jewish emigration, Sakharov again condemned Kissinger's methods, saying that "that would enable the Soviets to support traditional anti-Semitism and utilize it against the democratic movement." He continued, that "for Soviet Germans, ethnic humiliation has become a common experience. Virtually every family has lost nine or more members who perished during resettlement, on reservations, or in labor camps. It is

impossible for them to maintain their national culture and even their language is half-forgotten. At school or work they constantly hear the epithet 'fascists.' . . . Up to now emigration by Soviet Germans to West Germany has received little support from abroad."

Sakharov also specified that he thought "the division of Germany is a tragic (and I hope temporary) phenomenon."

Sakharov was clearly no liberal, and came down solidly on the side of a strong Western anti-Communist stance: "The thoughtless, frivolous pursuit of leftist liberal fuddishness is fraught with great dangers. On the international level, one danger is the loss of Western unity and a clear understanding of the ever constant global threat posed by the totalitarian nations."

The illegal execution of the Rosenbergs

by Robert Fow

Fatal Error: The Miscarriage of Justice That Sealed the Rosenbergs' Fate

by Joseph H. Sharlitt

MacMillan, New York, 1989

110 pages, hardbound, \$24.95

Faced with the irrational vindictiveness of the U.S. judiciary in the LaRouche cases, one may be well instructed by this account of a world-famous case, where "conspiracy to commit espionage" was charged.

In March 1951, during the height of the McCarthy anti-Communist witchhunt, Julius and Ethel Rosenberg were tried and convicted of "conspiracy to commit espionage" and given a death sentence by Judge Irving Kaufman. In June 1953, after a long appeals process up to the Supreme Court, the Rosenbergs were executed. The conviction and sentence were based on the testimony of Ethel Greenglass Rosenberg's brother, David Greenglass, a thief and self-proclaimed spy who testified that he stole secrets of the atom bomb, which he passed to the Soviets under the direction of Julius Rosenberg. Greenglass, who was arrested first, cooperated with the FBI and received only a 15-year sentence; his wife Ruth, who was also involved, was never even indicted. The conviction, said the opinion of the appeals court written by Judge Jerome Frank, could not be upheld if the Greenglass testimony were not believed. This book, while ignoring the issues of the

Rosenbergs' guilt or innocence, draws out the legal arguments showing that the Rosenbergs were definitely executed illegally.

In Chapter 11, author Joseph Sharlitt says, "Judge Kaufman's reasons for ordering execution of Julius and Ethel Rosenberg are explicit. 'I consider your crime worse than murder . . . your conduct in putting into the hands of the Russians the A-bomb years before our best scientists predicted Russia would perfect the bomb . . . caused . . . the Communist aggression in Korea . . . millions more may pay the price of your treason. . . .'"

"But the significance of what Greenglass betrayed through [the Rosenbergs], in comparison with what the Soviets had already learned from a far more rewarding source, Klaus Fuchs, makes Judge Kaufman's sentence a repudiation of hard facts. Those facts were available when [Kaufman passed sentence]. He was never given them. Foremost among them are two: It was Klaus Fuchs and not David Greenglass who gave the Soviets major secrets of the bomb; and Klaus Fuchs—whose betrayal of the West was catastrophic in comparison with Greenglass's transgressions—was sentenced to imprisonment of 14 years.

"As every scientist who ever commented on Fuchs had agreed, Fuchs's betrayal had monumental significance. It shortened the U.S. monopoly in atomic weaponry to four years. It gave the Soviets the ultimate weapon at the beginning of the Cold War. And as highly knowledgeable Americans have commented, it was an act of Olympian perfidy, felt across the world and for many years. The Joint Committee on Atomic Energy report states: 'It is hardly an exaggeration to say that Fuchs alone has influenced the safety of more people and accomplished greater damage than any other spy not only in the history of the United States but in the history of nations.'

"No David Greenglass could approach the scientific comprehension required to do what Fuchs had done. By far the most important secret that [Fuchs] passed on was the monumental step toward the bomb achieved when the Americans developed the gaseous diffusion process for isolating uranium-235, the explosive used in the bomb.

"If Fuchs had not betrayed the gaseous diffusion process and perhaps a good deal more (for Fuchs was never confined to gaseous diffusion in his roamings over the secrets of the Manhattan District, could meander almost at will over the entire atomic bomb project, collect precious scientific data, and give it away), the Soviets would not have paid much attention to David Greenglass. There is, indeed, evidence that Fuchs provided the Soviets with the concept of a lens mold used in the plutonium bomb dropped on Nagasaki—developed by the scientists at Los Alamos—which was simply confirmed by Greenglass's subsequent sketches, drawn with the crudeness of a machinist who knew little or nothing about implosion or any other triggering device. In proper perspective, Fuchs was—for the Soviets—the Nobel of

atomic weaponry. . . .”

The author spends several pages on Fuchs’s personal history and his membership in the German Communist Party since 1932. Two other scientists, spies working in the atomic bomb field, are also examined—Bruno Pontecorvo and Allan Nunn May, who worked in Canada and England.

Coverup of the U.K.-U.S. ‘special relationship’

An intriguing few pages are spent on Donald Maclean of the homosexual British Communist team of Burgess-Maclean-Philby-Blunt, suggesting yet another route by which the Soviets could have gotten the secrets of the U.S. atom bomb. Fuchs and these others were British subjects, born or naturalized. Sharlitt reports: “Maclean had been a spy for the Soviet Union at least ten years before he arrived in Washington. What Maclean then did for his Soviet masters during his year and a half in Washington has never been either disclosed in detail nor evaluated. But the public record contains damning evidence.

“By the time Maclean arrived in Washington in 1947, both London and Washington were in a legal quandary. Under no less than three agreements between the governments, full and complete exchange of atomic secrets between the United States and Great Britain was obligatory. The Quebec Agreement of 1943 was the first of these accords; but far more important were private agreements between Roosevelt and Churchill (executed at Roosevelt’s home at Hyde Park in September 1944) and a later personal accord signed by Truman and Atlee in 1945. The formal body that served as the funnel for the exchange of this information was called the Combined Policy Committee. It should surprise no one that Maclean was chosen as British secretary of this body, positioned so that all major atomic information exchanged between the two governments went through his hands.

“On a less formal basis, it was under the umbrella of these agreements that Klaus Fuchs was able to operate with total impunity. Similarly, these accords made access to American atomic information possible to Bruno Pontecorvo, the brilliant scientist and Soviet spy. ”

Therefore, the motivation for sentencing the Rosenbergs to death, which was also used by President Dwight Eisenhower in his refusal for clemency, is shown by the Sharlitt book to be spurious.

Sabotaging the stay of execution

Sharlitt also argues that the Rosenbergs were tried under the wrong law. The argument that induced Justice William O. Douglas to issue a Stay of Execution, three days before the death sentence was to be carried out, according to Sharlitt, was “a relatively simple one. The Rosenbergs had been charged, tried and convicted under the Espionage Act of 1917. The act permitted a judge to sentence certain violators of the act (such as the Rosenbergs) to death on the judge’s

own determination, without requiring any recommendation from the jury. But a new law [the Atomic Energy Act of 1946] had been passed just seven years before the Rosenbergs were executed; it required that spies who passed atomic secrets could be executed only on the recommendation of the jury sitting in the case. From the day that the Rosenbergs were indicted [in 1951] until three days before they were executed, the Atomic Energy Act of 1946, although applicable, was ignored by everyone connected with the case.”

The same day that Justice Douglas issued the stay, a resolution to impeach him was made public, already signed by 11 congressmen. Justice Jackson arranged a meeting between Attorney General Brownell and Chief Justice Vinson that day, at which Brownell requested and Vinson granted a reconvening the next day of the full Supreme Court to over-ride Douglas’s stay.

Moreover, Justice Hugo Black stated, “I find no statute or rule of Court which permits the full court to set aside a mere temporary stay entered by a justice in obedience to his statutory obligations.” Douglas stated, “The cold truth is that the death sentence may not be imposed for what the Rosenbergs did unless the jury so recommends.” Yet, the stay was vacated.

On Friday, June 19, the day set for execution, there were feverish attempts at last-minute avoidance of it. Justice Felix Frankfurter was tricked into thinking some precious hours of extension had been granted so the Rosenbergs would not be killed on the Jewish Sabbath. Brownell, however, rather than delaying the execution until after sunset on Saturday, when Sabbath would have ended, moved it *up* some hours, before sundown on Friday, marking the Sabbath’s start.

Here the reviewer wishes to interject some points of his own, based on two earlier books on the Rosenberg case I enjoyed reading: *The Last Will and Testament of Ethel and Julius Rosenberg* (also called “Letters from Sing Sing”) from the mid-1950s, and *We Are Your Sons* by their children Robert and Michael Meeropol, néés Rosenberg. My conviction is that the Rosenbergs were innocent, and had nothing to do with spying; likewise, for their co-defendant Morton Sobell, who served a 30-year sentence at Alcatraz Island. David Greenglass was not a spy, but a thief, caught stealing radioactive material worth some hundreds of dollars. After the Justice Department frightened him with the consequences of that, he agreed to commit perjury; and Greenglass’s wife did also. Harry Gold the “spy-courier” was not such, but a fantasizer with moral sickness, and his fantasy served the Justice Department as the basis for linking the Rosenberg case to the British Fuchs case.

The Meeropol brothers exposed as a lie that their father Julius Rosenberg had stolen a detonator mechanism from his U.S. Signal Corps employer during World War II in their book *We Are Your Sons*. That book also deals well with another prosecution lie: They proved that their parents had actually purchased a buffet table from Macy’s that the Justice

Department claimed was a Soviet gift with a special arrangement for microfilming military secrets. In the letters Julius and Ethel Rosenberg wrote to each other, they come through as Jewish and American heroes and patriots, who defied a gnostic and satanic Establishment by refusing to deny their innocence even at the cost of their lives.

The Rosenberg case was a massive media trial manipulated to the effect of providing patsies. The first half of the Sharlitt book deals with the intricacies of court battle and appeal, the deviousness of Attorney General, prosecutor, several judges, and how the wrong law was deliberately chosen by the Justice Department to assure that the Rosenbergs could be killed. A Stay of Execution, issued by Justice Douglas three days before the Rosenbergs' death by electrocution, was vacated most irregularly by the Supreme Court. President Eisenhower allowed them to be murdered.

Ayn Rand: national security risk

by Ana Maria Papert

Judgment Day, My Years with Ayn Rand

by Nathaniel Branden

A Marc Jaffe Book/Houghton Mifflin, Boston, 1989
436 pages, illustrated, hardbound, \$21.95

Aside from the "soap-opera" side of the book, which could fit into another TV series like "Dallas," with all its pornography, immorality, nonsense, and paganism, Nathaniel Branden's book *Judgment Day, My Years with Ayn Rand*, does give a very interesting insight into the minds of some of those who have shaped the policies of the last two administrations. Many officials in the two Reagan administrations, and now in the Bush administration, have been and are devout followers of the Russian writer Alice Rosenbaum, better known as Ayn Rand.

In fact, Reagan and Rand might have met in Hollywood. Rand "had come to Hollywood, hoping to find work writing scripts," but according to Branden's story, by some "stroke of good fortune" she fell into a conversation with Cecil B. De Mille, who gave her her first job and helped her get around.

Alan Greenspan, chairman of the U.S. Federal Reserve Board, was, during many years, one of her most dedicated followers and admirers.

When Greenspan joined "The Collective," the inner circle that met every Saturday with Ayn Rand for more than a decade to discuss the infamous *Atlas Shrugged* and other topics, Greenspan was "not a free enterpriser but a Keynesian . . . [and] he was also a logical positivist, which meant that he was adamant about his inability to know anything with certainty," says Branden. Then he quotes Greenspan saying: "I think I exist . . . but I can't be certain. In fact, I can't be certain that anything exists." Greenspan was 26 years old at the time.

The fact that the head of the Federal Reserve has been a follower of someone who believes "that a human being is an end in himself, not a means to the ends of others, which means he has a right to exist for his own sake, neither sacrificing himself to others nor others to himself," could represent a national security risk. This is the kind of thinking that has existed under the insane economic policies of the past years and that has brought the United States to the worst economic depression in its history.

Ayn Rand was a follower of Aristotle and a passionate hater of Plato. She could not stand hearing Beethoven's music nor admire a painting by Rembrandt. Her favorite music was "tiddlywink" music, such as "It's a Long Way to Tipperary."

Rand thought "that virtually every evil ascribed to *laissez-faire* capitalism is in fact the result not of *laissez-faire* but of government intervention, government control, the betrayal of *laissez-faire*. . . . Remember, capitalism means *laissez-faire*, not government controls—hands off—a totally free market." This kind of "capitalism" is for Rand "the only moral system."

President John F. Kennedy was killed after Rand gave a speech "The Fascist New Frontier," at Ford Hall Forum, in which she drew parallels between the ideology of fascism and that contained in the speeches of John F. Kennedy, emphasizing her view that both demand personal "sacrifice" on the "altar of public good." She obviously hated Kennedy's famous words, "Ask not what your country can do for you, but rather ask what you can do for your country." Random House refused to publish her speech and the contract with Rand was broken.

On the military, Greenspan's idol thought that "military conscription contradicts the basic principle of a free society: a man's right to his own life. It's sickening how many conservatives favor the draft, while pretending to be champions of freedom. The bastards."

Denying God

The role of man on Earth, as made in the living image of God, the Creator, is completely destroyed. Rand says, "I became an atheist at 13 . . . for two reasons. First because there were no rational grounds for believing in God. And second, and terribly important to me, because God was held to be the greatest entity in the universe, that made man

inferior—and I resented the idea that man was inferior to anything. . . . If you were to put a title over everything I have written, or ever will write, it would be, ‘To the Glory of Man.’ ” Branden himself writes that “There was a strain of Manichaenism in her outlook—not the literal Gnostic religion first preached by Mani, of course, but rather the tendency to see good and evil as essentially separate and opposed principles, and to interpret all human experience in terms of their confrontation.”

This Gnostic philosophy inundated the campuses in the United States in the 1960s. Many students read several times each of Rand’s books and participated in the courses on “Objectivism” which was the name given to this so-called “philosophy.” These courses, were given in more than 80 cities by the late 1960s and tapes were sent to soldiers in Vietnam.

Branden founded the Nathaniel Branden Institute which was responsible for the spread of these ideas. A newsletter, called *The Objectivist* was published regularly, and distributed by subscription and in other ways so that this ideology could be spread rapidly, especially among the younger generation.

Today, the third largest political party in the United States, the Libertarian Party, is based on Ayn Rand’s philosophy, and in recent years it has become a major influence on the thinking of sections of the Republican Party.

A March 24, 1965 *Wall Street Journal* review of the just-published collection of Rand’s writings said, “And it is normally a matter of two decades before the young take over the seats of power in the name of what they learned to believe 20 years ago.” Today, after 20 years have passed, this philosophy has infiltrated the government of the United States.

Europe, ‘heart’ of tomorrow’s world?

by P. Colombo et E. Grenier

Lignes d’horizon

by Jacques Attali

Fayard, Paris, 1990

216 pages, paperbound, 75 francs

If the 20th century will have been characterized by Europe’s decline, America’s triumph, and Soviet might, then the 21st century will be the century of Europe and Japan, or more

precisely that of the two great economic and technological zones at the center of which are Western Europe and Japan. This is the driving idea of the recently published study by Jacques Attali, *Lignes d’horizon* (“Horizon Lines”).

We don’t know whether this book by a man often characterized as French President François Mitterrand’s controversial “idea man,” will soon be available in the English language, but the citizens and elites of America would do well to ponder some of its lessons with respect to the decline of the United States.

Expressing a thinking that is both French and Europeanist, but not Euro-centric, *Lignes d’horizon* is a serious attempt to “rethink the world” at a time when modern history is being shaken by events. Written while revolutions, most of them peaceful, were bringing down totalitarian regimes of Eastern Europe which one could have thought were forever frozen in the Stalinist glacié, Jacques Attali’s essay tries to define a universal mission for Europe. One obvious fact seems to say he is right: The history of Europe is not world history, yet the sudden acceleration of contemporary history is taking place in Europe and in relationship to Europe. The international order built up after the Second World War is rapidly dissolving, without an alternative “structure” or order having been put in place.

Frozen in place by the Cold War and the Berlin Wall, and by the incontestable, although contested domination by the United States and the U.S.S.R., the history of Europe suddenly finds itself set free. The Soviet rollback shall inevitably be accompanied by an American rollback tinged with isolationism and centered in the Western Hemisphere. It is in the unaccustomed role of spectator and not actor that the United States witnesses the emergence of the new Europe, which will find itself without a tutor and perhaps without a protector. Aware of her own strength, Europe no longer wants to be controlled, even the dissimulated control that is brought about when one is under someone else’s protection. The decline and fall of communism does not mean “the end of history,” as per the shallow but celebrated Hegelian saying of Francis Fukuyama, who thereby voiced the viewpoint of the spectator. Rather it means the rediscovery of history. The sterile and entirely relative stability of the blocs gives way to the creative instability of new freedoms, which of course will have to be given structure. These ideas give some measure of the intellectual gulf that is inexorably widening between America and the Europe being reborn. If Europe does not seize this historic occasion, then powerful centrifugal forces will engender crisis and crisis, thereby splitting up Europe rather than unifying it.

When Jacques Attali writes that “if Western Europe is able to associate the East to its future, it can lay claim to the title of heart of the world economy, and can become the world’s most populous, rich, and creative area,” he is announcing the end of the American Century—not as easy to foresee as the visible fall of Russian predominance. He is not

announcing the end of America, but the emergence of Europe in the face of declining empires.

Whether he wanted to or not, Jacques Attali—longtime Socialist and adviser to François Mitterrand—has thus vindicated the historical vision of Charles de Gaulle, just as in his own way Régis Debray—former companion of Latin American guerrilla fighter Che Guevara—did some years ago in his book *Les empires contre l'Europe* (“Empires Against Europe”).

Lignes d'horizon flows from an undeniable reality, a diagnosis of the deeper tendencies which are moving the world today, that of the relative decline of the two great postwar powers, incapable, for different reasons, of continuing to assume their role as imperial centers. As the bipolar world goes down, new “hearts”—the author’s designation of nerve-centers of civilization in a given era—are emerging, defined by their technological and economic power but also by the power of their democratic ideas: “If Western Europe progresses toward its unity, if Eastern Europe succeeds in its democratization, if the two parts of Europe are able to invent bold ways to reunify, it cannot be ruled out that the ‘European zone’ may become the new heart of the world economy. With a prodigious increase in creative and work effort, the ECU [European Currency Unit] will be able to surpass the yen . . . the values of the Old Continent—freedom and democracy—will end up spreading to the entire planet.”

In Attali’s view, two great geo-economic and geo-strategic zones are in formation in Eurasia and in the Pacific: The first will extend from the Atlantic to the Urals, the second, dominated by the technological dynamism of Japan, will encompass the Pacific. The financial and technical dependency of the United States on Japan will grow, though not without sudden jolts and crises.

The decline of the two superpowers

The profound causes of the crisis shaking the Soviet Union which are forcing it to withdraw from its western glacis—the first great rollback after centuries of Russian and then Soviet expansionism—have become evident: catastrophic economic situation, lack of productivity, an empire of (military) strength based on an obsolete and decomposing economic and social structure. The power of a state is indeed not measured by its military strength alone, but by its cultural and social power, i.e. by the level of its population’s education and particularly its technological mastery. A society’s ability to assimilate and generalize knowledge, for the good of all (*res publica*) defines its potential for long-term survival. In sum, the capacity of a culture to promote its own future is the measure of its potential strength, of its own living forces rather than dead forces. The bankruptcy of the Soviet system, the “space of force” in the terms chosen by Attali, is obvious. And what could be more natural than for a demographic decline to correspond to the economic decline? Prudently, Attali does not dwell on the Soviet decline and seems

to think that in association with a hyper-industrialized Europe, the U.S.S.R.-Russia is not irretrievably doomed to decline.

So where is the U.S.S.R., the planet’s prime military power, headed? The internal convulsions that accompany great crises of civilization have barely begun. Much blood will flow before Russia’s future becomes clear. When Mikhail Gorbachov, at the time not yet the general secretary of the CPSU, told the Soviet Academy of Sciences in 1984 that only “an intensive economy,” based on what the Soviets call the “third technological revolution,” could guarantee that the U.S.S.R. would assume its place as a great power in the next century, it was already too late. Soviet society had become incapable of regenerating itself; it had to choose between being torn apart internally by perestroika, or, economic shipwreck in the end. No more than Churchill had been “named by the King to preside over the downfall of the British Empire,” Gorbachov had not been named to preside over the dismantling of the Empire of the Czars and the Commissars. By becoming more democratic and turning toward a “hyper-industrial” Europe, can the U.S.S.R. regenerate itself? Maybe. Meanwhile, the perils are great and threaten the building of Europe.

Jacques Attali’s thoughts on this problem are, in our view, inadequate. His thoughts, on the other hand, about the decline of America, are long and lucid. It is hard not to share his diagnosis.

U.S.: drugs, debt and speculation

The dominant phenomenon in the Pacific Zone, writes Attali, “is that of the decline of the United States. Many still refuse to believe it, while counting their 12,000 nuclear warheads, gauging the power of the space program, observing the triumph of the dollar, evaluating their share of the market, dreaming of the riches of Wall Street, being impressed by the size of their banks, envying the strength of their capitalism. . . . When one speaks to them of decline, they reply that the decrease in the U.S. share of the world economy has to do with the restoration of the war-devastated countries, and not with a real weakening of America, which is just as powerful, dynamic, and relatively debt free as ever. Finally, they say that if this eventual decline should one day turn into humiliation, Americans would know how to give the necessary impetus for its recovery.” Such considerations, says Attali, are fallacious: “Not one of these arguments seems convincing to me. *For one, who like myself, considers industry as the only durable basis for a country’s power, the signs of a relative decline of America are in fact converging and irrefutable*” (emphasis added).

What are these signs?

- 1) The decline in the productivity of American industry with respect to Japan and Europe.
- 2) The corresponding decline in American technological competitiveness on the world market. Whence the U.S. trade

deficit, which is permanent, structural, and financed by loans on the international financial market.

3) The resulting fact that America neglects its internal infrastructure, its health care system, education, etc. To pay its debts, America no longer invests, and in so doing, its future debts are growing.

The worst thing is that “we cannot see what could, within the next 10 years, bring about a reversal of this tendency: There are at present no signs in America—short of an unlikely about-face—of a relaunching of the industrial investment effort, nor of an increase in savings rates, nor of the development of new products, nor of a conquering trade mentality.”

Trade with the Pacific dominates American trade, and “everything seems to indicate that in this Pacific Zone, economic power—in its essence, that is the mastery of great investments which structure industry—today finds its home in Japan.”

The U.S. decline can be summed up in three cruel words: drugs, debt, and speculation, Attali stated in a recent interview in the *Wall Street Journal*.

The decline of the two postwar superpowers can only encourage the emergence of new centers of power. We must measure the distance separating the adviser to the French President from a Zbigniew Brzezinski, for example, who was Carter’s national security adviser and today advises the Bush administration, and who declared after the fall of the Berlin Wall: “Now there is only one superpower.” Convinced, by habit or by the idea of “manifest destiny,” of their supremacy and of the rightness of their form of society, the American elites are doing nothing to stop their own decline. This is a matter of stating the obvious and not an expression of an ignorant and misplaced anti-Americanism. The historic friendship between France and the United States, for example, is real and deep, but equally deep tendencies are pushing Europe and the United States apart. Economic warfare between yesterday’s allies is replacing the Cold War and the Iron Curtain. The facts are stubborn: America produces less and less well, products that are less and less competitive. America, which devoted more than 15% of its budget at the outset of the 1960s to infrastructure, today only devotes 4% to it. And it is not by trade war decrees that Washington will be able to reverse that trend.

Africa: immense challenge for humanity

The American crisis reflects the world crisis, “at first delayed by the loans contracted by states and businesses. This indebtedness made the fortune of the bankers and helped to set up financial institutions whose speculative development has culminated today in the most extreme instability,” writes Jacques Attali. There is too much speculative money and “too little to invest, to stabilize the course of raw materials, to fight the drug traffic, to develop the poorest countries or to consolidate the faltering democracies of Eastern Eu-

rope, Asia or Latin America.” Upon coming out of this crisis, the dollar’s primacy will be replaced by three monetary blocs—dollar, yen, and ECU.

And the rest of humanity? Can the emergence of two great hyper-industrialized areas occur without taking into account three-quarters of the world? Once again, it seems worthwhile to quote the author at some length:

“If they know how to think long-term, tomorrow’s powers would keep watch at the *peripheries* at their gates, where billions of people are making a staggering entry into the market society and democracy. Their living standards will be more and more at variance with those of the dominant zones. . . . Spectators to the greatest wealth of all time becoming a daily reality, they will not long accept not receiving their just share of world growth. But the play of the market will not, alone, be able to develop the infrastructure of the great cities of the South, nor save their education or health care systems, nor make their raw materials production solvent. Reducing the gaping gulf between the dominant zones and the rest of the world therefore presupposes some voluntary effort at worldwide organization.

“If this is not done, tomorrow, war is less to be feared between the two dominant zones than between them and the periphery.”

The building of a great, strong, unified, democratic Europe cannot be accomplished without associating the countries of the South. What will be done under the aegis of the European Reconstruction and Development Bank (ERDB) for Eastern Europe must also be done for the “periphery”: “In a certain way, the Oder-Neisse is a North-South border as much as it is East-West.” As soon as the first steps are taken, “continent-wide institutions . . . will enable them to be joined in view of the construction of great networks of communication, of environmental protection, of financing of great industrial projects, of the creation of joint enterprises.” Africa, the immediate periphery of Europe, and an “immense challenge for all of humanity,” must be integrated into the European Zone.

Certain of Jacques Attali’s ideas seem to us to be utopian, such as that of the creation of planetary authorities to have oversight over the proper unfolding of world development, an idea which the author himself does not give much chance of seeing the light of day. Others are to be disputed, like his futuristic vision of “nomadic” men, carrying “nomadic objects,” threatened by alienation.

But as a whole, the world picture which *Lignes d’horizon* paints is realistic. The new Europe is in fact the bearer of hope, the challenges of the world are immense, and a willful effort to organize the planet is more and more needed. Contrary to the dark forecasts of the Club of Rome, imbued with an implicit neo-colonial viewpoint (technology is dangerous for the countries of the South) and a pagan pessimism (cult of nature), *Lignes d’horizon* is an important contribution to today’s thinking.

George Bush's 'vision': nearsighted, and going blind

by Andrew Rotstein

In his Inaugural Address 14 months ago, President George Bush injected at least one note of caution in the otherwise upbeat speech: He warned that in the years ahead, the federal government would have "more will than wallet" to deal with the nation's problems.

Judging by his National Transportation Plan (NTP) issued during the second week in March, this President has precious little of either, and scant more than public relations hype, to meet America's careening infrastructure crisis. This non-policy is all the more significant, because it is the first major administration initiative on the *physical* economy, as distinct from crisis-managing the financial mess, as the savings and loan bailout lamely attempted.

Bush announced the plan personally, with Transportation Secretary Samuel Skinner at his side, to a White House audience of political and transportation officials. The NTP is boldly entitled "Moving America," and is replete with assertions concerning the crisis of transportation, and equally sweeping commitments for national action. But "Moving America" is really all sizzle and no steak. It calls for drastic cuts in the portion of federal support for the nation's highways. It would provide some, but by no means enough additional funding to alleviate the worsening nightmare in aviation. It would also eliminate all subsidies for Amtrak, and seek to unload the remnant of our national passenger rail system onto private investors.

Bush to the states: 'After you, Alphonse'

The cutbacks to the highway system epitomize the shell-game at the heart of the NTP. The plan nominally commits the federal government to maintaining the flagship interstate

highways, although no appropriations levels are specified. But another 740,000 miles of roads would have their federally funded portion cut from the present 82% to 50%.

How are states to make up the difference? By doing precisely what the Bush administration has solemnly pledged that it, for its own part, will never do: raising taxes—taxes that will be no less burdensome to the average household, and no less an impediment to growth for businesses, for being labeled "user fees."

Skinner offered some fairly tortured reasoning to back up this scalpel-passing. Noting that 33 revenue-hungry states have boosted fuel taxes in the last three years, he asked, "Why should we pre-empt them at this point, when they're willing to do it?" Skinner proclaimed, "We are not shirking our responsibility. We are creating partners."

In addition, the NTP would lift the prohibition on charging tolls on most federally funded roads—an option to which many cash-strapped governments will surely resort. States will also be encouraged to contract out construction and operation of toll roads to private companies.

Bipartisan opposition

A similar policy prevails in other transportation sectors. The tax on air fares would be increased from 8% to 10%, and airport user fees would also be raised. A system of user fees for boaters would be introduced to fund the Coast Guard.

The response of government leaders was almost uniformly negative. Richard Kiley, chairman of New York City's Metropolitan Transit Authority, put it most succinctly: "All flash, no cash." Leaders of the transportation and appropriation subcommittees of both houses of Congress were sharply

critical; even their ranking Republicans were only slightly less harsh in judging this facade-of-a-policy. Rep. Bob Wise (D-W. Va.) properly termed it a “disinvestment budget.”

Transportation industry groups were also sour. John Baker, president of the 300,000-member Aircraft Owners and Pilots Association, said, “The national transportation policy sounds to us like a national tax policy.” The American Public Transportation Association simply called it “long on advice and short on help.”

The economic issue

No American who has stewed in rush-hour traffic, suffered through an electrical brown-out, or seen television coverage of a collapsed bridge and its victims, needs convincing that the nation’s network of public investment is in trouble. But the enormous cost, and the even greater looming economic danger to the country, are less well understood.

The quality and scale of public capital have a powerful effect on business investment and profitability, on labor productivity and incomes, on competitiveness and exports, and on tax base and fiscal health. David Alan Aschauer, an economist at the Federal Reserve Bank of Chicago, estimates that each 1% increase in the stock of infrastructure raises the return on private nonfinancial capital by one-tenth of one percent. He projects that if government investment in the 1970s and 1980s had merely maintained the level of the 1953-70 period, the private stock of U.S. plant and equipment would have been 4.5% greater than it was by 1986.

Public capital investment slid from 24.3% of total federal outlays in 1960, to 11% in 1990, and will slump to 10.7% next year. The stock of public capital relative to the stock of private capital has plummeted, from over 30% in 1968, to 23% in 1988, and it continues to fall. According to the National Council on Public Works Improvement, a commission established by Congress in 1984, the average annual increase in infrastructure spending dropped from 4.5% from 1961 to 1970, to an anemic 0.8% from 1981 to 1987. Over the last two decades, the United States has put only 0.3% of national output into public works and has had a paltry average growth in productivity of 0.6% per year. Japan, by contrast, has allocated fully 5.1% to infrastructure, and has achieved 3.1% yearly productivity growth over the same period.

The Associated General Contractors, the largest organization of U.S. construction firms, estimates remedial infrastructure needs at \$3.3 *trillion*—well over half the annual Gross National Product, and actually more than that infamous object of awe, the national debt.

Reality displaces dogma

Yet who among our bean-counting bureaucrats is facing up to this physical-economic debt, which reflects the cost of restoring and enhancing our economic strength? Apparently not the Bush administration, which has hoarded a \$10 billion

surplus in the Highway Trust Fund as a bookkeeping gimmick to lower the budget deficit to targets mandated by the Gramm-Rudman legislation.

This long-brewing national crisis has fueled calls for action from many quarters, and created some interesting political alignments. David Aschauer, the Chicago Fed economist, wrote in the *Wall Street Journal* March 14 that the Bush-Skinner program “effectively renounces the federal government’s responsibility for building and maintaining an adequate transportation network.” Robert Heilbroner, a noted liberal economist, called a massive overhaul of infrastructure the indispensable basis of America’s future economic viability, in a recent article in the leftish *New York Review of Books*. Syndicated columnist George Will, who has characterized himself as a “Tory” in the past, showed a more socially useful strain in a commentary March 11, when he contrasted Skinner’s timidity to the nation-building philosophy of another Illinois Republican, Abraham Lincoln. Our current predicament, Will urged, “should bring out a strong Hamiltonian streak in American conservatives, who too often talk the anachronistic language of Jeffersonian small-government sentimentality.” And the U.S. Chamber of Commerce—no band of spendthrift liberals—recently said: “There is an immediate need to begin to restore those portions of basic infrastructure that have fallen into dangerous disrepair. . . . In a modern society, private economic growth is based on sound public works.”

On the other side are the green-eyeshades crowd in the Bush administration, led by Office of Management and Budget director Richard Darman and his deputies, and small-government ideologues of the Heritage Foundation and related circles. The latter invariably support any measure that can be marketed as “lowering costs” or “privatization.” Interestingly, they tend to converge with significant factions from the zero-growth, pro-austerity left. One environmentalist outfit especially active in this area is Resources for the Future, which advocates increasing gas taxes by 10¢ per year for 10 years, until the American cost of personal transportation begins to approach that of European nations.

There should be considerable pressure on Congress to resist the Bush bloodletting. The National Conference of State Legislatures has just reported that 27 states are experiencing severe budget squeezes, and that eight northeastern states—precisely some of those with the oldest and most obsolete infrastructure—report a cumulative shortfall of \$2.53 billion. These governments are scrambling for revenue as it is, and will not take kindly to Washington’s command to raise gas taxes to service vital roads for which the Feds have long taken primary responsibility.

Whatever the immediate political turn of events, the danger is that if the misnamed “Moving America” represents George Bush’s myopic “vision,” some variant of his Inaugural caveat—perhaps simply “They had more will than wallet”—could well serve as industrial America’s epitaph.

'Get LaRouche' task force stung by Texas vote

by Harley Schlanger

A political earthquake hit Texas on March 13, as hundreds of thousands of voters in the Democratic primary election cast ballots for candidates running as part of the "LaRouche Democrats" slate. These candidates, running for offices from local precincts to the U.S. Senate seat now held by Sen. Phil Gramm (R), were the target of harassment and slander by Lyndon LaRouche's enemies in the Democratic Party who worked with the national "Get LaRouche" task force right from the beginning of the campaign on Jan. 2.

In spite of the brutish and vicious tactics of their opponents, the central message of the LaRouche candidates got through to the voters—that we are heading into a depression collapse, and only the economic and cultural policies drafted by LaRouche can prevent this nation from a rapid decline into a dark age.

Two candidates won the Democratic Party nomination outright, as they were unopposed. Despite efforts to keep them off the ballot, Bruce Director won the nomination for Congress in the 22nd District, and El Dorado farmer Lester Dahlberg won the nomination for state representative in the 67th District. In addition, at least 20 candidates for precinct chair won their races.

Harley Schlanger received 25% of the vote statewide, more than 250,000 votes, in his race for the U.S. Senate, in a race in which his opponent spent more than \$700,000. Schlanger did not begin his campaign until January 1990 and spent less than \$10,000.

Schlanger campaigned extensively in rural areas, where farmers and those who live in small towns have been hit hard by the economic collapse which has devastated the Texas economy since 1983. During his campaign travels, he said he was shocked by the poverty and despair he found. Under President Bush's budget, rural areas face further cuts in health care spending, leaving residents in the Texas panhandle with a 100-mile drive to get to a hospital. Fertile farm lands in the state have become dry, empty fields, with swirling dust and swarming insects, as family farms have been shut down by Reagan-Bush policies. Schlanger's campaigning for LaRouche's Food for Peace policy, which would gear up American agriculture to stop genocide based on food shortages and would save the family farmer, helped him win more than 30% of the vote in many rural counties. These totals shocked the so-called experts, one of whom had pre-

dicted that Schlanger would be "lucky" to get more than 8%.

The strongest showing for the LaRouche candidates was in the Dallas-Ft. Worth (DFW) area, where one out of every three votes cast went to LaRouche Democrats. This was once a rapidly growing area of high-technology production, with SDI-related defense plants, computers, electronics, and aerospace firms, and a high percentage of scientists employed in research and development. As in the case of Houston, the collapse of the oil industry and the subsequent crash of real estate values triggered the demise of local banking and put an end to economic growth. The planned defense budget cuts of the Bush administration will plunge this area into total collapse.

The sleek, glass downtown skyscrapers are vacant, while residential neighborhoods are filled with empty homes and boarded-up apartments, as temporary shelters fill up with the homeless. Many children are hungry, as food banks ran out of food this winter. In races in the DFW area, the LaRouche candidates blasted the economic policies that caused this crisis, mobilized against the Bush defense cuts, and demanded justice for the victims of the Reagan-Bush economic policies.

Showdown in Dallas

The leading candidate in Dallas was Greg Witherspoon, a veteran civil rights activist who had finished second in a field of three running as a LaRouche candidate for Democratic Party county chairman in 1988. When he announced he would run again in 1990, a small clique of local Democratic Party leaders working with the Anti-Defamation League (ADL, also known as American Dope Lobby), tried to keep him off the ballot. In a precedent-setting legal case, a three-judge appeals court panel ordered that Witherspoon be put on the ballot.

The only issue in this race was Witherspoon's support for LaRouche's policies. His opponent, Molberg, who is a member of the State Democratic Executive Committee, used campaign appearances to spread every lie concocted against LaRouche. Molberg spent \$90,000 on his campaign (no one has ever spent more than \$50,000 for a campaign like this, and \$3,000 is considered a lot) to buy radio time to spread his filth. Witherspoon spent less than \$200, but was able to put the ADL and his opponent on the defensive, exposing them as part of the "Get LaRouche" task force.

Witherspoon received more than 36% of the vote. One of Molberg's cronies told the press that, if they had not spent the money, Witherspoon would have won.

In other major races in the DFW area, Belinda Holtzclaw received 35% of the vote running for Tarrant County chairman, while her husband Craig received 35% in his campaign for U. S. Congress in the 26th District.

In these races, the stronger the attack against LaRouche, the higher the vote total for the LaRouche candidates. In Montgomery County, north of Houston, Darrell Hansen, who was attacked by his opponent and the local paper for "trying to take over the Democratic Party for LaRouche," received 47% of the vote, losing by only 200 votes. Tom Grothe, in Parker County, received 40%; Terry Lowry, an oilman, received 27% in Midland County; Helen Portwood received 31% in Wichita County.

In Harris County (Houston), the anti-LaRouche Democrats carried out a special mobilization to defeat Claude Jones, who won the election for county chair in 1988, but was removed in a Stalin-style purge. So frantic were party bureaucrats to prevent a second Jones victory, that they ignored a candidate who was a transsexual and paroled murderer. They held Jones to 12%, but the transsexual received enough votes to get into a runoff, exposing the party-destroying tactics of party officials.

The size of the pro-LaRouche vote is a major blow for the "Get LaRouche" task force, which allies the U.S. Department of Justice with private agencies such as the ADL, and has conducted illegal operations against the LaRouche movement since the late 1960s. This task force has deployed millions of dollars in its attempt to crush the movement associated with the world's leading economist, and was able to jail him in January 1989 in a legal railroad so blatant that more than 800 American lawyers and legal experts around the world have intervened in his defense.

LaRouche, when informed of the Texas vote, said that these results demonstrate why the "Get LaRouche" task force still is continuing its vendetta against him, trampling on the U.S. Constitution along the way.

From his prison cell in Rochester, Minnesota, LaRouche said, "Despite all the lying propaganda, despite the effort to smear me with these phony fraud charges, which were cooked up by a corrupt administration; despite all that, we are a major force within the American electorate still, and while we've been battered, we've been depleted, we've been robbed by the government, we've been robbed by others, our friends have been robbed by the government and robbed by others, betrayed by the government, which itself we did so much to assist in its hour of need . . . nonetheless, we've come through. We're still here, and we're going to become stronger rapidly. Because we have the basis for credibility; we have been right, those who attack us have been consistently wrong, on the most vital questions, especially the economic and strategic questions."

Thornburgh underling tied to drug dealing

by Our Harrisburg Correspondent

U.S. Attorney General Richard Thornburgh may be politically crippled by revelations beginning to surface in the news media in Pennsylvania involving charges of drug dealing against a law enforcement official who served under him while he was governor, and a coverup by other state officials close to him. The attorney general has already made himself infamous for his so-called "Thornburgh Doctrine," which holds that the United States does not have to abide by either U.S. laws or those of a foreign nation when in pursuit of foreign nationals targeted by the Justice Department, and for his justification of the lawless U.S. invasion of Panama to the American people on the faked pretext of pursuing the war on drugs.

Richard Guida, a former deputy state attorney general under Richard Thornburgh at the time Thornburgh was governor of Pennsylvania, was reported on March 7 and 8 to have been under investigation by a federal grand jury since May of 1989 for sales of cocaine while he was in public office. The story was based largely on the first public statement by a grand jury witness, made at the office of her lawyer, Don Bailey, former Democratic State Auditor General who once subpoenaed Thornburgh in a corruption investigation.

According to an Associated Press wire story, "a former state prosecutor bought and sold cocaine while he supervised prosecutors whose duties included handling drug cases, an ex-dealer said she told the FBI. . . . Brenda Snell, 31, of suburban Harrisburg, said that on one occasion in 1985, Guida paid her \$17,000 in cash for one pound of cocaine. . . . She testified before a federal grand jury in Harrisburg last week . . . Sources said other witnesses have implicated Guida in the drug case and have offered evidence of alleged public corruption by *officials* who, they said, *covered for him* [emphasis added]. . . . Guida, now a defense attorney in private practice, characterized Ms. Snell's allegations as 'absolute lies.' . . . He left the office in 1986 amid allegations that he was a heavy cocaine user.

". . . Ms. Snell said she began cooperating with state and local investigators as an informant in 1986, and told members of a drug task force about Guida and others she had been dealing with. Others she mentioned were investigated, and many were charged after she sold drugs to them while wearing a body wire to record the transactions. But she said Guida's name wasn't mentioned again.

" 'I told them at the time,' she said. 'They just blew it off. They didn't bring it up again.'

"The Attorney General's office confirmed that Ms. Snel's role as an informant led to more than 15 convictions or guilty pleas in drug cases."

The drug task force referred to was, at that time, under Thornburgh's then-state drug czar, Richard Weatherbee, now a Department of Justice special assistant to Thornburgh for liaison with narcotics enforcement, and in the middle of Thornburgh's war against the war on drugs. (See "Thornburgh blocks the war on drugs," *EIR*, Jan. 19, 1990, p. 25.)

Satanic murder trials

From 1979 to 1982, Richard Guida served under the heads of the State Attorney General's Criminal Division, long-time Thornburgh associates Henry Barr and James West. In October 1981, they chose Guida as Special Prosecutor in the murder trials of a high school teacher and principal involved in the satanic ritual murder of Main Line (Philadelphia suburban) school teacher Susan Reinert, found dead in Harrisburg, and the disappearance of her two children. Guida was brought in when two state policeman began to crack the case, after an 18-man FBI team had been unable to find any culprits for two years. At the time, Guida refused to even listen to information on the connections of Reinert to the "Fegley group," a Neo-American Church satanic group following Timothy Leary, who left the Harrisburg area, after predicting a major problem at an area nuclear plant, one week before the 1979 "accident" at Three Mile Island. Guida also did not pursue the larger connections of the two defendants, one of whom, Bill Bradfield, claimed to have been a CIA agent in the Caribbean and New Orleans from 1953-63.

Guida is known to have been a big fundraiser for Republican candidates. Unconfirmed rumors allege that he raised a lot of cash for candidates "under the table," during the time Thornburgh himself ran for office.

West, Guida's former superior, has been Acting U.S. Attorney in Harrisburg since 1985. West was the only federal prosecutor in the trial of former State Treasurer Bud Dwyer. After his conviction, Dwyer held a press conference where he accused Thornburgh of framing him up for political reasons, using Barr and West, and then killed himself in front of rolling TV cameras.

West's name has been submitted to the White House to be nominated as the permanent U.S. Attorney, after considerable armtwisting on his behalf by Thornburgh. (The selection committee rejected him as unqualified.) However, his nomination is now reported to be on hold because of the scandal, and he has recused himself from the Guida investigation.

Barr, who served under Thornburgh (and over West) from 1969 to 1975 as First Assistant U.S. Attorney in Pittsburgh, Assistant General Counsel to the Governor from 1982-86 (and General Counsel in 1986), and Special Assis-



U.S. Attorney General Richard Thornburgh (left), and his close associates Henry Barr (center), and James West (right). Barr and West were the heads of the State Attorney General's Criminal Division in Pennsylvania under Thornburgh, and their former deputy is now accused of dealing in cocaine. The Pennsylvania scandal, if it continues to grow, could tear away the last figleaf from Thornburgh's pretenses of conducting a war on drugs and violent crime.

tant to Thornburgh at the DoJ in 1988-90, is now back in Harrisburg, and is widely rumored to be waiting in the wings to be appointed U.S. Attorney if West falters. He is also reported to have had a shouting match with Guida at Barr's wife's beauty salon, demanding that Guida plead guilty and spare embarrassment to others.

Thornburgh and Craig Spence

EIR has also learned that a major trade mission to China and Japan, led by then-Governor Thornburgh in March 1980, was in fact arranged by associates of Craig Spence, the recently-deceased flamboyant homosexual Washington lobbyist. Spence made headlines last year when the *Washington Times* revealed his extensive use of a homosexual call-boy service for his high-powered lobbying activities. In the 1979-83 period, Spence ran a series of seminars, with high-ranking speakers and attendees from the United States and Japan, on how Americans could do business in Communist China.

Thornburgh's trip was considered by some to be groundbreaking in U.S.-China relations, the first by a U.S. governor to establish trade relations for his state with China, right in the middle of the "opening up," after Deng took power. The mission included representatives of 10 Pennsylvania companies. At the time, State Rep. Allen Kukovich attacked the use of \$40,000 in state funds for the trip, describing it on the floor of the state legislature as a junket designed to boost Thornburgh's vice presidential campaign.

Since then, Thornburgh has run *sub rosa* campaigns for the vice presidency in 1983-84 and 1987-88. He is rumored in Washington, to be quietly running again.

Blueblood Weld dumped by Mass. GOP

by Dave Peterson

Republicans in Massachusetts overwhelmingly rejected former U.S. Attorney in Boston and former Assistant U.S. Attorney General William Weld's bid for their party's endorsement for governor, at a statewide convention held in Boston on March 10. The Republican Convention endorsed Weld's chief rival, state Rep. Steven Pierce, to spearhead the party's bid to make a comeback in the upcoming November statewide elections. Weld, a wealthy scion of a Boston Brahmin family who once described himself to a group of journalists as an "environmental terrorist," couldn't sell his newly acquired conservative credentials to the over 5,000 Republican delegates.

The vote 52.6% to 36.3%, a "super majority," will make Pierce the exclusive recipient of all funds from the Republican National Committee, GOP State Committee, and Republican Governors Council. Pierce, a carpenter's son, used his base of support among traditional GOP conservatives and a mobilization by a substantial group of pro-life activists to stage a stunning upset against the elite blueblood Republicans. The Boston media all but gave Weld the nomination months ago. But the lackluster Pierce benefited enormously from the blundering of the aloof and venomous Weld, who was greeted by a chorus of Bronx cheers during his address to the convention.

Weld, who used his position as U.S. Attorney to help railroad the conservative Democrat Lyndon LaRouche to prison, is known for conducting politically motivated prosecutions and using unscrupulous methods. In one case against a fundraiser for former Boston Mayor Kevin White, a federal appeals court judge admonished Weld's office for using Soviet-style legal methods.

Weld's humorously inept campaign took shape behind a "war chest" of \$350,000 of Weld's personal funds. Weld announced that he was the only Republican candidate who could raise the necessary money to defeat the Democrats—who outnumber registered Republicans in the state by 3 to 1—leading to charges that Weld was "buying the nomination with out-of-state money." A list of Weld contributors was a patricians Who's Who, including large sums from several Roosevelts, Rockefellers, Cabots, and Lowells. Weld put forward his new "conservative" program: longer prison sentences, the death penalty, and solving Massachusetts' \$1 billion budget disaster with thousands of layoffs of state workers and huge cuts in state services.

The arrogant, overconfident Weld predicted an early

"knockout" of his Republican rivals, and spent over \$1 million, including a quarter of a million dollars on television ads. Weld also made a hasty switch to a pro-abortion stance shortly after opinion polls claimed this was the view of most Bay State voters. He labeled Steven Pierce unelectable and an "extremist" because of his pro-life views. Such crass opportunism seems to have made its impression on conservative grassroots GOPers.

Many new activists have flocked to the GOP in the wake of the disastrous collapse of Gov. Michael Dukakis's administration and the so-called Massachusetts economic miracle. The estimated \$1 billion budget deficit may soon be revised upward in view of reports that state revenue collections are nearly 1% below those of last year. The state is currently implementing severe cuts in health care, family assistance, welfare, and aid to house the homeless, with Governor Dukakis demanding \$500 million in new taxes. Some Massachusetts politicians have labeled Weld the Dukakis Republican.

Weld begins to crack

Weld's invincible exterior began to crack when Pierce emerged with a solid delegate lead at the February local party nomination meetings. In a March televised debate, Weld was becoming desperate. He attacked Pierce based on a report that the state representative had filed late tax returns on several occasions. (In each case Pierce was owed a refund.) "When I was a U.S. Attorney, I sent people to prison for that," said Weld. In the final week before the state's convention Weld made his biggest gaffes. First he called for dispensing free birth control devices at all public high schools, a call which provoked outrage from family-oriented Republicans and drew denunciations from the Catholic Church and other Christian groups. Condoms with Bill Weld's signature were circulated by Weld opponents on the convention floor.

Finally, Weld called a news conference three days before the convention where he bitterly complained of a "hate and fear" campaign against him by Pierce supporters who referred to his blueblood patrician background. The *Boston Herald* headline March 8 screamed charges of "Class Warfare," and a *Boston Globe* cartoon portrayed Weld heading up a movement called the "Rich Yankee Anti-Defamation League." Several wealthy Bush supporters in the GOP also threw financial backing to Pierce in the week prior to the convention, exploding the myth that Weld's financial connections were indispensable.

Weld has announced that he will continue his campaign into the GOP primary, where he believes more liberal Republicans and independent voters are likely to cast ballots. State Republican Party chairman Ray Shamie who has called on Republicans to unite behind any candidate who obtained a "super majority." Shamie told reporters that he will not pressure Weld to drop out of the governor's race but said he has urged Weld to seek another post.

ADL caught interfering in Phau sentencing

by Jeffrey Steinberg

The Anti-Defamation League (ADL), supposedly a tax-exempt charity engaging in civil liberties educational work, was caught red-handed on March 14 attempting to influence the jail term of an associate of American statesman Lyndon LaRouche. In a sentencing hearing before Judge Clifford Weckstein in Roanoke, Virginia, state prosecutor John Russell tried to introduce exhibits to bolster his demand that Don Phau, convicted earlier this year on ludicrous charges of Virginia securities violations, be ordered to serve the full 35-year sentence recommended by the jury. The documents included recent internal communiqués of the National Caucus of Labor Committees (NCLC), a political association founded by LaRouche in the mid-1960s.

Phau's attorney, upon seeing that one of the documents being offered into evidence consisted of fax copies sent from the ADL's Washington, D.C. office to the Virginia Attorney General, moved to have the prosecution verify the documents' origin or dismiss the evidence for lack of authentication. Judge Weckstein, over the objection of Phau's attorney, allowed the documents to be admitted with no mention of the ADL put on the record. Defendant Don Phau, however—allowed by law to have the last word before sentence is pronounced—stood up before the court and detailed the ADL's dirty 20-year campaign to destroy Lyndon LaRouche and the movement he founded. Holding up the document in question, Phau read out loud the ADL's fax number followed by the words "WASH.DC.-A.D.L."

At the hearing, Phau—who is Jewish, with many of his family killed by the Nazis—was given a draconian 25-year term. He was freed on bond pending appeal.

In an earlier case in Roanoke Commonwealth Court, when another LaRouche colleague, Michael Billington, was sentenced by Judge Weckstein to serve an outrageous 77 years behind bars for "securities violations," an official of the Washington ADL office was present in the courtroom conferring with the prosecutorial team. A convicted kidnaper and self-described "deprogrammer" with intimate ties to New York ADL headquarters, Galen Kelly, was also in court. Kelly boasted afterwards that he was summoned to Roanoke by the FBI to provide his expertise in "cracking" Billington.

Phau in his final statement told Judge Weckstein of the torture that Billington is undergoing as a result of the sentence confirmed by the judge. Phau stated, "For the past four months my friend Michael Billington has been dragged from one federal prison to another. Because of his 77-year sen-

tence his prison status changed. He is now being held in these prisons in what is called 'The Hole,' a place reserved for the most dangerous criminals."

The discovery that the ADL had been funneling pilfered documents to prosecutor Russell came as no surprise. The ADL has been boasting, since the railroad convictions of LaRouche and six co-defendants in late 1988, that they had helped send three-time Democratic Party presidential contender LaRouche to prison.

Not to be outdone by the prosecution, Judge Weckstein himself maintains intimate ties to the ADL. Weckstein co-authored a law journal article with Richmond attorney Murray Janus, who was elected to the ADL's governing body, the National Commission, in September 1988.

Since 1978, when Lyndon LaRouche commissioned the book *Dope, Inc.*, in which ADL national commissioner and chief fundraiser Edgar Bronfman's family's ties to the \$500 billion annual illegal drug trade were described, the ADL has spent millions of dollars attempting to silence LaRouche—all in flagrant violation of the ADL's tax-exempt status, which forbids any involvement in politics. After *Dope, Inc.* was published, the false label "anti-Semite" was first affixed to LaRouche.

During the Iran-Contra scandal of 1986-88, numbers of private citizens were convicted of using tax-exempt fronts illegally to carry out government covert operations. Why hasn't the ADL been prosecuted yet?

The Moscow connection

Operating under a false "Jewish" cover, the ADL is the hooligan arm of the grouping within the Anglo-American Establishment most slavishly devoted to a power-sharing arrangement with the Communist leaders in Moscow. The ADL's published literature and tax filings reveal that its fundraising and National Commission lists are packed with leading apologists for the Kremlin. Edgar Bronfman, who heads the National Commission's task force on fundraising, and who runs the ADL Appeal in the Northeast Region, is co-chairman, along with a Soviet military intelligence general, of the U.S.-U.S.S.R. Trade and Economic Council.

At a packed Washington press conference on March 2, KGB defector Victor Sheymov asserted that the KGB had placed a top priority on penetrating and taking over Jewish organizations in the West, particularly in the United States. If Sheymov's claims are to be taken seriously, then the ADL is a prime target for U.S. counterintelligence investigation. Convicted spy Jonathan Jay Pollard, who stole secrets "for Israel" which made their way into Soviet hands, was intimately linked to the ADL. Not only is the Fletcher School of Diplomacy professor believed to have recruited Pollard to spying, Dr. Uri Ra'anani, a protagonist in ADL conferences on Soviet Jewry, but one of Pollard's classmates, Myra Lansky Boland, heads the ADL's Fact Finding (and faxing) office in Washington, D.C.

Illinois 'Get LaRouche' case ends in mistrial

by EIR Staff

On March 12, Ogle County Circuit Court Judge Alan Cargerman declared a mistrial in Oregon, Illinois in the case of *The People of the State of Illinois v. Patricia Noble Schenk, Ron Fredman, and Richard Blomquist*. The issue of mistrial arose after the prosecution's central witness in the case, Harriet Driver, suffered a stroke 45 minutes into State's Attorney Dennis Schumacher's direct examination on March 7.

Cargerman granted the mistrial over the objections of defense attorney Michael Null, who had requested that the judge dismiss the case on the basis of Mrs. Driver's severe medical condition and the circumstances under which the stroke occurred.

Null argued that whether or not Mrs. Driver could or would take the stand at some latter point, he faced an ethical and moral dilemma, which would significantly prejudice his clients. Arguing that if Mrs. Driver could not withstand 45 minutes of relatively simple direct examination, she could not possibly stand up to cross examination, he told the court that he would be put in the position of either conducting a vigorous cross examination, possibly imperiling Mrs. Driver's life, or compromising his obligation to his clients by not doing so. "I will not be the one who kills this woman. If Mr. Schumacher wishes to force her to testify and risk that possibility, he may, but this court should not allow it. It is neither justice for Mrs. Driver nor for my clients," he told Cargerman.

Cargerman refused to dismiss the charges and instead granted the mistrial, setting a status conference in the case for late April. That date will be to determine if Schumacher can retry the case. Under Illinois law, a prosecutor has 160 days after a mistrial to bring the case to trial or the charges must be dismissed.

Whether Mrs. Driver is willing to testify, or is physically capable of doing so, the major issue in the case remains: Dennis Schumacher's reckless and immoral decision to put her on the stand. Schumacher's actions are demonstrative of the mentality of those behind the prosecutions of Lyndon H. LaRouche, Jr. and those who have chosen to commit their lives to organizing others to support his ideas and policies.

In the days following Mrs. Driver's stroke, rallies and vigils were held to protest her barbaric treatment, from Ogle

County to Notre Dame cathedral in Paris, to the Vatican in Rome, to the historic dome in Erfurt, East Germany, and in other nations and cities around the world. In Ogle County, the Fairchild-Jones for Justice slate of candidates, led by LaRouche Democratic candidates for governor and lieutenant governor Mark J. Fairchild and Sheila Anne Jones, sponsored a performance of Friedrich Schiller's play *The Virgin of Orleans* (about Joan of Arc) on March 11 at Maxson's Manor restaurant, the place where Mrs. Driver had once taken two of the defendants to dinner to express the joy they had given her in bringing the LaRouche movement to her attention. Scenes of the play were also performed on March 12 in front of the courthouse, for Schumacher's benefit.

Informed of the vigils, Lyndon LaRouche said he was "happy that that's being done," but that Americans must "defend the rights of everyone—which is, by the way, what a public prosecutor is supposed to do." LaRouche said "a public prosecutor" was needed "to deal with Schumacher and those behind him. Schumacher must be personally held to public account, and held responsible for the welfare and health of Mrs. Driver. This kind of fascist immorality, we have to fight, and fight, and fight, and fight, and fight, until we've uprooted it from our society." "There is no greater crime than the abuse of prosecutorial powers, but a kindred form of abuse of judicial powers, so-called judicial discretion," LaRouche said.

Weak case

What has been clear from the beginning of this "prosecution," and was made even clearer at trial was Schumacher's desire to get a conviction at whatever the cost, even if that was the life of Mrs. Driver, the woman whose rights he so piously purports to defend. What little testimony Mrs. Driver did give made clear how weak a case Schumacher had. As one juror told defense counsel after the jury was dismissed, "I didn't think her testimony proved she was robbed or threatened. She was their [the prosecutor's] best shot, and she didn't make their case. Not so far as I was concerned. The State's Attorney was trying to put one over on us."

The March 12 hearing only further made Schumacher's motives evident, for while he mouthed platitudes about Mrs. Driver's constitutional rights, he admitted that he had spent most of the weekend trying to see if he could get her back on the stand, in an attempt to avoid a mistrial. In "reluctantly" asking for a mistrial, he told the court that Mrs. Driver's health "is something beyond our control. However I think the victim is still entitled to her day in court." He later told the press he was "disappointed" in not being able to proceed with the case. Observers of the proceedings could not recall a single indication of real concern for Mrs. Driver's health. Obviously for Dennis Schumacher, and others in the "Get LaRouche" task force, someone like Harriet Driver's "day in court" is, as defense attorney Michael Null described it "the bait necessary to get a conviction, nothing more."

Planned Parenthood in hysteria campaign

by Linda Everett

If you aren't hysterical about how this country is in a "dark age" respecting birth control technology, then you have not fallen for the depopulation lobby's latest media campaign to sell Americans on the need to pour billions more of their tax dollars into researching, subsidizing, and marketing the very latest in population-control technology.

The Planned Parenthood Federation of America, Inc. (PPFA) swung into action in late January with national conferences in Boston, Los Angeles, and Chicago, where keynote speaker Rep. Pat Schroeder (D-Col.), decrying abortion politics, presented the federal legislation in which she, Rep. Olympia Snowe (R-Me.), and Planned Parenthood have written. The bills call on Congress to create three federal birth control research institutions and to revamp product liability laws to lure pharmaceutical companies back into making and distributing contraception products and the abortion pill RU-486. Appearing with other abortion aficionados was French researcher Etienne-Emile Baulieu, who developed RU-486. PPFA president Faye Wattleton called it "scandalous that our politicians and policymakers have allowed America's traditional role as a leader in contraceptive research to deteriorate to today's appalling state."

Then, just as Congress faced a half-dozen bills for vastly expanded federal funding of Title X—abortion and teen sex "research"—Planned Parenthood's sibling, the Alan Guttmacher Institute, went into action, and fortuitously released several "studies." One states that public-sector savings in welfare costs result from tax funded contraceptive services; another alleges that state restrictions on abortion "pose serious threat to women's health." With lots of Title X abortion funds on the line, another study claims that inner-city black teens who have abortions do "better" economically and emotionally than those girls (who usually have lower grades) who elect to give birth. Now, Alan Guttmacher was president of PPFA for over a decade, and his institute spins out "studies" (often with federal funds) that bring in tens of millions of tax dollars every year in federal contracts for Planned Parenthood and its affiliates. Nifty arrangement.

The next salvo came from the National Research Council (NRC) which, with the Institute of Medicine (IOM) released their joint report, "Developing New Contraceptives: Obstacles And Opportunities" (\$19.95, National Academy Press,

Washington, D.C.) on Feb. 14. It states that the United States is decades behind Europe in contraceptive development and availability. They blame the regulatory and legal climate for new contraceptive development and mammoth increase in liability insurance premiums, for driving all but one pharmaceutical company out of the field. The study was requested and funded by the Andrew W. Mellon Foundation.

The advisory committee called for changes in the methods the Food and Drug Administration uses to review and regulate contraceptives so that a product with few side-effects is no longer considered safer if it has a high failure rate. According to the report, the "social and health risk of pregnancy will be important considerations for users and must be weighed in the calculation of the safety of methods." Thus, even if the new contraceptive drug or device presents a risk, if those risks are outweighed by the risks of pregnancy for some women—or if the new product offers a safety advantage for a particular group of users when compared to that group's actual contraceptive practice, including non-use—then the product should receive FDA approval! The committee is proposing that once a product receives FDA approval, the manufacturer automatically receives a certain immunity from their product's liability—unless they have withheld pertinent information from the FDA. In short, except for the Dalkon Shield, which was produced before FDA approval was stipulated, the scores of suits brought against manufacturers for physical injuries and permanent damage caused by their faulty contraceptive products or inattention to proper warning labels would collapse for the most part, because these products received FDA approval!

Once approval is granted, the report suggests the FDA use a "post-marketing surveillance system" to make an adequate assessment of a product's effect on users' health. Also, the committee hopes the FDA's product approval process for contraceptives will eventually be brought into line with the less stringent models used in Europe and the World Health Organization.

Besides the use of FDA approval as a limited defense in liability cases, another inducement the committee recommends is that Congress enact a uniform national products liability statute to nullify the 50 different state liability rules which now discourage manufacturers from promoting new products, which includes factoring the costs of an item's legal defense against its profits.

Finally, the Population Crisis Committee released its 1990 "Report on Progress Towards Population Stabilization" on Feb. 26, with a dire warning that in the decade ahead, nations can prevent the doubling of global population only if good birth control is universally available. PCC says worldwide birth control must be used by 75% of couples, and the average family size must decrease from four to two children. Governments and international groups must increase their annual spending for family planning from the current \$3.2 billion a year to \$10.5 billion.

Kirkpatrick becomes a 'Gorbymaniac'

The former U.N. ambassador told the CPAC convention that Gorbachov has repudiated his Leninist convictions.

Former Ambassador to the United Nations Jeane Kirkpatrick surprised delegates to the annual Conservative Political Action Conference (CPAC) here this month by proclaiming the "Cold War" to be "very nearly over." Kirkpatrick has long been hailed as a staunch anti-communist by conservatives, hence her invitation to fill a key slot in the CPAC program.

Although she denied it later, the thrust of her CPAC speech was the assertion that the revolutions in Eastern Europe had occurred through the good offices of Gorbachov, who has changed history by abandoning his allegiance to Marxism-Leninism.

Gorbachov has "removed the Soviets' political will to expansion," which in the past, she said, was "driven by an infallible, scientific ideology which justifies an exclusive domination of power by the Communist Party." Two myths which have propped up the Soviet empire have been recently abandoned, she said: 1) the myth that socialism is a superior recipe for dealing with economic and social reality; and 2) the myth that a dictatorship of the Communist Party is a superior form of "democracy."

As a result of abandoning these positions, the fundamental glue of the Soviet system, totalitarianism, has come unstuck, she said. The Soviets "are now engaged in an extraordinary process to dismantle the very foundations of Leninism, including its theories of strategies and tactics, as well as to dismantle the empire."

Gorbachov personally, she added, has "abandoned the Leninist party

concept," in favor of "more or less democratic reforms," and has done this mostly through "restraint in the use of force both internally and externally," which has "opened the way for democratic revolution."

Kirkpatrick then cited the early Bolshevik factional enemy of Stalin, Leon Trotsky, whose theories argued that a "mass revolution of the people is not possible because of the power that the established state has acquired," and that, therefore, "revolutions can only occur through coups at the top."

She followed by saying current developments in the East bloc owe their success to "restraint from the top," thus, at least implicitly, giving credence to Trotsky's theory.

One questioner put Kirkpatrick on the spot, by citing remarks she had made barely a year before, when she proposed, at an American Enterprise Institute panel, that an effective antidote to the "Gorbymania" then sweeping the U.S. and Western Europe was to take the time to actually read Gorbachov's book *Perestroika*.

"I did as you recommended, and read the book," the questioner said. "In it, Gorbachov not only mentions Lenin on virtually every page, but he characterized his perestroika reform policy as the very essence of Leninist practice, similar to what Lenin himself did with his New Economic Policy in the early 1920s."

Kirkpatrick replied, "I believe that Gorbachov has evolved beyond this book, to abandon his adherence to Lenin."

The questioner followed up by asking Kirkpatrick why she did not mention the recent move by Gorbachov to assume unprecedented dictatorial powers for the Soviet presidency. "I assume you don't think this is a Leninist-type tactic by Gorbachov to sidestep the Communist Party as the base of his greatest potential opposition, in order to reassert a totalitarian control every bit as dominant as his predecessors," he said.

"The idea of a strong presidency does not bother me," Kirkpatrick said. "France and other countries have strong presidencies and work well with them." As the questioner walked away from the microphone, Kirkpatrick hastened to defend her view by stressing, "I just don't think you can account for what has happened in Eastern Europe by any other means."

The large CPAC audience was silent during the entire exchange, and at the conclusion, did not afford Kirkpatrick anything like the ovation it provided the earlier panel of Chinese and Vietnamese dissident leaders.

The turnout for the convention appeared larger than in recent years, attributable to the combined factors of an election year and growing discontent with President Bush's foreign policy. While the loyalties with Bush and the Anglo-Soviet "Trust" (as in Kirkpatrick's case), CPAC reflects a political base which only reluctantly went along with Bush's election, but is becoming sickened at Bush's blatant support of Mikhail Gorbachov and the Communist butchers in Beijing.

Kirkpatrick's speech sought to undermine that growing consensus against Bush, and to discredit all those freedom fighters who appeared on the podium at the conference to present the decisive role played by their courageous peoples in the revolutions against communism going on all over the globe.

NASA warns against 'greenhouse' hoax

Dr. Lennard Fisk, a NASA manager, testifying before the House Space Science and Applications Subcommittee during the first week of March, stated that the measures being proposed for reducing so-called "greenhouse gases" could "send the economy into the stone age."

Noting that scientists are in disagreement on whether there is any global warming due to human activity, Fisk warned that the proposals of some scientists to reduce carbon dioxide emissions by 80%, would wreck the world economy. NASA is beginning a 15-year program, in collaboration with the European Space Agency and Japan, to gather scientific data on the alleged "global warming."

Fisk and others are urging that no drastic measures be taken until the information exists upon which to make rational decisions.

Thriffs could spell trouble for GOP in 1992

Analysts now say the cost of rescuing problem savings and loan institutions could exceed \$200 billion over 10 years, much higher than originally projected in the Bush plan. The failure of the Bush S&L bailout could prove to be a major liability for the administration and Republicans in the 1992 elections. Senate Majority Leader Bob Dole (R-Kan.) warned that the Republicans could face a political backlash unless work was speeded up on the savings bailout.

"The United States government is now the single largest operator of financial institutions, dwarfing Citibank, and yet we are doing little more than marking time," said Richard Pratt, a former chairman of the Feder-

al Home Loan Bank Board and now chairman of Merrill Lynch Capital Markets. The Resolution Trust Corporation (RTC), which was established under the Bush plan to administer the bailout, could eventually bring under its control institutions with more than \$450 billion in assets, making it the largest financial institution in the world.

But as the government takes over failed institutions, even more institutions fail. Rep. Henry B. Gonzalez (D-Tex.), chairman of the House Banking Committee, harshly criticized the administration's handling of the crisis. "President Bush's great promises are drowning in a sea of indecision, inaction, and infighting," Gonzalez commented.

In congressional testimony, L. William Seidman, chairman of RTC, admitted that he also was becoming defensive.

Democrats take cleaver to defense budget

With encouragement from CIA chief William Webster, who earlier in the month claimed the Soviet threat was waning, Democratic Party honchos are now moving full speed ahead for major cuts in the Bush defense budget.

Sen. Jim Sasser (D-Tenn.), chairman of the Senate Budget Committee, said on March 9 that he would seek to cut \$12 billion from the administration's proposed military budget of \$303.3 billion for fiscal year 1991. Sasser said there was a good chance other Democrats on the budget panel would support his recommendation, and described Sen. Sam Nunn (D-Ga.), chairman of the Senate Armed Services Committee, and Sen. Robert Byrd (D-W.Va.), chairman of the

Senate Appropriations Committee, two of the more influential Democrats who will deal with the defense budget, as being neutral with regard to his proposal.

In the House, Democrats remain deeply divided and are looking at cuts that range between \$10 billion and \$16 billion. Many House Democrats are wary of large cuts, as these would affect major military installations in Democratic districts. In order to achieve the majority they need, Democratic Party leaders have decided to focus on relatively deep cuts in Pentagon budget authority—the budget term for multi-year spending authorization—rather than cuts in actual outlays for fiscal 1991. While they might cut only \$10 billion, they will try to push for much greater cuts in budget authority.

Cuts made in budget authority, however, will multiply into far larger outlay cuts in future years. This procedure also targets strategic weapons systems—the B-2 bomber, the MX and Midgetman missiles—and the Strategic Defense Initiative, rather than manpower and installations.

House panel approves program trading curbs

The House Energy and Commerce Committee approved on March 14 a revised measure that grants the Securities and Exchange Commission authority to curb program trading during times of high market volatility. Recent turbulence on the stock markets has intensified concern in Congress about the stability of the markets.

The legislation gives the SEC authority to ban any act or practice that it finds has led to market volatility in the past and is likely to do so in the future. It also permits the SEC to re-

quire quarterly reports on the financial condition of the affiliates of broker-dealers. The present legislation is something of a weakening of the original proposal by Rep. Ed Markey (D-Mass.), which would have allowed the SEC to ban any trading practice found to be disruptive or abusive. "This is an emergency power," explained Rep. Norman Lent (N.Y.), ranking Republican on the committee, "not an open-ended grant of authority to restructure securities regulation."

Although the measure now has the support of the SEC, it is still opposed by Treasury Secretary Nicholas Brady. The House bill must also be reconciled with the Senate version now awaiting action on the Senate floor. The Senate bill does not include any prohibition of program trading, and several senators have said they will strongly oppose any attempt to add such a measure.

Rostenkowski takes lead for Bush austerity

Rep. Dan Rostenkowski (D-Ill.), chairman of the House Ways and Means Committee, is taking the point for the Bush administration to impose even more austerity on the United States.

In a March 11 *Washington Post* commentary, Rostenkowski outlined a proposal for bringing down the federal budget deficit by freezing federal spending programs, including cost-of-living adjustments for Social Security recipients, cutting defense outlays by \$150 billion over five years, increasing excise taxes on gasoline, tobacco, and alcohol, suspending for one year the indexation of federal income taxes, and raising to 33% the effective marginal tax rate on the nation's wealthiest taxpayers.

On March 13, President Bush responded positively and praised Rostenkowski for "the evident good will on his part and determination to break the ice and move the process forward. . . . We're prepared to negotiate, absolutely," said Bush. Rostenkowski reportedly believes that Bush's opposition to any form of tax increase is waning and that some agreement can be reached.

Budget Director Richard Darman commented that Rostenkowski's proposal contains "areas of overlap as well as some well-known significant differences. If you were entering negotiations, you'd have to say these things are at least in the same ballpark and some are almost exactly the same." Darman said that Rostenkowski's proposed freeze in discretionary spending was "tougher than ours but an attractive proposition."

Other Democrats, not quite so enthusiastic about Rostenkowski's proposal, stressed that President Bush was still opposed to tax increases and that this was the major hindrance to a budget agreement.

Members call for recognition of Lithuania

On March 12, the day after Lithuania had declared its independence, a number of voices were raised in the Congress against the half-hearted response of the Bush administration.

Calling the response "tepid, timid, lukewarm, and awkward," Rep. Tom Lantos (D-Calif.) contrasted the response to Lithuania's independence bid to the administration's frenetic efforts to repair relations with Red China after the Tiananmen massacre. "Would it not have been better to send Mr. Scowcroft to raise his glass to salute the long-suffering Baltic peoples,

rather than toast the bosses of Beijing?" asked Lantos.

Rep. William Broomfield (R-Mich.) called on the Bush administration to recognize an independent Lithuania. "Some will argue caution," said Broomfield. "But America must not be afraid to project its ideals. We must show the world that we place the same faith in self-determination that we did 200 years ago."

Bush transportation policy going nowhere

The new transportation policy presented this month by the Bush administration received a good deal of criticism in Congress. The policy basically transfers responsibility for infrastructure to state and local governments, wholly contrary to the U.S. Constitution.

Rep. Robert Wise (D-W.Va.) called it a policy which "runs from runways and flees from freeways." Wise noted that the highway trust fund and the aviation trust fund, which were supposed to be used for highway and airport improvements, were being used for deficit reduction. "It is being used to the extent that, depending on who is spoken to, anywhere from \$10 to \$18 billion is in surplus today in the highway trust fund, and roughly \$7 billion is in surplus in the aviation trust fund. Those are billions of dollars that could be today building highways, could be today maintaining bridges, could be today easing rush hour, that could be today increasing productivity, that could be today making this country competitive."

Wise added that the net effect of the Bush policy was to increase the ticket tax from 6 to 8%—"from an administration that said, 'No new taxes.'"

National News

Quayle justifies limited SDI role

Vice President Dan Quayle and CIA head William Webster have provided justification for a limited Strategic Defense Initiative, by stressing the "Third World ballistic missile threat."

"Fifteen nations now have a ballistic missile capability," Quayle told the March 11 London *Sunday Times*. "You put a chemical warhead on there, a nuclear warhead, a conventional warhead, and you've got a real military threat. And these are countries that are not always friendly to Western interests—Iraq, Iran, North Korea. . . . I think if you put a ballistic missile in the hands of Qaddafi or somebody that is cavalier about starting a conflict, then you've got problems."

Webster warned a congressional committee that acquisition of ballistic missiles by Third World countries is increasing, according to *Aviation Week*. "Most missiles likely to be fielded in the Third World over the next five years will have ranges of less than 1,000 km," Webster said. "But by the year 2000, at least six countries will have missiles with ranges up to 3,000 km. At least three of them may develop missiles with ranges of up to 5,500 km."

"Growing anxiety about Third World military mavericks has prompted the United States to switch the main emphasis of its controversial Star Wars program from defense against a Soviet nuclear attack to the protection of its cities from ballistic missiles launched by countries such as Libya," the *Sunday Times* claimed.

Defense study fancies revived Hapsburg empire

A new declassified Defense Intelligence Agency study that will be presented before NATO on March 19, asserts that the Soviet empire will fall. The report is written by Phillip Petersen, who has been the Pentagon's chief Sovietologist since 1983. He states that

the "military is squeezed out" of Soviet thinking, and praises Gorbachov's "revolutionary pragmatism" as the cause.

Petersen says the Soviets intend to check an insurgent Germany by creating a Rome-centered *Mittleuropa*, modeled on the old Austro-Hungarian empire. This single, Italian-dominated "economic" entity would include Austria, Hungary, Yugoslavia, and Czechoslovakia. The study also projects the development of an expanded Nordic council including the Scandinavian and Baltic republics; a West European confederation, including Germany, the Benelux countries, France, and Spain; and the formation of a North Atlantic group of Britain, the U.S., and Canada. Switzerland and Portugal will be outside any "economic" bloc.

Cardinal: Satanism sermon got huge support

New York John Cardinal O'Connor reported that he has received an outpouring of support from all over the nation for his sermon attacking satanism and heavy metal rock music, the New York *Daily News* reported March 12.

Cardinal O'Connor told the press that his sermon drew more reaction than "anything else" he had ever preached on. "The outpouring has been largely from parents all over the country who expressed great gratitude that I talked about the things I talked about. I think it was more, and in a shorter time, than anything else I can ever recall," he said. More than 150 phone calls and hundreds of letters have come in supporting O'Connor, according to a spokesman for the archdiocese.

The Cardinal's attack drew a satanic response from Minette Martin in a commentary in the March 10 *Daily Telegraph* of London, who cited Dr. William Sergeant of the Tavistock Institute on using "insistent rhythm" to produce "altered states of consciousness."

"One of mankind's major demands from religion has always been ecstatic experience; ecstasy is one of the clearest intimations of divinity we know," she wrote. In one Sergeant film, "Voodoo, tribal reli-

gions, minor Christian cults, shamans, fire walkers, exorcists and whirling dervishes were all after a certain high—an ecstatic state of altered consciousness in which important experiences took place: the might of conversion, exorcism, out of body travel, communion with God or the spirits or a sense of oneness with the universe."

Hamiltonian program needed, says columnist

The nation's transportation infrastructure is "wearing out," costing the economy "billions of dollars," writes George Will in a March 11 commentary in the *Washington Post*.

Will cites Abraham Lincoln's statement on "the public utility of internal improvements" and "the opening of good roads [and] the clearing of navigable streams" as an example of what helped build our country, and compared that to the task before Transportation Secretary Sam Skinner of "selling a tax-phobic nation on the rationality of spending much more on infrastructure."

"Today the condition of the infrastructure is just as dramatically connected with economic vitality," Will wrote. "Unfortunately, the wearing out of America, which is one aspect of today's incontinent pursuit of current consumption, is accelerating. Since 1960, investment in infrastructure has fallen more than 50% as a percentage of GNP, which explains much of America's drop in productivity. . . ."

"Transportation and other infrastructure issues should bring out a strong Hamiltonian streak in American conservatives, who too often talk the anachronistic language of Jeffersonian small-government sentimentality, of nostalgia for another America. . . . We shall see if the 18th Republican President [Bush] is the kind of conservative who understands the need to spend in order to conserve and enlarge the nation's sinews," Will concluded.

Skinner admitted that the U.S. is \$20-30 billion behind in airport infrastructure, \$80 billion behind in bridges, and "behind more than both of those" in highway improvements, during his presentation on

Briefly

March 8 of his new long-range transportation plan. The plan dumps a greater burden for infrastructure on state and local government and private enterprise, would effectively return the U.S. to the Articles of Confederation, and was severely criticized by many transportation associations.

Panel reviews expanded police-state powers

A panel of "reputable" private citizens, armed with high-level security clearances, has been secretly conducting a review of U.S. government espionage procedures for the purpose of recommending changes, such as a proposal to allow the FBI to legally examine tax records of a target without requiring evidence of any crime, Associated Press leaked March 12.

The panel, which has met with CIA director William Webster, FBI director William Sessions, and Attorney General Richard Thornburgh, includes former White House Counsels Lloyd Cutler and Arthur Culvahouse, former deputy CIA director Bobby Inman, former CIA director Richard Helms, Inter-American Dialogue chairman Sol Linowitz, former Deputy Secretary of State Warren Christopher, former State Department official Seymour Weiss, and Eli Jacobs, owner of the Baltimore Orioles. The panel also reports to the Senate Intelligence Committee.

Courts seeking to intimidate, says priest

The courts are "not seeking justice" but are "seeking intimidation and coercion" against those fighting abortion, said Father Robert A. Pearson, national director of Sons of Mary, an organization of pro-life bishops and priests, reported the Arlington, Virginia *Catholic Herald* March 8.

The comments came as U.S. District Judge Robert J. Ward imposed \$450,000 in fines on Operation Rescue and ten individual pro-life activists on Feb. 27 for ignoring

injunctions against blocking entrances to abortion clinics. Ward told the *New York Times* that "coercive action" was needed because Operation Rescue had ignored his previous rulings.

Father Pearson, who was fined \$25,000, said that no fines of such size had been levied against animal rights and nuclear protesters. "They're politically accepted," he said.

The case originates from a civil suit brought by the National Organization for Women. George Grant, in his book *Grand Illusion*, names a host of Fortune-500 firms which fund NOW including American Express, Chrysler, Coca-Cola, Eastman Kodak, Goodyear, Johnson and Johnson, Manufacturers Hanover Trust, Merrill Lynch, J.C. Penney, Philip Morris, R.J. Reynolds, Xerox, Burlington Northern, Bell South, Dart & Kraft, and Ameritech.

U.S.: secret actions against NDPC 'harmless'

The Justice Department defended its secret actions against the National Democratic Policy Committee, a political action committee representing the LaRouche wing of the Democratic Party, as "harmless error" in papers filed against an NDPC appeal to halt a legal death sentence.

Warren J. Hamerman, the chairman of the NDPC, said March 8 that the U.S. Attorney in Boston brazenly defends its "right" to give the NDPC an economic death penalty through secret papers, sealed documents, and without granting a hearing, and mocked the NDPC for citing "various authorities for the truism that open proceedings are generally to be preferred over 'ex parte, in camera' proceedings" and its "talismanic invocation of the general presumption favoring open hearings."

The government contends that their key affidavit was "submitted under seal because . . . it was unavoidably necessary" to conceal "certain highly sensitive information." The government concludes that "regardless of whether the documents upon which the District Court relied should have been unsealed, any failure to do so constituted, at most, harmless error."

● **AMERICANS** are "brain dead" because they listen to George Bush, satirist Russell Baker said in the March 10 *New York Times*. "When brains fail it's comforting . . . to cleave to slogans which create the illusion that somebody somewhere . . . is still thinking."

● **A NEW 'OIL SHOCK'** with a \$35 per barrel price level would be just the thing I would encourage at present if I were Bush" because it "might possibly benefit his interests—banking, insurance," a senior financial analyst told *EIR* March 10.

● **THE POPULATION** of the United States reached 250 million on March 6, according to the Census Bureau. On Nov. 20, 1967, President Johnson hailed the birth of the 200 millionth American that day. President Bush did not even note the event officially.

● **OLIVER NORTH** testified March 12 that he got permission from former National Security Adviser Adm. John Poindexter to divert profits from covert U.S. arms sales to Iran to buy military supplies for the Nicaraguan Contra rebels. North also said, "I do remember the general admonition," not to reveal the diversion.

● **NEIL BUSH** was a member of the board of Silverado S&L, four of whose largest borrowers "had connections to convicted Louisiana mob associate Herman K. Beebe, Sr., or to Robert L. Corson, a Houston developer and alleged CIA operative," according to the March 11 *Houston Post*.

● **McGEORGE BUNDY** attacked American right-to-lifers for obstructing U.S. financial aid to population control organizations at the "International Forum on Population in the 21st Century" held in Amsterdam in November 1989, according to Planned Parenthood's January *Peo-*

Editorial

March 23rd: seven years later

The announcement by President Reagan on March 23, 1983, of the policy to become known as the Strategic Defense Initiative, created a shock felt around the world. It appeared that, finally, Henry Kissinger and the evil policies which he represented would be eliminated from U.S. government. In place of Mutually Assured Destruction—the lunacy of a Dr. Strangelove—the U.S. President called for a mutual survival pact between the two adversarial superpowers, the United States and the Soviet Union.

Perhaps one of the greatest shocks caused by Ronald Reagan's announcement was the widespread realization that the policy which he advocated had been formulated by Lyndon LaRouche, with active support from the Fusion Energy Foundation. LaRouche had been arguing for such a shift in defense policy since the mid-1970s, when it became clear that the Soviets were well in advance of the United States in developing an anti-ballistic missile defense based upon advanced physical principles involving lasers and electron beams.

Over the years, LaRouche sponsored a project to explore the feasibility of multi-layered Western strategic and tactical ABM defenses, based upon directed energy. He dealt with the strategic fallacies in Kissinger's balance-of-power Metternichean games, and perhaps most important, he pointed out that his proposal for the SDI (as it became known) would act as a science driver for the whole economy, on a larger scale than, but comparable to, NASA's Apollo program.

Another significant aspect of the LaRouche proposal was that the United States should be prepared to bring the Soviets in on technological developments and deployment of an advanced ABM system, to avoid any fears on their part that this would be an offensive rather than a defensive deployment. The thinking behind this was that the superior Western cultural potential and technological basis would mean that with the appropriate, Manhattan Project-style crash effort, the United States would overtake any existing Soviet lead in ABM systems, in short order.

The Soviet response to the program, after it was

adopted by President Reagan, was hysterical rejection. They were joined in the West by the pro-Soviet peace-nik lobby, including a gaggle of dishonest scientists who pretended that an SDI based upon directed energy could not work. Time has proven them wrong conclusively; however, in the meantime, rather than weakening, the Kissinger gang's hold over the U.S. government has strengthened, and the SDI as an effective policy has been killed.

Dr. Edward Teller, and his associate Lowell Wood, were associated in the same effort as LaRouche, to push an SDI based upon advanced physical principles. Unfortunately, perhaps in an effort to salvage some effort to bolster U.S. defenses in the face of what is in general a debacle, both Wood and Teller have endorsed a substitute proposal now getting military endorsement and great media play in the United States.

The idea is launch light-weight, 100-pound missiles into space, which would be equipped with sensing devices and would be capable of choosing, and presumably destroying, intercontinental ballistic missile targets. Reportedly, this system is now under discussion with the Soviets. It is being touted as a limited capability which can be conjointly developed by the U.S. and the U.S.S.R. to deal with third nations such as Libya or Pakistan.

Thus the SDI has supposedly been transformed from a defense against Soviet attack, and is instead vectored toward smaller-scale wars against the developing sector. More likely, the SDI, as it is being presently reshaped, is a crumb from the table being offered to a section of the military and military strategists, who have not completely deluded themselves about the reality of the Soviet threat. In return they are being asked to accept the retooling of the U.S. defense capability to the mission of fighting small-scale wars against the developing sector, on the model of the infamous Panama adventure.

Such a rotten compromise should not be confused with the LaRouche proposal or the kind of policy which Dr. Teller supported in his better days, along with Ronald Reagan.

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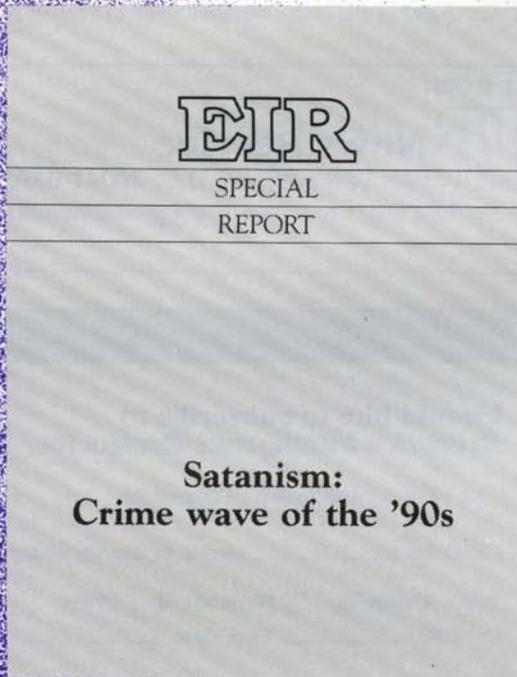
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Satanism is a criminal conspiracy, but it is also a political movement which bridges the separation between extremists on the left and those on the right. This report is your defense against it.



Who is right?

New York Archbishop Cardinal John O'Connor has denounced heavy metal rock as "a help to the devil" and said that "diabolically insitigated violence is on the rise." (March 4, 1990)

But the Federal Bureau of Investigation's expert, Kenneth Lanning, claims: "Far more crime and child abuse has been committed in the name of God, Jesus and Mohammed than has ever been committed in the name of Satan." (June 1989)

Read the definitive study by *EIR*'s investigative team, including: The Matamoros murders; Manson; the Atlanta child murders; the satanic roots of 'rock.' Plus, "The theory of the satanic personality," by Lyndon H. LaRouche, Jr. Learn the extent of the satanist epidemic, who its high-level protectors are—and why some officials want to cover it up. 154 pages.

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