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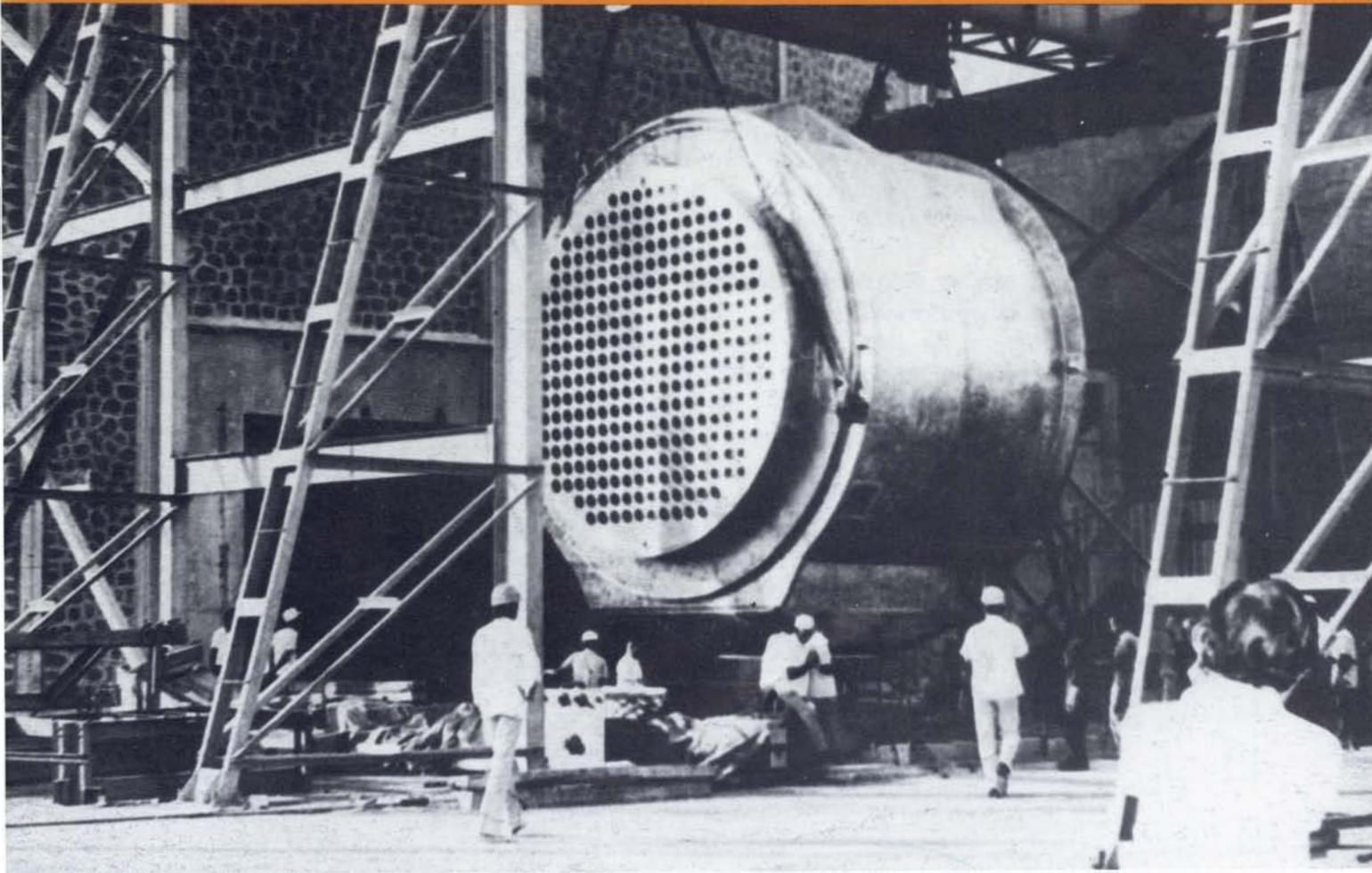
Executive Intelligence Review

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Ten senior U.S. Senators vote against Richard Burt  
Mexican resistance panics Wall Street bankers  
Shultz prepares to abandon the Philippines

**India: overcoming the  
infrastructure bottleneck**



# The Recovery That Never Was

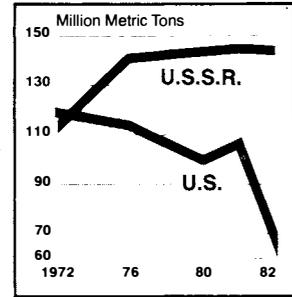
Find out what the White House should know . . . but doesn't

The *EIR Quarterly Economic Report*, prepared under the personal direction of Lyndon H. LaRouche, Jr., presents a devastating picture of the current economic crisis—a crisis with profound implications for the national security, as Moscow is only too well aware. The study demonstrates:

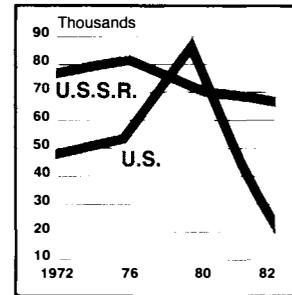
- Unless President Reagan replaces his present, foreign and domestic, monetary and economic policies, the U.S. economy will continue to describe an accelerating downward trend in output of goods and in balance of trade.
- The potential for a 1931-32-style deflationary blow-out or new skyrocketing of dollar exchange-rates, is approaching certainty. Either alternative would be associated with an acceleration of the rate of collapse of goods-output in both the world market and the U.S. economy; under either alternative, the federal budget deficit would soar.

For information about the *Quarterly Report* and a new feature, *EIR's 1985 statistical yearbook*, please contact your local *EIR* representative or Richard Freeman, *EIR News Service*, P.O. Box 17390, Washington, D.C. 20041-0390.

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# EIR

## From the Editor

Last September, when Marshal Nikolai Ogarkov gave up his post as chief of staff of the Soviet armed forces, the major Anglo-American media put out the line that the man who had brazenly justified the KAL 007 massacre a year earlier had been "demoted." Now the same media are flooded with reports that Ogarkov is making a "comeback." The fact of the matter is, as *EIR* hypothesized at the time and confirmed in December, that Ogarkov has been building up and rehearsing forces for combat in Europe and globally, as the chief of the new High Command West.

Now, imagine yourself the head of the government of some neutral country. Looking eastward, you see the ruthless militarization of the Soviet economy, bent on world conquest under the Ogarkov Plan. Looking westward, you see Merrill Lynch banker Donald Regan taking over the White House in Washington, with his single-minded commitment to dismantling the United States' defense and productive economy in order to service its debt.

Which side would you want to be on?

We happen to believe that the West is not foredoomed in this showdown, provided that the philistine stupidity reigning in Washington is confronted with the full reality of the crisis. For that reason, *EIR* has produced three Special Reports in the past month, each one of which is urgently required reading for every policy-maker:

1) *Global Showdown*, the 370-page review of every aspect of the "Ogarkov Plan" to achieve Soviet world domination by 1988, including its economy, military, and ideological underpinnings. Released at a Washington press conference on July 25, the report is available for \$250.

2) *The June 15 Quarterly Report*, on the "Looming Bankruptcy of the United States"—the fatal economic weakness our adversaries have been counting on to destroy all resistance; \$250 per issue, \$1,000 for an annual subscription including the *EIR Statistical Yearbook*.

3) *Economic Breakdown and the Threat of Global Pandemics*, \$100, the only comprehensive study available on a danger far greater than thermonuclear war, detailing how it arises from the same economic policies that are making us vulnerable to Soviet aggression.

All three reports are available from EIR News Service in Washington, D.C. or your *EIR* sales representative.

*Nora Hamerman*

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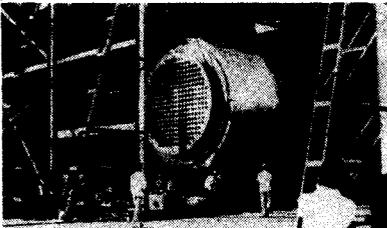
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**Correction:** Due to a paste-up error, three lines were omitted at the beginning of the sixth paragraph of the *Southeast Asia* column on page 50 of *EIR*'s July 19, 1985 issue (Vol. 12, No. 28). The paragraph should have read: "The same week, through the offices of Indonesian Foreign Minister Mochtar Kusumaatmadja, Vietnam sent its own proposal to the ASEAN countries, setting out five points: 1) withdrawal of Vietnam from Kampuchea, predicated on 2) the removal of Pol Pot and the Khmer Rouge as a political and military force, 3) creation of a security zone on both sides of the Thai-Kampuchean border, 4) similar security guarantees for the Chinese-Vietnamese and Lao-Thai borders, 5) self-determination for Kampuchea by the holding of free elections, supervised by an international task force."

## Volcker to Reagan: All deals are off

by Christopher White

As the dollar slid down to year lows against the major currencies of western Europe, Paul Volcker, Chairman of the Board of Governors of the Federal Reserve, signalled that he is now writing off all deals made with the Reagan administration over the period since 1982. The announcement was repeated in successive days of testimony before committees of the House of Representative and U.S. Senate July 18 and 19. The pretext was provided by the semi-annual presentation of the Federal Reserve's *Report on Monetary Policy* under the mandate of the so-called "Full Employment and Balanced Growth Act of 1978."

Volcker's remarks were supported by Preston Martin, another member of the Board of Governors of the Federal Reserve System, who has attracted attention in certain desperate circles in recent weeks, in seeming to disagree with Volcker's chosen monetary strategy.

International press coverage of the Volcker testimony, including from the *New York Times* and the *Washington Post*, focused on the chairman's remarks on the dollar and the budget deficit. The conclusion was drawn that Volcker opposes a fall of the dollar, because this will increase the cost of foreign financing for the U.S. government's deficit, and for the expanding trade deficit.

Thus, attention, as usual, was focused on Volcker's demand that the Congress cut the budget deficit.

Volcker identified six areas in which he said the economy is out of balance. The United States is, first, borrowing more than it saves; second, buying more from abroad than it is willing to sell; third, reconciling the discrepancy by piling up indebtedness; while fourth, trade partners dependent on U.S. export markets have continued high unemployment, and fifth

industrial production has not matched consumption and employment, and sixth borrowers remain under strain or over-extended.

These parameters of national bankruptcy, are known now to the professional economists as "lop-sided growth."

More substantially, Volcker reported, with his usual scant regard for the truth, after presenting his analysis of the disaster area he has, more than any other, made of the U.S. economy: "At their core, these major imbalances and disequilibria may lie outside the reach of monetary policy—or in some instances, U.S. policy generally. . . . The difficulty is that, as things now stand, some policy actions that might seem, on their face, to contribute toward easing one problem could aggravate others."

Later in the testimony he developed the point more concretely. "Our decisions with respect to providing reserves and reducing the discount rate have been influenced to some extent by a desire to curb excessive and ultimately unsustainable strength in the foreign exchange value of the dollar. But we have also had to recognize the clear limitations and risks in such an approach. The possibility at some point that sentiment toward the dollar could change adversely, with sharp repercussions in the exchange rate in a downward direction, poses the greatest potential threat to the progress we have made against inflation. Those risks would be compounded by excessive monetary and liquidity creation."

The same point was developed more succinctly by Preston Martin. "Although the Federal Reserve will continue to consider exchange rates and trade imbalances in its deliberations, we should not be looked to as a main source of a solution."

The architect of the policy given the name "controlled disintegration" in the mid 1970s, by the Council on Foreign Relations team that prepared, and then became, the administration of the hated Jimmy Carter, is here stating, before the U.S. Congress, that he is washing his hands of this policy of his own devising—in particular, the policy that has been in effect since the early fall of 1982, and was perceived, in the spring and summer of 1983, as the Great Recovery of so-called U.S. economic strength.

As is well known, the perception of "recovery" domestically, following in the wake of the rising dollar's genocidally extorted loot and tribute from the rest of the world, was what maintained the appearance of credibility for the lunatic and incompetent economic policies of the Reagan administration. In the process, the United States became a net debtor, dependant on foreign financing to cover internal expansion of indebtedness unsecured by domestic wealth creation, and to finance the, until now, ever expanding flow of imports that took the place of collapsed domestic production.

Now Volcker says, in effect, that he is handing control of policy over to those institutions which he made the nation's creditors. The arrangements by which the self-consoling illusions of the Reagan administration were maintained have been scrapped. The Federal Reserve's chairman is about to do to this President and administration what an earlier chairman did to the administration of Herbert Hoover.

Not surprisingly, Fidel Castro took the occasion of his recently concluded conference of Ibero-American trade unionists, on the subject of Ibero-America's debt, to praise the "heroism" of Volcker, who has single-handedly kept the United States going. Volcker's policy, the continuing legacy of the disastrous years of Jimmy Carter, and the evils of Milton Friedman, John Connally, George Schultz, and Volcker himself from the second Nixon administration, is after all, the best weapon the Russians have in their undeclared war against the West.

This was all projected by leading economist Lyndon LaRouche in his introduction to *EIR's Quarterly Economic Report*, dated April 15, 1985. LaRouche reported in that location that as long as present policies were continued, the alternatives available were only two. Either a deflationary collapse of the bankrupt dollar credit system, or a hyperinflationary spiral. Efforts to avoid the consequences of the first would fuel impulses for the second, efforts to avoid the second would fuel the first. At that time, Volcker stated to representatives of this magazine, "I'm in the middle on that one." Volcker had been asked whether he supported Swiss-backed deflationary policies, or the Russian-favored hyperinflationary alternative.

Shortly thereafter, political decisions, made in the wake of the bankruptcy of the privately insured Ohio savings and loans institutions, typified by the Bank for International Settlements' endorsement of an expanded international role for the European Monetary System's ECU, particularly with respect to the economies of Eastern Europe, made it clear

that the deflationary alternative of rapid dollar collapse had been chosen. The existence of this Russian-approved variant set a limit on the dollar's upward movement. Since that point the dollar has collapsed more than 20% from its high levels of the early spring, and there is as yet no end in sight.

Volcker's testimony was buttressed by a chorus of experts from the economics profession, all of whom agreed with the line laid out by the chairman. These experts included Allen Sinai, Chief Economist of Shearson Lehman Brothers, Lawrence Chimerine, Chairman of Chase Econometrics and President of the Monetary Policy Forum, Nancy Teeters, a former member of the Board of Governors of the Federal Reserve System, and now Director of Economics at IBM Corporation.

The latter summarized a view put more circumspectly by all: "The result of combining these major exposures is a recession which could start as early as now."

On the other side of the Atlantic, the Volcker testimony was, for perhaps the first time, considered significant enough to be extensively excerpted by the *Financial Times* of London. The editors of that newspaper, in their adopted Orwellian version of the English language, agree with Mrs. Teeters and her friends. "About a year ago the economy lapsed from the rapidly expansionary phase of the cycle into a state which U.S. economists sometimes call 'growth recession'. . . . As a recent analysis by Morgan Stanley reminded us, on only one occasion out of the six growth recessions during the past thirty years, was the period of sluggish growth followed by a renewed burst of strong economic expansion. In all the other cases an outright recession, involving a fall in GNP and a significant rise in unemployment, followed, on average five quarters after the growth recession began." That is to say, "now."

How stupid then is the successor to Herbert Hoover at the Department of Commerce, Malcolm Baldrige. Baldrige has publicly asserted that the destruction of U.S. productive capacity, under present policies, is unimportant, for we are now a service economy. While Volcker was testifying, Baldrige was telling reporters in one of his quarterly press conferences, that the U.S. dollar should be devalued another 25% from where it is now, down to about 2.10 DM.

With this adopted perspective of "collapse now," the leaders of the financial institutions of the West have adopted for themselves the role of the Venetians during the siege of Constantinople in 1453. They are the ones who have opened the gates of the city to invite the Russian barbarians in to takeover, perhaps over the next few months.

They are ensuring that the momentum building behind the collapsing dollar, collapsing oil price, unravelling debt structures, and crumbling banks, like Bank of America and First Chicago, will become unstoppable. No longer will the Russians be the mere beneficiaries of the effects of Volcker's policies. They will be running the show directly. That is, as long as the ghost of Herbert Hoover continues to stalk through the White House.

# Is Mexico ready to break with IMF, galvanize debtors?

by Mark Sonnenblick

Concern is growing inside the banking community that Mexico may break loose from its ascribed role as "pawn of the U.S. Federal Reserve Board," *The Wall Street Journal* reflected on July 15. The *Journal*, finding out about a secret meeting near Mexico City July 10-15 of economic planners from 10 Ibero-American countries, saw the ghost of the "Latin American Debt Bomb," triumphantly buried last year by all U.S. news media.

Suddenly, all the major debtors that one-by-one had fallen into line with the debt service bloodletting demanded by U.S. Fed chief Paul Volcker, Treasury Secretary Donald Regan, and Secretary of State George Shultz, are simultaneously questioning whether their nation-states could survive the ongoing collapse of world trade and increasingly high real interest rates. As Mexican President Miguel de la Madrid warned the iron ears of Margaret Thatcher in June, the British-Russian-triggered collapse of oil prices may have been the last straw. Mexico will not be able to continue interest payments next year, even by prolonging the grinding austerity by which it has remained solvent for the past two years.

"Involuntary insolvency is not immorality," Manuel Aguilera Gómez wrote in the Mexico City daily *Excelsior* on July 17, a view shared by Mexico's statesmen. "Rather, the moral burden is on the perpetuation of backwardness and misery to which broad sectors of the Mexican population are condemned if the scarce financial resources coming from a collective wealth—oil—is destined to cover punctually bankers' interests." He called for Mexico to to "grow towards within," were it cut off from credit by enraged bankers.

"Mexico is not conspiring against the international banking system," Trade Secretary Héctor Hernández declared in Washington, D.C. on July 15. "We are conscious that commitments should be fulfilled, but international conditions must be provided which make it possible," warned Washington, as did the Brazilian central bank head the next day, "Unless our exports to the United States increase, interest payments will become complicated."

The Latin American economist of a major Wall Street bank confirmed to *EIR* that he was troubled about the impact on debt programs of "the fall in Mexico's oil prices, the Mexico meeting, and the entry of Alan García into Peru's presidency." The City of London's organs, such as *The Econ-*

*omist* and the *Financial Times*, also fret about Brazilian president José Sarney's refusal to accept any IMF program which does not permit economic growth, and about the resurgent strength of the Argentine Peronist labor movement against President Raul Alfonsín's suicide leap into classic IMF "shock therapy."

## 'Open up politics, open up the economy!'

The shock to the financial circuits comes from such new political potential, *not* from any debt bookkeeping problems arising from dropping oil prices, which mean less income for Mexico and Venezuela and less import expenses for Brazil. Since the crisis broke in 1982, all major debtors in Ibero-America have responded to each ratchet of worsening world conditions by turning the other cheek, with another ratchet of domestic consumption cuts and increased export volumes.

Although nowhere stated directly, the real jolt is the way Mexico handled its recent elections. The same Miguel de la Madrid whom, the *Wall Street Journal* moans, personally invited 10 countries to attend the secret meeting in Oaxtepec, broke profile by deciding to smash the Nazi-communist National Action Party opposition in the July 7 elections. His decision marked a dramatic shift of the balance of power in Mexico from the technocratic servants of international usury to the Mexican Revolution's labor and nationalist bases.

The *Financial Times*'s lead editorial of July 16 warned that "a new factor has entered the picture which could have a profound effect on the remaining three years of de la Madrid's term of office." The same government which recently implemented new austerity, will not "act on structural reforms," will not "reduce the role of the public sector," and end national control over "those strategic areas which interest multinationals." The reason, protests the *Financial Times*, is: "The Mexican government . . . is still handicapped by the weight of the baggage of the Mexican Revolution and its costly ideas of nationalism and independence."

In the same day's *Diario Las Americas*, Cuban exile José Ignacio Rasco pounds out the boring litany of charges that the PRI is a "Cuban-model totalitarian" party and concludes, "But we don't know if Don Miguel [de la Madrid] is willing to flee the PRI's prisons. . . ."

The *Financial Times* gives a glimpse of its fear that de la

Madrid may no longer be prisoner to manipulation by international banking centers—and of how those centers are trying to make him impotent—in the concluding sentence of its editorial: “The wide publicity now being given to what are seen by Mexicans as rigged results can only damage the democratic legitimacy of the government and ultimately weaken its hand in implementing policy.”

Whatever impact a press stuffed with “rigging” allegations may have in London, the opposition National Action Party (PAN) knows it lost the elections in Sonora and elsewhere so badly that whatever fraud there was wouldn’t have made much of a difference. The PAN is demoralized by its failure to mobilize more than pathetic numbers to demonstrate that it has the population’s support. As per the *Plan Madero* scenario revealed months ago in *EIR*, PAN’s leaders are issuing increasingly frantic calls for violent insurrection against the Mexican government.

*The Economist* of London has been describing in recent months the package deal which Washington thought it had worked out for the Mexican elections, under the threat of financial warfare: Mexico was first to “open up its politics,” to the PAN, and then to “open up its economy,” to auction off the national patrimony to get quick cash to keep up debt payments without immediate additional cuts in living standards.

De la Madrid was to demoralize his own PRI party by waging lackluster campaigns in the states of Sonora and Nuevo Leon, while permitting the PAN to use funds obtained from narcotics and contraband operations on the U.S. border to buy votes and election officials.

In return for allowing “breathing space” for the Nazi-communist PAN opposition, the Reagan administration—or at least, the State Department—would “help” Mexico handle its debt problems, U.S. Ambassador John Gavin hinted time and again. The Republican Party also went overboard in its promotion of the PAN.

As a July 13 *Boston Globe* editorial realized after the fact, stupid Reagan administration attempts to bludgeon Mexico evoked a formidable nationalist resurgence. It notes, “Mexico is a cosponsor of the Contadora peace plan [of Venezuela, Panama, Colombia, and Mexico]. . . . Some in the Reagan administration seem to think that if the PRI machine were weakened, Mexico would be less frisky. . . . For that reason the administration has encouraged a conservative, pro-business, pro-American opposition called the PAN. . . . Its showing in the elections appeared weak, even adjusting for the ‘big shutdown’ of vote fraud.”

The Boston Brahmins judge that Mexicans felt that “*hanging on to sovereignty is a more deeply ingrained priority than clean government or social injustice. . . . A weakened ‘ruling party’ and an emboldened opposition would provide openings for U.S. efforts aimed at neutralizing Mexico’s calming influence in Central America. Many Mexicans are certain that the one crisis their society could definitely*

*not withstand would be active U.S. military involvement in Central America. They believe that Mexico’s wobbly social balance would collapse and that the country would be polarized and inflamed along with the rest of the region. . . . Mexico’s need for political evolution runs counter not only to the PRI’s narrow self-interest, but also to the suspicion that weakening the machine will lead to an erosion of national sovereignty—and to chaos.”*

## Fidel vs. Fidel

Mexico’s long-quiescent labor movement took responsibility for spoiling the deals between PAN-lovers inside the U.S. and Mexican administrations. Starting in late April, Fidel Velázquez, the veteran leader of the Confederation of Mexican Workers (CTM), began issuing marching orders against the regime’s submission to the IMF. As Washington’s intervention in favor of the PAN hit more than one raw

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*The media in Brazil and Spanish America is full of discussions of the Kissinger and Castro “solutions.” But, the great fear of Kissinger and Castro is that Mexico will galvanize the 11 biggest Ibero-American debtors (the Cartagena group) at their July 29 summit in Lima, in the same fighting spirit the Mexican “system” used to smash the National Action Party (PAN).*

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nerve in Mexico, Velázquez denounced the PAN as “traitors” and suggested that its party registration be voided. Then, with the necessary blessing of President de la Madrid, the PRI’s labor and peasant apparat broke all back-room deals and launched an extraordinary mobilization to get PRI voters to the polls.

Fidel Velázquez exalted his triumph just before the polls closed on July 7. He exclaimed, “No Mexican who thinks of himself as a Mexican votes for the PAN, knowing that party is a *traitor to the fatherland* and seeks solutions for Mexico’s problems abroad.” Asked to clarify whether voting for the PAN is betraying the fatherland, he answered, “Well, almost, almost. . . . If not betrayal, it is complicity in treason. If after these elections and what the electoral authorities determine on them, PAN continues with that attitude—and continues having the total support of the business sector—the labor movement is going to have to act as it knows how,

against anyone who tries to disturb the peace.” Fidel Velázquez was asked if he sought cancellation of PAN registration as a party. “No. We have other arms. . . . I believe that the industrial barons could not resist an indefinite general strike, for example.” He joked that PANistas threatening to take exile in the United States would have to cross as wetbacks, since they probably would not be let in as farmhands.

The earthquake hit the financial markets when de la Madrid echoed Velázquez with his fiery July 9 pronouncement, “I don’t care about the confused opinions of minorities. There have always been confused minorities in Mexico. We respect them because they are Mexicans, because they are our brothers. But that does not mean that we are going to get scared by strident manifestos seeking to take power from the Mexican Revolution.” He continued, exhorting peasant leaders to “fight with the people’s power and blood against any foreign intervention and against the model which a . . . power supported from abroad has sought to impose on Mexico” since the times of Lincoln’s ally, Benito Juárez. De la Madrid thanked President Lazaro Cardenas (1936-42) who organized the peasantry and nationalized Mexico’s oil.

For Mexico to be nationalist, however, does not mean falling into Fidel Castro’s trap of fighting for the banks to be bailed out at the expense of 12% cuts in the U.S. defense budget. A top Cuban labor leader visited Fidel Velázquez in late June and then gave a press conference at CTM headquarters announcing that Fidel would attend Castro’s labor conference on debt in Havana on July 15 and 16. But Velázquez did not go. No CTM leader went to Havana. Rather, nine CTM union leaders attended the Ibero-American debt conference held simultaneously in Mexico City by the Schiller Institute Labor Commission. That conference unanimously approved economist Lyndon LaRouche’s *Operation Juárez* proposal for resolving the Ibero-American debt crisis.

As alarm bells rang on Wall Street, the Kissinger faction went to work. On July 11, U.N. Ambassador Vernon Walters flew in for a day of intimidation. Walters served as towel boy and cunning interpreter for Averrel Harriman during the decade he implemented the Marshall Plan and fired Gen. Douglas McArthur. George Shultz will twist arms in Mexico on July 25-26.

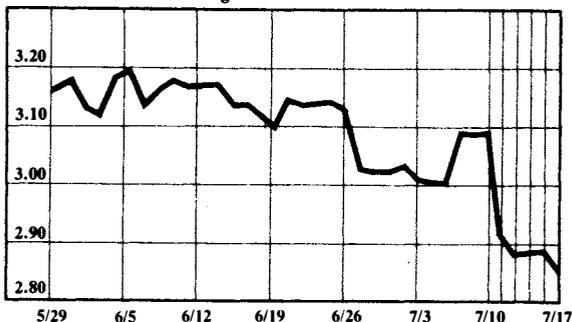
On July 23, Henry Kissinger will formally unveil to the U.S. House of Representatives his response to LaRouche’s program. Kissinger is promising a “New Marshall Plan” which boils down to stretching out austerity over decades for those countries willing to make “structural reforms” so that creditors can take over their natural resources. Kissinger would grant those countries temporary relief from deeper austerity and a perception of “hope.”

The media in Brazil and Spanish America is full of discussions of the Kissinger and Castro “solutions.” But, the great fear of Kissinger and Castro is that Mexico will galvanize the 11 biggest Ibero-American debtors (the Cartagena group) at their July 29 summit in Lima, in the same fighting spirit the Mexican “system” used to smash the PAN.

## Currency Rates

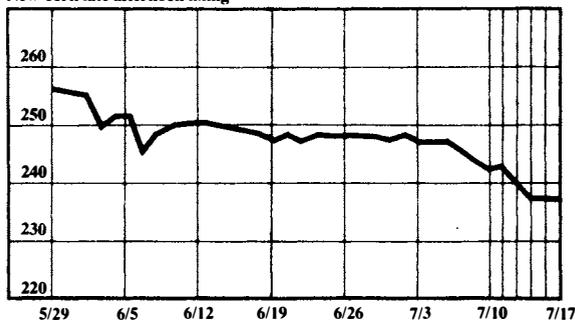
### The dollar in deutschemarks

New York late afternoon fixing



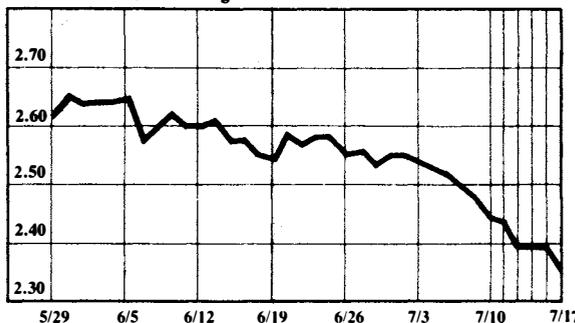
### The dollar in yen

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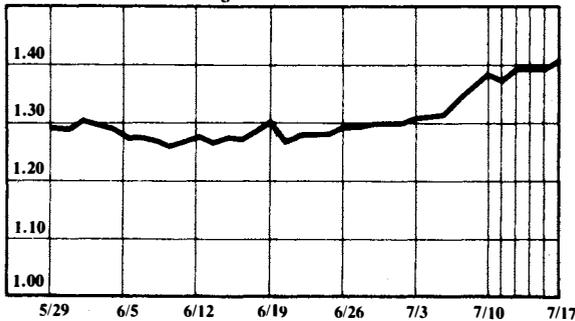
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



# How Mexican oil price was broken

by Carlos Valdez

Three years since Mexico made it known to the international banks that it could not possibly comply with the payments due on its foreign debt, to be precise on Aug. 20, 1982 under the administration of José López Portillo, today the Mexican nation again confronts the same situation: It will not have the money to pay, not merely the principal, but even the interest on foreign debt. What detonated the situation is the virtual collapse of the oil prices, which were mortgaged to debt repayment in 1982, and whose hard-currency earnings today will not be enough to cover interest payments.

The general rumor in governmental circles, according to what the Mexican press put out in the second week of July, is that Mexican Finance Secretary Jesus Silva Herzog will have to tell the bankers very soon that famous phrase, "Debo no niego. . . pago no tengo" (loosely translated, "I owe, I don't deny. . . money, I don't have") and then beg for an emergency credit of at least \$2 billion (in 1982 Silva Herzog negotiated a \$1 billion credit line based on expected oil revenues) to pay the annual interest on Mexican foreign debt which is already more than \$95 billion. According to this version, if the banks refuse to give Mexico new credit, the government of Miguel de la Madrid could see itself forced in the coming months to declare a temporary payment moratorium to the international financial community, as Mexico did on that sad Aug. 20 of 1982.

## Economic warfare on Mexico

The singular thing about Mexico's critical financial situation is that the origin of the virtual economic war in which Mexico has been living since early 1985 has been orchestrated by a sinister pact between Great Britain and the Soviet Union.

In effect, at the opening of the year, when the instability of the world oil market became accentuated, the sales of Mexican petroleum abroad fell by around 200,000 barrels per day as the result of the drop of one dollar in spot market oil prices and the increase of supply on that market deriving from, among other things, large increases in the oil production of the Soviet Union and the North Sea. In the face of the lower price of North Sea oil, Mexican crude lost competitiveness and Pemex, the state oil company, decided on Feb. 4 to lower the price of Isthmus oil by \$1.25 per barrel. In

total, in the first quarter of the year, average sales of Mexican exports were lower by 10% compared to the same period of 1984.

The price war on the international market continued, and again Britain and the Soviet Union lowered their prices, and Mexico again lost its markets, forcing it into another price drop of \$1.50 in the price of Maya oil.

The pressures on the prices continued during June. By that date the OPEC member countries had already enacted a series of reductions in the agreed-upon prices via explicit and implicit discounts through tricks, cosmetic arrangements, processing, and marketing. The oil spot market became so flooded that by June, 80% of the world's oil was being sold on the spot market at prices as much as \$3 below the official ones. By then, Mexican oil exports had fallen by some 40%; in June, Pemex exported only 800,000 barrels per day, 700,000 barrels less than its normal level of exports.

In short, Mexico, which sells all of its oil under government-to-government contracts, was facing the fact that with the exception of Japan, countries like France, the United States, the U.K., Brazil, and Canada among others, were not picking up their normal purchases of oil from Mexican ports. Japan was the only country to maintain its Mexican petroleum imports at the level of 150,000 barrels a day and religiously pay for them every 30 days.

Even in the case of Nicaragua, supposedly an ally of Mexico in the Central American conflict, President Daniel Ortega went on a tour of the socialist bloc countries and got guarantees from the U.S.S.R. to supply Nicaragua all the oil they needed. Mexico had been one of the main suppliers of oil to Nicaragua, through the Pact of San José.

According to the National College of Economists, the total losses from the oil pricing crisis will mean a loss of \$3 billion to Mexico, provided that it recovers its markets and at best obtains around \$13 billion this year. But all the "predictions" indicate, with the *New York Times* in the lead, that the price of a barrel of oil will keep plummeting downward, to \$20.

It must be noted that Mexico warned, in early July, through its Energy Secretary Francisco Labastida Ochoa, after a meeting with Venezuelan President Jaime Lusinchi, that if the oil prices fall by any more than \$2, countries like Mexico will have serious problems in meeting their foreign debt payment commitments.

In Mexico, economic specialists of the National Chamber of Manufacturing Industries (Canacintra), rejected demands that the Mexican government apply a third cutback in the budget of public spending and instead said that Mexico should resort to the international forums to declare a moratorium on its foreign debt. Besides, the labor sector of the country has reacted by demanding a change in the government's economic policy because we "cannot tolerate more adjustments." Sources in the Budget Ministry, however, have made it known that the Mexican government will have to decide very soon on a new budget cut.

# IMF, State Dept. back Bolivian drug czar

by Cynthia Rush

Bolivia's July 14 presidential elections show no clearcut victory for any major contender, as we go to press. Final results will not be available before July 31. But if Henry Kissinger and the U.S. State Department have their way, the next President will be Gen. Hugo Banzer Suárez, candidate of the Nationalist Democratic Action party (ADN).

Banzer built the infrastructure for the expansion of Bolivia's cocaine trade under his repressive 1971-78 dictatorship. He is the man Kissinger thinks can restore the power of the drug mafias, curbed under the recent Siles Zuazo government, and use the same kind of terror he used in the 1970s to further impose the International Monetary Fund's policies on Bolivia's working and peasant population. With the help of the Kissinger wing of the Republican Party, Banzer is trying to hide his dirty past, and take power through "democratic" means. But if this fails, a military coup is not to be ruled out.

Based on early returns from Bolivia's urban centers, where Banzer has his support among middle class and business sectors, the former dictator proclaimed himself the winner. But the National Electoral Court reported widespread irregularities; and returns coming in from rural areas have reduced Banzer's initial 20-point lead over his opponent, former president Victor Paz Estenssoro. If no candidate wins a majority, the final decision will be made in the new national Congress, to be installed in early August. Leaders of Bolivia's powerful trade union confederation, the COB, and other organizations, say they will oppose Banzer, should he reach the presidency.

## Country ungovernable

All of this boils down to a recipe for chaos.

Presidential elections were scheduled to take place in 1986, at the end of the four-year term which President Hernán Siles Zuazo began in October 1982. But the instability resulting from the IMF's policy of starving Bolivia to death, following the government's May 1984 decision to halt payment on its foreign debt, forced Siles to call for early elections to avoid being overthrown. Strikes and constant shutdown of factories to protest the economic situation made the country virtually ungovernable.

On a recent visit to Bolivia, an IMF team announced that this Andean nation is suffering one of the worst crises on the continent, and reportedly agreed to back the government in debt negotiations with foreign creditors.

The sudden "generosity" is a fraud. In the year since Siles suspended debt payment, the IMF has done everything possible to punish Bolivia for its debt moratorium, including trying to oust Siles from office. The international press helped by portraying Siles as a "communist," even suggesting he was involved in the drug trade. Paula Hawkins, the conservative Republican senator from Florida, authored an amendment earlier this year to cut financial aid to Bolivia on grounds that Siles had not been vigorous enough in combatting the drug trade.

At the time of the debt suspension, Siles announced that the country had no foreign exchange to pay for imported foodstuffs and medicines, let alone service its debt. Creditors demanded a tough austerity program, which the government acceded to. It received no new credits in return, but it did get an expanded drug trade, growth of the "informal economy," and the degradation of its population, increasingly forced to live off this drug-and-contraband economy, as other productive sources of employment disappeared.

Today, 60% of Bolivia's infants suffer from some form of malnutrition, up from 40% in the 1970s, according to a recent study by UNICEF. Over the past few years, the income of Bolivian families have fallen by 25%; 100,000 children leave school permanently each year, a crisis whose full effects "will be visible over the next 15 years," according to one researcher.

With an inflation rate that, by mid-June, had reached 2,300%, the most lucrative "business" is speculation in the U.S. dollar. In La Paz and other major cities, street vendors sell milk, flour, butter, and imported medicines for dollars only. Pesos are no longer accepted.

The government has repeatedly imposed severe austerity measures in an effort to keep prices under control. In mid-June, when the value of the black-market dollar suddenly zoomed, the government suspended credit allocation and dramatically reduced money supply—even though 75% of the official money supply is in the hands of the drug-related "informal economy." But prices have gone through the ceiling just the same. The cost of the average monthly market-basket is approximately 47 million pesos. The average head-of-household earns only 10 million monthly. Bread has become a luxury item. Other products, such as meat, eggs, and flour, are only available on the black market. The country's five milk-producing plants are close to bankruptcy, unable to meet costs of production.

The key industries, mining and agriculture, are also close to bankruptcy. The only employment for many workers is the drug trade. The president of the Federation of Sugar Workers of Santa Cruz, Edgar Talavero, recently reported that because the government had stalled on authorizing the 1985 sugar harvest, many workers were forced into the production of coca. He charged that "vested political interests" were trying to destroy the industry, and had influenced the government's decision.

It is in the midst of this economic and social holocaust that Gen. Hugo Banzer Suárez launched his campaign as the "democratic alternative" to Siles Zuazo, and promised to restore economic stability through a tough policy of dismantling the state sector and encouraging free enterprise. He hired a team of Harvard-educated "whiz kids," like the crew that ruined Argentina between 1976 and 1983, and told the population to "forget the past."

Banzer's past one might prefer to forget. He took power in 1971, in a bloody military coup that overthrew nationalist Gen. Juan José Torres. He retained power through a savage terror apparatus. By the time he was deposed in 1978, he had put into place the infrastructure for the 1980 "cocaine coup" by Gen. Luis García Meza.

Klaus Barbie, the "butcher of Lyon" now on trial in France for Nazi war crimes, was a "security consultant" to Banzer's regime. It was Banzer who granted Barbie Bolivian citizenship, and the diplomatic passport which allowed him to travel freely in Europe to make arms purchases for the Bolivian army. From his home in La Paz, Barbie coordinated the activities of former SS officers and other mercenaries from the Nazi International who flocked into the country and guaranteed the success of the 1980 military coup.

The best-known figures in Bolivia's drug and terror apparatus, including cocaine kingpin Roberto Suárez Gómez, the butcher Colonel Arce Gómez, or death-squad leaders like the Razuk brothers, all got their start with favors or official posts under the Banzer dictatorship. Banzer himself, and members of his immediate family—daughter and son-in-law, cousin, and wife—have all been implicated directly in drug-trafficking.

This is the man that the Kissinger wing of the Republican Party, wants to install as Bolivia's next president. Even Sen. Paula Hawkins, who claims to oppose Bolivia's drug trade, is supporting Banzer through her participation in the National Republican Institute for International Affairs (NRIIA), a private foundation set up ostensibly to help political parties in other nations "function more effectively in democracies."

NRIIA has urged Republicans to support Banzer, and even provide financial assistance to his campaign. NRIIA literature portrays Banzer as the candidate of "private enterprise, individual initiative, equal opportunity respect for the law and moral values of our Western heritage." The NRIIA's 1985 annual report says, "Any donation given to the Institute is tax deductible, and will be used to help the ADN [Banzer's party] and Mr. E. Galindo's campaign." Eudoro Galindo is Banzer's running mate, whose brother Ramiro "is active in Texas and national Republican Party fundraising activities," according to NRIIA.

In August 1984, Banzer traveled to Dallas with a large delegation to attend the Republican National Convention. Like members of Mexico's National Action Party (PAN), who also went to Dallas, Banzer met with Republican officials to seek backing for his electoral efforts.

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# Canadians, like their southern neighbors, watch farming collapse

by George Elder

People all over the world depend on the food production capacity of Canada. But due to the insane policies of the Canadian government, millions of people around the world are about to be disappointed when they go to Mother Hubbard's Cupboard expecting to get something to eat and find it bare. This is a statement of fact.

Over the years, the Canadians have resisted the idea that they in any way resembled their neighbors to the South in the United States. The Canadian farmer might well wish that were the case, and he could watch the misery of the American farmer without having to participate in the pain. But at the present time, the destruction of agriculture in Canada is following the same course as it has in the United States.

The problems farmers in Canada are facing are the same as those the American farmer is facing. The Canadian farmer has been plagued by low prices for the commodities produced, high interest rates, falling land values, increasing prices for all necessary inputs including fuel, seed, chemicals, machinery, and buildings. In essence, they are in the same boat as their neighbors to the South. If drastic action is not taken immediately, the productive capacity of the agricultural sector of the nation will be crippled, and shortly thereafter, lost. The continued loss of large numbers of Canadian farmers will not result in higher prices for other farmers worldwide, it will only lead to increased starvation for the people of Africa and other less developed nations.

A look at the province of Saskatchewan helps bring the situation into focus. This province is key to the productive capabilities of the entire country. Saskatchewan contains 66,500,000 of the 171,207,700 acres of total farmland in Canada, or 39%. The farms in Saskatchewan contain an average of 993 acres, 84% more than the national average of 540 acres. In addition, Saskatchewan produces a disproportionate amount of the total crops grown in Canada, over 36% during the years of 1981, 1982, and 1983. The loss of this part of Canadian agriculture will be a major blow to the nation as well as the world.

Today, about 26,000 farmers in Saskatchewan are on the verge of bankruptcy or foreclosure. Over 81% of the farmers

have one type of debt or another.

During the period 1976 to 1982, these farmers were caught in a financial vise. Farm income rose 188%, but expenses rose 215%. Had the farmers been making huge profits before this major change, there would be more hope. Unfortunately, like farmers everywhere, they were only just making a living.

On the expense side of the ledger, the increases for the period 1976-82 are enormous: 322% for interest, 284% for petroleum products, 218% for fertilizer, and chemicals up 274%.

Rapidly declining farm numbers, high turnover rates, and a steady increase in off-farm employment have characterized Saskatchewan agriculture since the 1950s. In 1951, there were 112,018 farms in the province. By 1981, nearly one-half of them had disappeared, leaving 67,318. In Saskatchewan, about one-third of the 76,970 people farming in 1971 had left the field by 1976.

Dave Fraser, the Farm Credit Corporation regional manager in Saskatchewan, has been quoted as saying, "Where there's production, there is hope, and I'm hoping for a good crop this year." With almost 4,000 of his 24,000 clients in arrears to the tune of more than \$42 million, he can only hope for better times.

"We didn't move against farmers who were in arrears during the 1968-71 grain glut because we knew they had stocks on hand that they would eventually be able to sell," Fraser said. "But now there is no such big inventory, farmers are highly indebted, and interest rates are much higher."

Farmers that looked good in December 1983 have seen their inventories shrink steadily since then, their land values decline, their chattels depreciate, and their 1984 crop fizzle out. In addition, wheat prices are still going down. Over the last several years, Canadian Wheat Board prices for wheat have declined from \$222.12 per ton in 1980-81, to \$160.00 per ton as the initial price for 1985-86, a reduction of 28%.

During the 1984-85 year ending March 31, the Farm Credit Corporation approved only \$85.2 million in loans in Saskatchewan—"chicken feed compared to some years." Although the Canadian farmers have not yet had the massive

shake-out that their neighbors across the border have, they can see it coming. To put off the inevitable, farmers in Saskatchewan were able to buy a little time by having the province pass a law that stopped all farm land foreclosures for over a year. The immediate result was that farmers that were going to be forced off their land still have the land, but no cattle or equipment. In short, they still own the land, but they aren't farmers anymore since they have nothing to farm the land with. They are former farmers.

### **Livestock declines**

Last summer's drought and a hard winter are being blamed for the Saskatchewan beef herd tumbling to its lowest size in 21 years by several so-called farming experts. Who knows if they are deliberately lying, or just really that stupid. The facts of the matter are that the numbers of cattle in Canada have been declining for almost a full decade. In 1965, there were over 900,000 head of beef in Saskatchewan. The numbers of beef cows continued to increase until they reached a high of 1,250,000 head in 1975, an increase of 39%.

According to a *Statistics Canada* survey, there were only 785,000 head of beef cows left on Saskatchewan farms on Jan. 1, 1985. In the short span of only 10 years, there was a drop of 37% in the number of beef cows. This is nothing short of a disaster for the province. To make up this loss, it would take almost a decade, during which time reduced production of meat would be necessary in order to increase the number of beef cows to 1975 levels, so that Saskatchewan farmers would be able to produce as much meat as they were able to in 1975.

The decline from the peak reached in 1975 has been relatively steady and followed a trend across North America, as consumers cut their beef consumption due to falling incomes and falling standards of living. The grain cartels also played a major role by pushing up grain prices to encourage farmers to rid themselves of the burden of caring for cattle.

During the 1984-85 period, the herd size dropped from 830,000, to 785,000, a total of 6%. The Saskatchewan decline in 1984-85 has been matched across the rest of Canada, where livestock numbers have declined, although not as sharply in the eastern part of Canada as they have in western Canada.

### **Crisis in wheat**

A look at the cost of raising a crop of wheat clarifies the plight of farmers. The wheat crop in Saskatchewan is divided into two types, wheat grown on stubble, and wheat grown on summer fallow. The estimated cost per acre including seed, fertilizer, chemicals, fuel, machinery repairs, crop insurance, taxes, miscellaneous, living expenses, and fixed costs like equipment, buildings, and land are \$152.44 per acre for wheat on summer fallow and \$133.61 per acre for wheat grown on stubble. At an initial price for top grade wheat of

\$4.35 per bushel, a farmer must have yields of 35 bushels per acre on summer fallow and 30 bushels per acre on stubble just to cover his total costs. The Saskatchewan average wheat yield in 1983 was only 27 bushels per acre and the 1984 crop was worse, at only 21 bushels per acre.

What does all this mean? Canadian wheat farmers will be following their American counterparts into bankruptcy in droves.

If the crops in Saskatchewan are the same this year as they were in 1983 on a per-acre yield basis, the price of wheat will have to increase by 30% for farmers with summer fallow wheat to break even. That price is higher than the price of wheat in any year since 1975, except 1980, and is only \$0.39 below that high. In addition, if the yield is as bad as it was last year, the price of wheat will have to increase to \$7.25 per bushel for farmers with wheat grown on stubble to break even. That increase is 67%, and is \$1.22 per bushel more than the amount received at any time in the last 10 years.

You may wonder why we have taken the time to bring up these numbers. The reason is quite simple. Canada is in the midst of a drought that would make thousands of farmers in the Canadian wheat producing provinces, and Saskatchewan in particular, wish they had a crop even if it is poor.

Farmers are caught between a rock and a hard place. On the one hand, they face the on-going drought, wheat midge infestation, the worst grasshopper problem in decades, impatient creditors, and weak commodity markets. On the other hand, they see soil erosion worsening and know it will be extremely expensive to remedy. The prairies are in a dry spell similar to the 1920s and 1930s, after a relatively prolonged wet period following the Second World War through the 1960s and 1970s.

Now that the weather has changed, soil erosion has hit in force. Moisture reserves in the top and subsoil zones have been well below normal over the period from 1977 to date. Prairie Farm Rehabilitation Administration scientists estimate that about 160 million tons of prime prairie soil take flight every summer. Another 110 million tons wash off farms and into rivers and streams during the spring rains.

The grasshopper problem has become a plague. The grasshoppers are so bad that in the southern part of Saskatchewan, the farmers have already sprayed five or six times, but the grasshoppers are still gaining. There has been no help from the government. Conditions are now so bad that the farmers have quit spraying because the crop isn't worth saving anymore. That sounds like the answer. It isn't. This year's grasshoppers will lay even more eggs and leave them to hatch next year. By quitting the fight this year, farmers can expect even more problems next year.

In the midst of all this disintegration, the vultures, the banks and the grain cartels, have not been idle, preparing to take over the land and farm it under cartel "supply management." But that is a story best left for another time.

# New strides toward Kra Canal project

by Linda de Hoyos

The construction of the Kra Canal in southern Thailand, a great project which would become the nexus of industrialization for the region, is now seriously on the agenda before Thai policymakers. On July 5, the Thai parliamentary commission on the Kra Canal began hearings as part of its designated task to bring a recommendation on the project before the parliament by August. One of the first to testify was Fusion Energy Foundation (FEF) Bangkok representative Pakdee Tanapura.

The FEF, the TAMS engineering firm of the United States, and the Mitsubishi Research Institute of Japan, are now in the process of preparing a pre-feasibility study for the canal, the projected industrial zones around it, and the construction of a Southeast Asian superport at the eastern Thai port of Songkla.

In a two-and-a-half hour presentation, Pakdee informed the committee of the tri-group's initial findings. First, the FEF representative showed how the Kra Canal would help bring development not only to Thailand and its immediate neighbors, but would provide the context for the development of the Indian Nicobar and Andaman Islands and the east coast of India, as well as providing a shorter route for trade from the Indian Ocean through to the Pacific. The canal, he pointed out, is one of the five major projects suggested in a 50-year program for the Indian and Pacific Oceans Basin by Fusion Energy Foundation founder Lyndon LaRouche.

Based on preliminary findings, which will be subsequently thoroughly detailed by the FEF section of the pre-feasibility studies, Pakdee showed that the canal would shorten the trade route by approximately four days, providing an alternative to the narrow Straits of Malacca between Singapore and Indonesia. Even if world trade were not to rebound, Pakdee showed, the amount of traffic through the Malacca Straits can be expected to grow significantly, creating logjams that are both dangerous environmentally and extremely expensive to shippers.

The best and least expensive route for the canal, Pakdee showed, was projected by a 1973 TAMS engineering feasibility study on the canal. The report showed that the most efficient route is that known as 5A, slightly to the north of the shortest distance across the Kra isthmus. Digging the canal at the shortest interval is physically prohibitive and costly because of the high mountains in that area. The 5A

route is longer, but would require less time and manpower.

He then gave a detailed picture of the expected initial payback time for the canal, based on its revenues from the year 2000 to 2020. However, Pakdee pointed out, the greatest profit to be derived from the canal is not from tolls themselves, but from the industrial development the canal will spur.

Answering those who say the canal would sever the country in half and separate the largely southern Muslim population of Thailand from the Buddhist majority in the north, Pakdee noted that the canal would become the focal point for building brand new cities in the south, which is otherwise underpopulated and underdeveloped. This will in fact bring about the greater unity of the country. The canal would provide 3-5 million jobs, many of them highly skilled, which would provide the opportunity to train the workforce and rapidly bring up its standard of living. From this standpoint, the Kra Canal is the best insurance against internal destabilization and insurgency.

The committee is presided over by Admiral Sanong Nisalak, a Democratic Party MP and long-time supporter of the project. More than half the 25-man committee attended, many from the Democratic Party and the Thai Citizens Party of Communications Minister Samak Sundaravej.

Concerning the next step—the detailed pre-feasibility studies—Pakdee suggested that the Thai government itself should make at least 25% of the investment, so as to avoid a situation in which foreign firms take responsibility and also control of the project. The idea met with the approval of the committee, and was adopted.

The Kra Canal has now been pushed further down the road toward implementation than at any other point in the 200-year history of this idea. In November 1984, Minister Samak signed a letter of intent for the formation of the tripartite group now carrying out pre-feasibility studies, and the parliamentary committee will be making formal recommendations to the government.

The progress in the project's realization has not escaped the notice of those forces who are determined to maintain the underdeveloped countries in a state of economic subjugation. Early this month, the Thai daily *Siam Rat* fielded an article by one Michael Leiffer, an operative linked to the Heritage Foundation.

Citing authorities from London's International Institute of Strategic Studies, the article argued that the canal is unsafe environmentally, and that it poses a security risk for Thailand. Whose warships shall we allow to go through the canal first, the Soviets' or the United States', asks *Siam Rat*, which is controlled by the Socialist International forces in Thailand. This is a strange question, implying that Thailand has already become neutral. It is not expected to carry much weight among Thai policymakers or the military, where the consensus is emerging that industrial development is the only security insurance policy and that the canal can help bring the United States back into the region.

## Depreciating the health of the poor

*The decreasing health of the growing number of poor is creating the potential for a near-term health disaster.*

**W**hat price recovery? The price of the so-called economic recovery, and the austerity policies associated with it, were starkly drawn by Mary Munding, a Doctor of Public Health at Columbia University College of Physicians & Surgeons, in an article in the July 4, 1985 *New England Journal of Medicine*. The following quotes emphasize the seriousness of the situation.

"Thirty-five million people, or 15% of the population, are without health insurance today—an increase of 10 million, or 25%, since 1977. Five million people annually report that they do not seek medical care because they are unable to pay for it. Studies have shown that insurance coverage is the key factor that determines the use of health care services. Moreover, increased use of such services is associated with increased health. Unemployment contributes to the potential for inadequate health insurance and to the resulting lack of care and poor health. One study indicates that for each 10% unemployment, a 1.2% increase in mortality and a 4.2% increase in psychiatric hospitalization can be expected. A Bureau of Labor Statistics report states that only 60% of persons who lost their jobs between 1981 and 1983 have found other employment, and nearly half those persons were forced into new lines of work, with steep pay cuts and limited health insurance coverage."

"Severe restrictions in access to health care have resulted from the recession and funding cuts in the last four years. In 1981 cuts in funding for

Aid to Families with Dependent Children resulted in loss of eligibility for 500,000 persons. One million persons were dropped from the food stamp program. Cuts in Medicaid funding from 1981 to 1983 caused a net loss of 600,000 beneficiaries. Medicaid today covers only 52% of the poor, as compared with 65% in 1976. In some states fewer than 20% of the poor are covered, and some cities report a 21% decrease in eligibility."

"Children have been hardest hit by decreases in Medicaid coverage. They constitute 40% of all poor Americans, and Medicaid covers only one-third of them. For the poor who are not covered by Medicaid, community health centers are a major source of obstetric and pediatric care. In 1982 cuts in funding closed over 250 centers, and more than one million people lost their one source of care. Child nutrition cuts have also been harsh, with the most severe effects on recipients of reduced-price meals, the children of the working poor. Reductions in program funding between 1982 and 1984 closed out one million poor children. It has been shown that the Women, Infants and Children nutrition program for poor pregnant women can decrease the incidence of low birth weight by as much as 75%. The program now has only enough money to serve one-third of those who are eligible. Five separate studies demonstrate that each \$1 spent on prenatal care and nutrition can save from \$2 to \$11 in care otherwise needed for babies of mothers denied these services."

". . . Data on health status are

sparse at best, with a lag of two to three years between collection and analysis. This problem has recently become worse. The eight federal agencies that chart health, the economy, and education have undergone 12% reductions in staff since 1981. The National Center for Health Statistics has been subjected to a 28% staff reduction over the same four years."

"Even with inadequate data, a disturbing picture is already emerging of the deteriorating health status of children, child bearing women, and adults with chronic disease. There has been a nationwide increase in the number and percentage of women who do not receive prenatal care at all or not before the third trimester of pregnancy. The women who receive the least care are the ones without insurance coverage and, in particular those most recently disenfranchised from coverage. . . . There has been a large increase (143% in one study) in the incidence rate of anemia in pregnant women. Maternal anemia has been associated with low birth weight and stunted cognitive and physical development in children."

The article then discusses the increase in incidence of low birth weight, which correlates strongly with infant mortality and lifelong developmental problems requiring long-term, expensive care. It also documents the slowing of the decline in infant mortality and the increase in preventable childhood diseases, such as diarrhea and dehydration and measles. Besides women and children, the article documents increasing death rates among older patients with chronic diseases, such as high blood pressure, who are cut off from medical care. The decreasing health of the poor, combined with a marked increase in the number of those poor, is creating the potential for a near-term health disaster.

# Starbridge: an elevator to near earth orbit

by Charles B. Stevens

In a review of methods of putting payloads into orbit, "Earth-break: A Review of Earth-to-Space Transportation" (UCRL-89252), Dr. Roderick A. Hyde of the Lawrence Livermore National Laboratory O Group reveals outlines of an advanced approach for achieving such transport at costs thousands of times less than now prevail—making space colonization economically feasible. Hyde, whose group has pioneered the development of x-ray lasers and high-power x-ray optics, presents a concept called Starbridge, developed by Dr. Hyde and O Group's leader Dr. Lowell Wood, which consists of an elevator built from the ground up.

Earth's gravitational field and atmosphere, combined with the existing limits on the strength of materials, constitute the essential limits on transporting materials into space. The minimum energy needed to propel material to a sufficient velocity to escape Earth's gravitational field is 62.5 million joules per kilogram. If this could be achieved with electrical energy, assuming a bulk rate of \$0.02 per kilowatt hour, the cost would be \$0.35 per kilogram. The present cost is about \$10,000 per kilogram.

The problem of escape involves two stages. The first is to get to an "orbital ledge" above the Earth's atmosphere. This is because air resistance limits useful velocities that can be attained within the atmosphere—well below escape, or stable orbital, velocities. Because of this, stable orbits exist only above the atmosphere.

The second stage can be approached in a variety of alternative and efficient methods. Starbridge provides an efficient means of reaching stable Earth orbits at low costs approaching \$0.35 per kilogram.

## Skyhooks

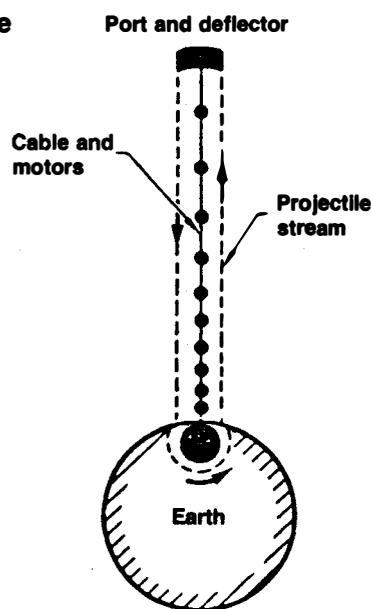
The simplest solution to cheap transport into near-Earth orbit, as Dr. Hyde relates, is to place a rope from the surface of the Earth to space and climb it. This "Skyhook" approach was first described by Soviet scientists—a good English description can be found in *Acta Astronomica*, Vol. 2, p. 785 (1975). It consists of a long rope with one end anchored to the Earth's equator, and the other some 150,000 kilometers overhead. The rope rotates with the Earth and therefore is acted on by centrifugal force as well as gravity. The centrifugal force on the outer portions balances the gravitational

force on the inner sections. To escape the Earth, a vehicle need only climb along the rope and release its payload at an altitude of 47,000 kilometers. Transport costs would approach the minimum.

The problem is that the centrifugal and gravitational forces are only globally balanced. Locally, the rope experiences varying and large tensile loads. The Skyhook could be operated at a constant stress level by tapering its cross-section. For example, making the rope of Kevlar—one of the strongest commercial materials—would lead to an impractical taper ratio of 22,000. Other considerations, like energy supply

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## Starbridge



*The Starbridge elevator connects a massive, orbiting space port and deflector with the surface of the earth. Counter streaming projectiles provide local support to the cable and motor structure.*

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for the climbing vehicle, make the simple skyhook currently impractical. Another roadblock is that it would have to be constructed from the orbit down.

## Starbridge

To overcome these problems, Drs. Hyde and Wood, with other collaborators, developed the concept of Starbridge: a skyhook globally and locally supported by a stream of projectiles traveling simultaneously up and down the "rope." The structure can locally balance its weight by pushing down on a projectile stream. Several thousand discrete motors tied to the vertical cable are used. Each pushes down on a climbing projectile, briefly storing the energy removed from it. This energy is then used to push down on a falling projectile. If the motors were perfect, no net energy would be needed to maintain the Starbridge. Obviously there would be losses,

but today motors can be designed at very high efficiencies with low mass.

As Hyde et al. detail: "The Starbridge motor stations would each consist of an inductive motor coil, a capacitor, switchgear and busbars, and a radiator to dispose of waste heat. The projectiles are inert, non-superconducting, metal loops, which are inductively kicked as they pass through motor stations. Between motor stations, there are Kevlar cables and a ferromagnetic track, which is used to guide the projectiles and to resist Coriolis accelerations. The projectile stream must be reflected at the top and bottom of the Starbridge. This is done with very little loss by a curved and static superconducting track. As projectiles climb the Starbridge, their speed drops, as does the distance between them. This places a limit on the speed at the top reflector; for current designs, the resulting reflection force cannot be resisted by Kevlar cables. Instead a counterweight will be used; this restricts the height of the skyhook to be less than geosynchronous, but allows it to support a large spaceport at its top. This port will be used to receive and process cargo, which can then be shipped the rest of the way out of the [Earth's gravitational] well with either a simple Kevlar skyhook or low thrust tugs.

"A specific Starbridge design calls for a 100 gm/cm cable-track mass, ending at a radial position of 40,000 km (95% of synchronous), and supported by 7,500 five-Mg [millions of grams thrust] motors. There are two complete projectile streams, with a total flux of 83 Mg/sec; the base speed is 13.9 km/s, slowing to 3.6 km/s at the tip. A projectile requires 3.6 hours to complete a transit, losing 0.3% of its energy in the process. Hence, the power required to support this skyhook is 20 Gigawatts; with another 20 Gigawatts we can send 10 trillion grams/year up the Starbridge.

"A critical feature of the Starbridge is that it works at any height. First, this means that small versions can be built and tested; the concept, engineering, and reliability can be proved out before a full-scale one is commissioned. Very crucially, it also permits us to build this type of skyhook from the ground up. The Starbridge is extruded: Cable, track, and motors are added at the ground, while only the counterweight must be added to in space—using the payload-lifting capability of the growing skyhook. The payload cars can either climb the cables, or react against the projectile stream as the motor stations do. We will use the mass stream to transmit power up the Starbridge. This power is utilized both to make up motor losses, and to supply energy to the climbing payload cars, thereby solving one of the problems with conventional skyhooks. . . ."

### **The laser railroad**

Dr. Hyde points out that a laser railroad may provide the nearest-term solution to significant cost reductions of placing payloads in near-Earth orbits. The concept is based on a scheme developed by AVCO Company and Dr. A. R. Kan-

trowitz and his colleagues in the 1978. Because the laser railroad would use existing technologies, development costs would be minimal. Even so, the laser railroad could reduce costs by as much as a factor of 100.

One of the most significant built-in inefficiencies of rockets is that they must carry along both the fuel and propellant. Rocket engine fuel in particular represents excess baggage until it is actually burned. In most cases the rocket engine fuel and rocket propellant consist of the same material. That is, for example, hydrogen and oxygen can be reacted to form water. The heat of the reaction provides the energy to drive the resulting water through a rocket nozzle at high velocities. An alternative would be to use a ground-based laser beam to heat the rocket propellant. And this is the basis for the AVCO proposal discussed by Hyde.

In the AVCO design a billion watt carbon dioxide laser based on the ground is utilized. This powerful laser beam is directed onto the rear of a small rocket, which carries 5.4 tons of water, which will act as the rocket propellant when it is heated by the laser beam. The AVCO laser driven rocket would deliver 1 ton of payload contained within a .5 ton package into orbit.

The carbon dioxide laser is utilized in a pulse mode. One hundred sixty laser pulses per second would irradiate the water. Each pulse would first vaporize a thin layer of water and then ignite a detonation wave in the blown-off material. This ablative laser drive only converts 44% of the laser energy into rocket thrust, but it achieves a blow-off (exhaust) velocity of 8 kilometers per second without a nozzle or laser optics. Only a 70 centimeter expansion skirt on the rocket is needed.

The billion-watt average power carbon dioxide laser delivers sufficient energy to the rocket within 340 seconds to achieve earth orbit. At this point the rocket would be at a 1,000 kilometer slant range. The system could deliver upwards of 100,000 tons of payload into space per year—roughly equal to 700 shuttle flights.

The first thing to note about the laser railroad is that the carrier rocket is extremely simple. Tasks such as steering and propellant injection are done from the ground through tailoring laser pulses. The use of pulsed energy relaxes temperature constraints and allows attainment of high exhaust speeds while using very convenient propellants such as water.

With a 20% efficiency of conversion of electricity into carbon dioxide laser light, the system would necessitate 5 billion watts of electrical power to run. But it would lower the overall cost of placing payloads into earth orbit by a factor of 100 with existing technology. Recent developments with free electron lasers (FELs) indicate that major improvements could be made in a laser railroad system. The FEL could be twice as efficient as the carbon dioxide laser. Also, because of its short wavelength operating capability, the FEL would be capable of driving the rocket over a much greater range. This would permit larger payloads per launch.

# Business Briefs

## Food

### U.S. Congress legislates shortages

In Congressional agriculture committee and subcommittee votes in mid-July, measures for the new 1985 four-year farm bill were legislated that are guaranteed to create huge food shortages and world starvation.

The chief provisions, ordered wrapped up before the end of July by GOP Senate leader Robert Dole, include: 1) putting 20 to 30 million crop acres into a "land reserve" over a 10-year period, to permanently reduce by close to 10% the current 421 million acre food base of the country; 2) reinstating the milk "PIK" program in which dairy farmers will be paid to cut output and slaughter more milk animals; 3) offering grain farmers a national referendum to decide how much to reduce their grain acreage. Farmers who refuse to cut back enough, will have all supports withdrawn, letting the "free market" put them out of operation.

## Technology

### Fiat opts for SDI

Giovanni Agnelli, chairman of the Italian firm Fiat, said in an interview July 15 that his company is ready to participate in research on the U.S. Strategic Defense Initiative, according to the July 17 *International Herald Tribune*. Fiat announced that a company representative would be based in Washington, D. C. to compete for contracts. Agnelli said that Fiat would focus its research in the fields of rocketry, robotics, and laser weapons.

Fiat will also seek participation in the Eureka program, launched by the French government as a "European" counter to the SDI. East bloc participation in Eureka is already being mooted.

"I believe that both the SDI and Eureka can be done, but we are going ahead with the U.S. program first because it is ready with staff, and will start soon," Agnelli stat-

ed. Fiat has been given government approval to participate in the SDI while waiting for Eureka to get off the ground.

Vice-President George Bush said that the SDI and Eureka were compatible, after meeting with French President François Mitterrand earlier this month. Bush said that Eureka was a "research program that does not relate predominantly to strategic defense."

A meeting of high-level officials from 17 European countries to organize financing for Eureka will begin in Paris July 17. French officials said the estimated five-year budget for Eureka will be \$6.29 billion.

Participation in the SDI could have "colossal implications," not only for Fiat but for the future development of high technology in Europe, Agnelli said. "Europe is out of most Pentagon programs, but this represents a major opportunity."

Agnelli was emphatic that he did not share Mitterrand's fears that participation in the SDI would relegate European industry to a "subcontracting role."

## Foreign Exchange

### Dollar teeters on the brink

Informed London financial sources expect that U. S. Federal Reserve head Paul Volcker will soon reverse his "hands off" policy to avert "too sharp a fall" of the U.S. dollar. Confirming the estimate, Volcker made one of his characteristic Oracle-of-Delphi statements indicating that "no one should assume there will be another interest rate cut."

Within minutes of Volcker's announcement, the Fed funds interest rate began rising from 7.5% in the morning to slightly more than 8%, while the dollar rose from a low of 2.82 deutschemarks to 2.84. It had hovered slightly above 3.00 last week.

The same sources point out the danger of reading too much into present dollar trading. "The markets are extremely thin because of summer holidays, so that dollar rates can move very rapidly up or down on very small volumes. This is a very tricky

situation."

The recent decline of the dollar is reportedly partly linked to heavy dollar liquidation, mainly through New York banking institutions, by the financially hurting Saudi government. Saudi balance-of-payments deficit problems are aggravated by an oil output averaging 2.5 million barrels per day against an official planning estimate of revenues based on 4.5 million bpd.

## Austerity

### IMF surveillance for Yugoslavia

Yugoslavia has agreed in principle to International Monetary Fund surveillance of its economy during negotiations in New York of its \$3.5 billion debt due by 1988 to Western creditors. The IMF has refused to release the next installment of its loan unless debt rescheduling is negotiated. Creditors are demanding 1.25% higher interest payments over Eurocurrency deposit rates, while Yugoslavia is holding out for only a 1% margin.

Yugoslavia's economy is being ravaged. Retail prices last month were up 76% over the same month last year, and imports were up 10%, while exports went up only 4%. Trade for hard currency went up only 1%.

## Debt

### More rope to hang with

Poland signed an agreement July 15 with the "Paris club" of Western bankers, to put off the repayment on the principal of its 1982-84 debt until 1990—well after the Soviet target date for taking control of Western Europe.

An initial agreement on Poland's government-to-government debt was reached six months ago. The agreement will allow Poland, under heavy pressure to pay from both

## Briefly

the Soviets and Western creditors alike, to schedule payments on \$11.3 billion over 11 years, with a five-year grace period. However, \$1.3 billion will have to be paid by the end of this year.

Poland's Western debt may reach \$30 billion by the end of the year. Using the debt pressure, Western trade partners have forced Poland to pre-pay for goods, and have cut off even short-term trade credits.

Polish chief Gen. Wojciech Jaruzelski told union leaders over the weekend that the country's economy was improving, but he nonetheless made clear that heavy austerity policies would not be lifted. Industrial production growth was behind target, Jaruzelski said, and wages are still rising too fast.

But next year, Poland will face another \$1.5 billion in payments falling due. Officials said that hard currency export earnings are 5% behind that of last year. Poland is attempting to achieve a \$2 billion payments surplus this year.

Poland also owes some \$1.4 billion to private banks this year, and must start repayment on debts rescheduled from 1981. The country is desperately trying to land some \$600 to \$800 million in Western trade credits to cover the payments gap, but at this point only Germany, Austria, and Italy show any interest in lending.

Poland's bid to join the International Monetary Fund, first made last year, has still not been accepted.

### *Invisible Hand*

## Occidental, Mannesman financing guerrillas

Major-General Jaime Hernandez Lopez, commander of the fourth division of the army of Colombia, issued a statement July 10 in which he called upon Armand Hammer's Occidental Petroleum and the West German firm Mannesmann, not to collaborate with guerrilla organizations such as the terrorist National Liberation Army.

Charged Hernandez, "I am in the possession of documents proving that representatives of the Mannesmann Company regularly meet with subversive elements toward

very definite ends." He explained that Hammer-connected companies have been providing funds to the ELN, the terrorist group which two years ago kidnapped Jaime Betancur Cuartas, brother of Colombian President Belisario Betancur.

Occidental recently made a financial killing in Colombia when it received \$1 billion for the sale, to Royal Dutch Shell, of 50% of its exploitation rights in the Colombian oil reserves of Cano Limon, located in the eastern plains of the country. Since Hammer had only invested some \$70 million in the area, Hammer reaped a neat 1,400% profit on the deal.

But meanwhile, Shell is vying to buy up 20% of the holdings which Colombia's state coal company, Carboacol, has in the massive coal mining project Cerrejon Norte, plus a neighboring coal mine in Cerrejon Central.

Cerrejon Norte was intended to be one of Colombia's main sources of foreign exchange in coming years, to give the nation a way out of its severe foreign exchange shortage. Shell's offer is therefore a concrete example of the implementation of the "debt for equity" proposals floated by Henry Kissinger and his associates, as an ostensible solution to the debt crisis.

### *Health Care*

## Massive New York hospital cuts

New York City is experiencing the most significant contraction in hospital care since Medicare and Medicaid were created 20 years ago. Said Anthony Watson, director of New York's Health Systems Agency, "We are not talking anymore about closing beds, or even wards and services. We're talking about closing hospitals."

New York Hospital and Columbia Presbyterian Hospital have cut back nearly \$2 billion in rebuilding plans. At Montefiore Hospital, entire floors have been closed and nurses laid off. Over the past decade, 5,114 beds have been eliminated in the city. Said Watson: "We will concentrate on shrinking large institutions and closing unneeded ones."

● **THE IMF** is holding back on a \$310 million credit to Morocco, because Morocco has failed to meet IMF conditions in the first half of this year. The credit was to replace one expired last March. Morocco is also late in paying service on its state debt. After two years of negotiations, Morocco came to agreements with Citicorp and the "Club of Paris" bankers in mid-July, to reschedule principal payments from 1983-84. The IMF made the rescheduling agreement a condition for extending new credit.

● **DAIRY QUOTAS** of the European Economic Community are having their impact: Over the first five months of 1985, the EC countries produced 20% less skimmed milk powder than over the same period last year. The sharpest drop was in West Germany, where milk powder is down 26%.

● **THE U.S. FDA** has ordered a nationwide recall of dairy products distributed by Cacique Fine Foods of suburban Los Angeles, because *Listeria monocytogenes* bacteria were found in samples of Cacique cheese distributed in 13 states. Only one month ago, dairy products from Jalisco Mexican Products of Artesia, California were also recalled. So far, 61 deaths and stillbirths, and 187 illnesses in California and six other states, are blamed on the consumption of cheese products carrying the *Listeria* bacteria.

● **6,400 STEELWORKERS** employed by Wheeling-Pittsburgh Steel Co. will soon have their wages cut to below the official poverty level, if the Pennsylvania courts approve the company's plan for reorganization under Chapter 11 of the bankruptcy laws. The average wage would be cut from its current \$21.40 per hour, down to \$15.20, which, after insurance, pensions, and other deductions, amounts to a mere \$6.00 per hour.

## India: overcoming the infrastructure bottleneck

by Ramtanu Maitra

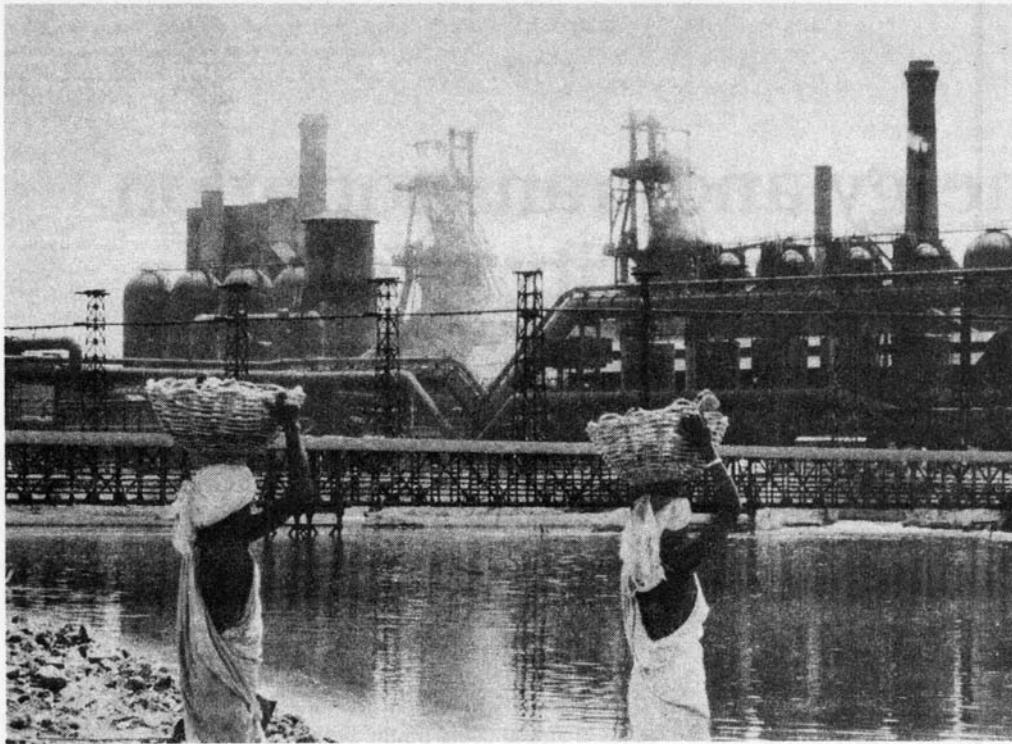
The absence of the most basic infrastructure in many areas of the world is a scandalous condemnation of international economic policy and practice.

In Africa today, famine and disease rage and millions are dying. Not only are national economies prostrate, but the rudimentary port and transportation capacity to handle the required level of emergency relief does not exist. In Asia, the tiny nation of Bangladesh has been devastated for the umpteenth time by a killer cyclone, only because the country's infrastructure is inadequate to protect the population from such regular natural occurrences.

There are many more areas of the world that remain essentially closed to positive economic development for lack of adequate infrastructure—communications, transportation, power, water management, and manpower development. Invariably, among the more advanced of the developing nations' economies, infrastructural bottlenecks, obsolescence, unevenness, and inadequacy of performance constitute the critical choke-point for more rapid economic growth. India is a case in point.

Even though infrastructure does not directly produce wealth, it is the crucial foundation of any economy. Modern and abundant infrastructural facilities have the unique effect of *producing productivity*. Infrastructure transforms technological advance into productivity gains for the economy, by ensuring optimal use of equipment and machinery. Its availability will largely determine how rapidly the transformation from agrarian backwardness to an industrial nation can be made. Contrary to the dogmas of the World Bank-International Monetary Fund (IMF), it is productivity which is the proper principal concern of any national leader or development planner. This was brought out at a conference on India's economy in New Delhi in April, sponsored by *Fusion Asia*. "If we concentrate on productivity, production will come automatically," Fusion Energy Foundation Research Director Uwe Parpart-Henke emphasized in a presentation abridged in the following pages; "but if we do not concentrate on productivity, production will stagnate."

The case of power is exemplary. Power plants are capital-intensive, particularly nuclear power plants, and it has been a consistent policy of the World Bank-



United Nations

*After India gained independence, Prime Minister Nehru launched giant infrastructure development programs, like the Damodar River project shown here, which combined power generation with flood control, irrigation, and navigation. But since the 1960s, funds have dried up. Shown are electrical installations of the Indian Iron and Steel Company's plant at Burnpur, receiving power from the grid of the Damodar Valley Corporation in 1955.*

IMF to oppose such investments in the developing countries. Yet, it is obvious that the most productive machinery requires electric power to run. With inadequate or unreliable power supplies, it is impossible to run a machine at full capacity—quite apart from the damage to machinery caused by sudden power outages and the like. The result is waste of investment capital, of resources, and of manpower.

Both oil- and diesel-fired machinery are expensive and dependent on finite resources. It is no accident that the most developed nations use the most modern and efficient machinery and have abundant supplies of electricity; it is no accident that per-capita electricity supplies in an economy correlate more or less directly with the standard of living.

The standard argument against high-technology and capital-intensive investments in infrastructure—besides the racist Malthusian allegation that these are not “appropriate” to developing nations populations—is one of alleged economy, namely that labor-intensive methods are cheaper and employ more people. In India, for example, many large hydroelectric projects, roadbuilding, and other infrastructural projects have been turned into giant employment schemes, where the premium is placed on *not* finishing the project. Cost and time overruns transform such projects into outrageously expensive propositions. Such a policy is suicidal.

Indeed, it is only through rises in productivity that the surplus—the economic “free energy”—is generated to allow the expansion and improvement in means of production and living standards. This recognition motivated former Prime Minister Indira Gandhi's productivity campaign, beginning in 1980, and is also reflected in the approach to the Seventh

Plan (1985-90). The Rajiv Gandhi administration is equally committed to the task. In this, the greatest obstacle is the country's vulnerable infrastructure.

Fortunately for India, the nation's first prime minister, Jawaharlal Nehru, a nation-builder with a scientific outlook, realized the importance of building a strong infrastructure. The first two Five Year Plans, executed under most difficult conditions, were devoted exclusively to infrastructural and basic industrial sector development. During this time, Nehru pushed through two major infrastructural projects—the giant dam at Bhakra Nangal and the Damodar Valley Projects. Bhakra, one of India's “Temples of Progress,” as Nehru called these large projects, opened up the dry lands of Punjab and Haryana for an agricultural revolution.

But these gains had to be fought for every inch of the way. Under conditions of drought and external aggression during the 1960s, the public investment Nehru insisted be steered into agriculture and infrastructure was cut dramatically. Infrastructure development lagged far behind the needs of a growing population, and as a result, productivity stagnated.

The result is seen clearly in the fact that India has not been able to achieve the agricultural productivity gains that will allow a marked shift in the labor force toward industry. In 1960, 75% of the population was engaged in agriculture; in 1980, it was still 71%.

The same danger now shadows the United States. With a three trillion dollar debt and a devolution of basic industries, the United States is facing an imminent collapse of its infrastructure.

# India's energy and transportation sectors need a priority effort

by Ramtanu Maitra

If there is one subject that brings unanimity of views in India, it is the demand for energy. Here the Punjabi farmer agrees entirely with his Tamil counterpart, and the Gujarati industrialist echoes the complaints of his Keralite competitor. Power is the single most urgently needed ingredient to speed up India's economic growth.

There are three basic sources of power generation in India: coal, hydroelectric, and nuclear. Some wasteful expenditure is made under the guise of developing non-commercial, non-conventional, renewable energy sources. But even those who are trying to pull the wool over others' eyes will admit on questioning that the effort is going nowhere. Some efforts are also afoot to generate electricity from natural gas. Since natural gas will remain the most important raw material for producing fertilizers, such a policy is unwise, and only a part of the "crisis management" approach to which a section of planners and officials has resorted.

Although India's coal reserves are sufficient to maintain energy independence over the coming two decades, after which nuclear fission must play a major role for generating electricity, the quality of Indian coal is hardly suitable for burning, because of its high ash content. While arguments can be made for developing furnaces to suit the Indian coal, the Indian planners are now also correctly looking toward using coal to produce fertilizers. Today, the cost of cleaning up the mined coal is excessive, and the process involves a great deal of handling time.

While India's hydroelectric potential is about 100,000 MWe at about 42% load factor (average capacity utilization), the general topography and other conditions in various parts of the country, particularly in the sub-mountainous regions, are such as to restrain development of a large part of it. Some of it may not even be considered economical under present conditions. So far, less than 15% of this potential has been exploited.

The one fuel source which India identified in the early fifties and has since been developing for large-scale commercial use, is uranium. Although the contribution of nuclear power, based on fission of uranium fuel, is less than 3% today, it is going to be India's prime energy source in the future.

Dr. Homi Bhabha, a cosmic ray physicist, was given charge of the Department of Atomic Energy by Prime Minister Nehru in the early 1950s. A visionary, Bhabha developed a long-term strategy for nuclear power in India, which took into account what he saw as the future political ramifications of nuclear power. He realized that India's uranium reserves were meager as compared to those of the rest of the world, but on the other hand, deposits of thorium were abundant. Bhabha established that nuclear power strategy in India should aim at using up the uranium, while at the same time moving toward greater consumption of, and ultimately reliance on, thorium. This is the strategy that was subsequently pursued.

Dr. Bhabha's program involved three stages. The first was establishing a chain of nuclear power stations, using natural uranium as fuel and heavy water as the moderator. The stations were based on a Canadian design popularly known as the "Candu" reactor type. These reactors serve dual purposes: They produce electricity and at the same time convert the non-fissile uranium 238 into fissile plutonium 239.

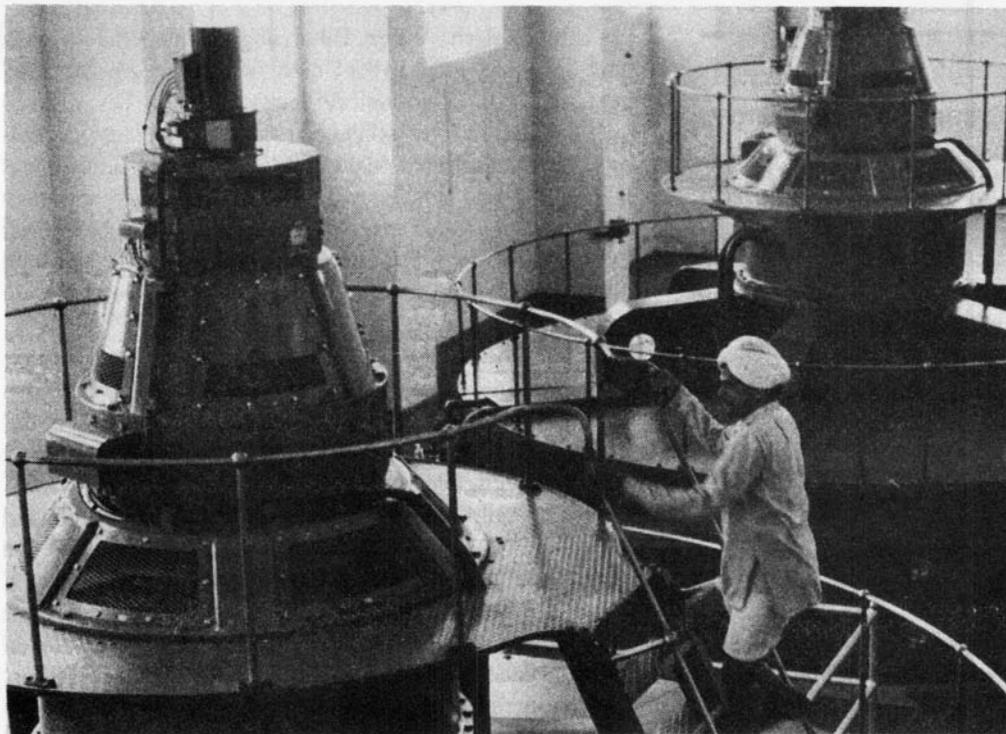
The second stage calls for developing fast breeder reactors. The breeder reactors also have a dual role: Besides generating electricity for commercial use, they convert thorium 232 into uranium 239. Plutonium 239, obtained from the "Candu" reactors in operation, would fuel the breeders.

In the third stage, technology would completely change over to a thorium-uranium fuel cycle, in which fissile uranium 233 will be bred from thorium 232 and commercial power would be generated.

Although a chain of nuclear power stations, as envisioned by Bhabha and Nehru, has not been established yet, India scientists have succeeded in building a 40 MWe breeder test reactor scheduled to be ready for power generation in August 1985, and are now running the world's only thorium-uranium cycle reactor at Trombay. A 500 MWe breeder reactor is now under construction and will be commissioned in the 1990s.

## The inadequate power plan

India's present power generation capacity is around 43,000 MWe. According to the recent announcement of the Minister for Irrigation and Power, B. Shankaranand, an addition of



*Hydroelectric generators of the Talaiya Dam, on India's Damodar River.*

United Nations

4460 MWe to capacity will be achieved in 1985-86. The long-term planning shows that India's total generating capacity will be 100,000 MWe by the year 2000—a measly amount for a nation that is going to sustain one billion people by that time. 100,000 MWe by the year 2000 will bring per-capita consumption of electrical power to approximately 0.53 kwh annually, which is about 5% of what is consumed in Japan. There is no doubt that unless a radical change in thinking with regard to electricity-generation is made, the future of Indian power production will remain dim.

Aside from the fact that planned installed capacity is too small to bring about rapid agro-industrial growth, there are other strains. Transmission losses that average 20-23%, an abysmally low average plant load factor of 41.5%, and perpetual diverting of power in one area to feed another, have taken a heavy toll on the agro-industrial sector. Anyone who is familiar with fertilizer production, heavy water manufacturing, etc., is well aware what catastrophic effects such diversions can have on equipment and machinery. Aluminum, which could play a significant role in the basic industries, is a large consumer of raw electricity, and therefore has taken the brunt of power cuts. To aggravate the situation further, small and economically inefficient power plants, mostly diesel-fired, are cropping up everywhere, to protect, at whatever cost, capital investments which have already been made.

One may argue that such cost-inefficient power plants are better than nothing. However, any energy-inefficient mode of production is a net drain on the economy. While it is obvious that the transmission losses can be brought down and

the plant load factor can be raised through modernization and better maintenance of plants, the plan to keep electricity-generation capacity low is dangerous indeed.

### **The nuplex concept**

Since India has not developed a comprehensive nationwide electrical grid, the distribution system becomes unstable whenever a large power station goes out of operation or a new one is hooked up into the distribution system. Besides going all out to develop such a stable grid, the authorities should adopt what Dr. Vikram Sarabhai—the eminent scientist who headed the Department of Atomic Energy following Dr. Bhabha's sudden death in 1965 and who, with Bhabha, developed the space program—had outlined in the sixties. Sarabhai outlined a method to establish large agro-industrial complexes at suitable locations, where a cluster of nuclear power stations would provide the essential electrical power. This would eliminate the problems of transmission and distribution, which amount to almost 12% of total capital cost, and of grid instability. It would also facilitate development of large areas, by building new cities with modern facilities.

Nuclear power plants possess substantial economies of scale, which could be taken advantage of in supplying power to those regions where demand is concentrated in a small area. Case studies and feasibility reports were prepared to show the economic benefits of nuclear power. One detailed case study was done for a large-scale agro-industrial complex in western Uttar Pradesh (**Figure 2**). Such studies should also be prepared for developing agro-industrial complexes in east-

FIGURE 1

**Share of consumption of commercial energy**

(percent)

Sector	1953-54	1960-61	1965-66	1970-71	1975-76	1978-79
Household	21.3	20.6	18.0	18.0	14.8	13.7
Agriculture	3.0	3.6	4.3	4.6	7.2	10.6
Industries	37.3	39.2	41.4	38.7	40.3	38.5
Transport	35.8	33.8	33.8	32.7	33.8	31.7
Others	2.8	2.8	2.5	6.0	3.9	5.5

Source: Planning Commission, Government of India

FIGURE 2

**Design for a nuclear/agro-industrial complex in western Uttar Pradesh**

	Capacity	Cost*
Power plant	1,100 MWe	300
Fertilizer plants	1.46 × 10 t/yr	176
Aluminum plant	5 × 10 t/yr	73
	Total:	549

Area to be irrigated	1.5 million hectares
Number of shallow tubewells	13,000
Number of deep tubewells	13,000
Annual income/hectare	\$1,100*
Net annual profit/hectare	\$ 645*

\* 1976 prices

Source: Department of Atomic Energy, Government of India

FIGURE 3

**India's low investment in infrastructure**

(percent of total investment)

Year	Total Infrastructure	Railways	Electricity	Mining
1960-61	13.2	6.8	4.8	1.6
1965-66	18.1	7.8	9.2	1.1
1967-68	14.3	4.5	8.1	1.7
1969-70	12.7	2.7	7.9	2.1
1971-72	13.5	3.8	7.8	1.9
1973-74	10.1	2.7	5.5	1.9
1975-76	16.2	2.6	9.3	4.3
1977-78	16.2	2.2	9.8	4.2
1979-80	15.5	2.6	9.5	3.4
1980-81	15.5	2.8	8.6	2.1

ern Uttar Pradesh, Assam, Bihar, and Madhya Pradesh—the least developed areas in the Union, with great agro-industrial potential. It is not without difficulty that India has, over 20 years, built up a fully indigenous mastery of nuclear technology. This gives the nation the capability to make radical shifts in policy away from perpetual energy shortage and slow growth. Unless such measures are taken, it is unlikely that there will be any substantial increase in productivity within the Indian economy.

**Transportation woes**

In the same category as the energy sector is India's transportation system. At present the transportation system depends heavily upon railroads and roads, with water transport playing a negligible role.

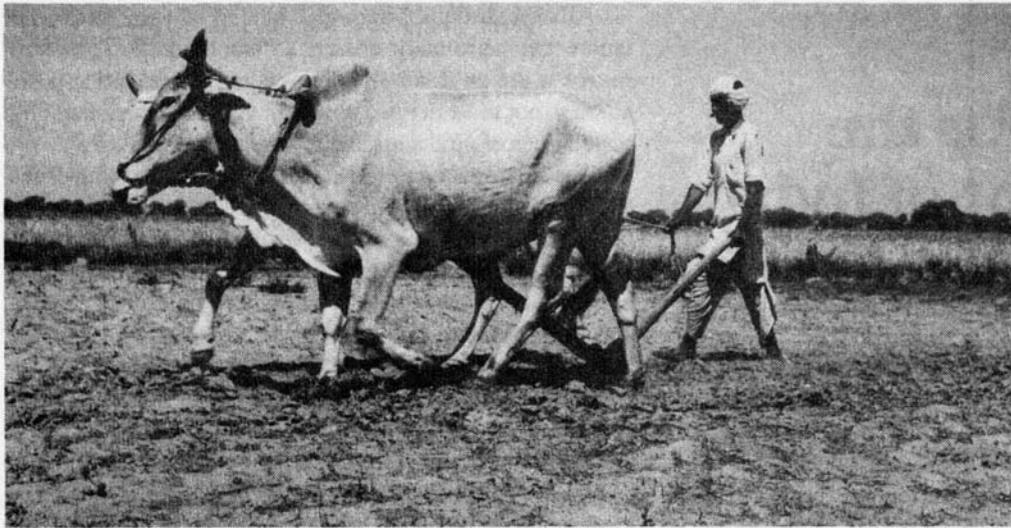
India's railroads are the main artery of the nation's inland transport, extending over 38,400 miles, of which 10% are electrified. The railroads employ about 1.8 million people and have a budget close to \$7.5 billion. The railway network is the largest in Asia and fourth-largest in the world. Indian railroads handle 3.7 billion passengers annually, besides carrying more than 250 million tons of freight.

But comparable to the size of the railway network is its decrepit state. All the problems basically relate to lack of modernization: Eight thousand of some 12,000 locomotives are still steam-driven; over 12,500 miles of track require urgent replacement; the standard wagon carries only 22 tons because many sections of track are incapable of taking heavier wagons; most railroad crossings are manually operated, and there was not any computerization of passenger reservations or goods booking until a few months ago.

The other principal problem is the assortment of existing rail track. Three incompatible gauges exist in India—broad gauge, meter gauge, and narrow gauge. Goods have to be expensively trans-shipped from one gauge to another. Over half the track consists of narrow- and meter-gauge lines which were cheap to build (all of it was built by the British) but uneconomical to operate. Meanwhile, the number of wagons is decreasing. The fleet of 405,000-odd wagons registered in 1980 declined to 383,500 by 1983.

The railways today constitute one of the worst bottlenecks in the economy. They have failed to transport enough coal to the power stations, which causes further power cuts. These power cuts bring the railroads to a halt wherever the tracks are electrified. Cement plants, fertilizer factories, and textile mills are among the worst hit. All these add up to further reduction of productivity.

What has happened to the railroads is not too different from what caused the power sector to become inefficient. Under-investment in the railroads was combined with gross neglect of the maintenance of the existing capital stock. The impact of slowdown in public investment on the railroads was probably the most pronounced of all sectors of the national economy. After increasing rapidly in the early sixties,



*The leap from backward farming to modern agricultural technologies will require investment in energy and infrastructure. The "nuplex"—a large agro-industrial complex fueled by nuclear power—is ideal for India.*

investment in the railroads began a decline. Beginning in 1966-67, the share of railroads in public investment never exceeded 4.6%. From 1973 to 1981, the share was always less than 3% (Figure 3).

India's road system can at best be described as inadequate. For a country which imports more than 40% of its oil requirements, road transportation is neither profitable nor reliable. Yet road transportation has burgeoned because of the inefficiency of the railroads and the increasing amount of goods that need to be moved. Moreover, for short distance hauls, road transport is becoming more attractive because of the flexibility it affords.

India has a large number of major rivers. Although most of them travel from east to west, a great deal of potential exists to develop the water transport system. Besides carrying millions of tons of freight, it can also carry passengers. However, comprehensive planning is necessary to work out the feasibility of such a system and then, to train the rivers. Blueprints exist for using the Ganges River from Allahabad to Haldia and the Narmada River for inland water transportation. It is essential that these plans be given serious consideration, since water transportation remains today the cheapest mode of transporting bulk commodities.

### Problems of implementation

The infrastructural weakness is like a double-edged sword. First, it does not allow the existing industrial facilities to function at their full potential. Second, it prevents the infrastructural development from taking place smoothly. A case in point is India's energy sector: As many as 38 hydroelectric and thermal power projects, slated for completion during the Sixth Plan period (1980-84), have spilled into the Seventh Plan (1985-89). According to a calculation made in August 1984, these projects, originally estimated to cost about \$2.7 billion, are now expected to involve a sum of \$6.5 billion—a rise of 140%. Even the latest figure is considered a conser-

vative estimate. It is unofficially stated that the projects could eventually cost over \$7.5 billion.

Such cost and time overruns are scarcely a new phenomenon in India. The report of the Rajadhyaksha Committee on Power, published by the Government of India in 1982, showed that the minimum time overrun for hydro power projects was two years, and the maximum nine years. The cost overruns were typically 100% and exceeded 400% in two cases. In the case of the Loktak project, the cost overrun was close to 700%. The cost overruns for thermal power projects are typically about 80%, although the Obra project showed a cost overrun of 137%. It was revealed in March 1982, that all the thermal power plant projects which were under construction then, would together incur a \$5 billion cost overrun, and out of 114 units under construction, only six units were expected to be completed on time. For the others, anticipated time overruns ranged from a few months to six years.

Although such facts can be found in almost every sector, the delay in infrastructural projects hurts more, since those involve large capital outlays and at the same time hold up installation of many productive facilities.

Among the factors that stand out behind the poor implementation are the following: inadequate mobilization of funds; shortage of essential raw materials like steel and cement; delays in supply of plant and equipment; delays in construction and commissioning; change of scope of work in mid-stream. The problem of fund shortages—so-called resource constraints—is deceptive. When a project is delayed and incurs cost overruns, money allocated to another project is then shifted to fund the ongoing project. The victimized project is in turn delayed. This process goes on, resulting in cost and time overruns in every single case.

Further, some projects are used as political plums, to employ and therefore to appease certain political factions and leaders. These projects cause a massive drain upon the nation's funds.

# A strategy for the development of India

by Uwe Parpart-Henke

*The following is excerpted and abridged from a talk given on April 9 in New Delhi, at the conference titled "India an Agro-Industrial Superpower by 21st Century: a Strategy for Economic Breakout," sponsored by Fusion Asia magazine.*

Let me say at the very outset that while it is clear that the economic problems faced by the developing and advanced-sector nations are different in certain regards, one of the fundamental things that is wrong in much of the economic thinking today, is that it is somehow assumed that the principles of economic science applied to the advanced-sector and developing-sector economies are different. I don't think they are different. I think that what works in the advanced sector can work equally well in the developing sector, in most cases. The only thing that makes a significant difference is manpower development.

When we refer to India in particular, therefore, there is no reason why, in principle, the same types of technologies should not come into the production process rapidly and at the same time as they are coming on line in the advanced-sector nations, because by and large the manpower potential exists in India, quite uniquely among all developing-sector nations, to do that.

The principal way in which this distinction has come to figure in economic and scientific considerations, is because of the use of certain types of methods in economic analysis which I regard as entirely inadequate and highly problematic—even highly biased in certain cases. If you look at the use of econometric models in the analysis of any economy, almost all models—with the exception of the LaRouche-Riemann model which we developed since 1979—are based upon certain economic equilibrium assumptions.

In all these models, the assumption is that there are two fundamental categories that are in competition with each other—population growth and a certain resource base, which at the outset is at a fixed positive level, and which in the course of economic development gets exhausted on an exponential scale. The assumption is that sooner or later we have to reach some point of intersection of the curves showing depletion of the resources and the growth of population, and under these circumstances we enter into the kind of critical phase that the Club of Rome and other such organizations have been predicting for some time.

All of these equilibrium-type models that predict disaster ignore two absolutely critical assumptions: first, that *resource* is not an absolute category; and, second, that *population* is not to be defined as a population of consumers, but populations of producers and potential producers. . . .

The actual picture of human development is quite different from what the equilibrium models present, and is best perceived if we look at certain levels of population-density potential, different levels which are technologically determined. How many human beings at any given point in time, and with a given technology, can be supported by one square kilometer of land?

In the earliest periods of human history, when we did not even have agriculture as a technology available, historical and anthropological research has shown that in the hunting and gathering mode, we needed about 13 square kilometers to support one human being. The total world habitable land surface being about 130 million square kilometers, we can say that the population potential in the hunting and gathering mode would have been in the vicinity of only 10 million people. And if some clever fellows had not found a way of developing agricultural methods, even primitive ones, then even at that very early point, with only 10 million people, we would have run into a population crisis.

Well, that did not occur. The first Club of Rome-types or Malthusians of that period were proven wrong. . . .

The level of technology determines population potential, and the policy problem—the worldwide economic policy problem we have today—is very simply that at this point the highest technologies are confined to relatively small sectors of the world population and have not been successfully spread or allowed to be spread to the rest of the world.

## The LaRouche-Riemann model

In the econometric model that we have developed, we therefore had to take into account the fact that the actual story of human economic history is not a linear continuous function, but is in fact a discontinuous step-function, and that the process that fundamentally underlies economic development, is not an equilibrium process but, thermodynamically speaking, the opposite—a process which is characterized by having its most important development defined by non-equilibrium assumptions.

In particular, we had to analyze the relationship between technology and productivity from a physical standpoint—not just from the standpoint of making some financial calculations about how much a certain technology costs and what that will get you in terms of output per manhour. In order to make sure that the argument does not become circular, you have to find a physical characteristic that defines productivity from the standpoint of technology. This is accomplished in terms of a quantity which I will explain to you momentarily, which we call *energy flux density*.

And secondly, it becomes necessary to focus on the fact

that in order for human populations to overcome the potential points of intersection at any given level, it cannot be truly the case that there is no change at the given level. There has to be, at any given level, a certain amount of slower, though not necessarily the same kind of dramatic technological change, which is sufficient to produce what in physical terms we might call the *free energy*—that is to say that energy which can do net work; it is not reabsorbed in the process of the economic cycle. It is what for an individual business is simply called profit, that which you can reinvest to expand your business.

I want to go into this question of energy flux density with some emphasis. Energy flux density is defined as the amount of energy, either in megawatts or any other way in which you want to look at energy, that flows per square meter in unit time—say, per square meter in seconds ( $m^2/sec$ ). You can look at any number of production facilities and grade them from that standpoint.

We look first of all at energy flux density in the energy sector itself. There are essentially three types of energy systems that exist today in various forms.

First there are solar energy systems—everything from windmills, to biomass, to solar cells, solar cookers, and anything that anybody has dreamt up (and there are many that have been dreamt up, unfortunately). The big problem with any solar energy system, is that it is limited in efficiency by the fact that the amount of sunlight that arrives at the surface of the earth is diffused, and it arrives at an average energy flux density of 10 to the minus 3  $MW/m^2$ .

When you look at the traditional fossil fuel systems, you are talking about an energy flux density 10,000 times more energy dense than solar energy systems, and you will see how that fact translates immediately into a dramatic productivity gain.

Then, finally, you have the nuclear energy systems which concentrate energy 20 times more than most fossil systems.

These figures do not translate into productivity figures directly, but indirectly via a notion that we call *energy payback time*. Any time you build an energy system, you spend a certain amount of energy in the construction process. So we can calculate, for each of these energy systems, how much energy is necessary to make it. Then we can ask ourselves how long we will have to operate the system until it at least recovers the amount of energy that was necessary to build it.

In the case of solar energy, with the presently available solar cells, payback time is 20 years. There is no solar cell that lasts that long anywhere in the world. Anytime anyone today produces a solar cell for energy production, he is simply wasting net energy, and that's the end of it. Anytime you produce in India a solar cooker, you're wasting net energy. You are, in fact, using precious energy resources of the nation to produce something that can never recover the amount of energy that was necessary to make it—unless you can keep a solar cooker alive for 20 years. I defy you to do that! The

same thing is true for other solar systems. And the solar cells are the “best case” scenario. Everything else—biomass and so forth—is much worse, in terms of its energy payback time.

The fossil systems, since there is a factor of 10,000 in difference in energy flux density, are expected to perform somewhat better, and they do. The ordinary lifetime of a fossil fuel plant is about 25 or 30 years, so after a year and a half, taking into account the entire fuel cycle, that plant is in fact doing something for your economy. From that point on it is producing more energy than it actually took to build. Nuclear power plants are somewhat better still.

That is the way of assessing what kind of energy systems you should use in your economy, where you should put your investment, where you should make your research work, in what direction you should look.

If you look at the efficiency of agricultural production, it is equally determined by the energy flux density. Compare the energy used in rice production in India, the United States,

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*When we refer to India, there is no reason why, in principle, advanced technologies should not come into the production process rapidly and at the same time as they are coming on line in the advanced-sector nations.*

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and Japan. These are the categories that define the actual energy input: installed horsepower per hectare, farm operation, total irrigation and fertilizer, and then the important category, the amount of energy input per hectare. Japan is the highest, and as a result, rice yield in Japan is also the highest.

Now look at this from the standpoint of productivity and efficiency. How much energy is necessary to produce one ton of rice? In India, you need three times as much energy to produce one ton of rice as in the United States and Japan. The waste of energy, again, comes in precisely as a result of using energy in an unconcentrated form. It is only through the efficient concentration of energy, that is to say, through energy flux density, that you can make the system efficient.

The fundamental point to be made, is that an improvement in production technology is in fact best defined as an improvement in the level of energy concentration or the capability of concentrating energy. That capability in turn directly translates into the possibilities of improving the productivity, the output per manhour of every individual worker.

## India's future

Now, for the most modern systems that we have available today.

Until the year 1850 or so, the only part of the electromagnetic spectrum that was really used was the part that is defined by the infrared—which essentially means heat—for industrial processes. And then in both power generation and in a whole variety of different industrial applications, we began to exploit other parts of the spectrum, both in terms of the longer wavelengths and shorter wavelengths.

The most important, still relatively recent advances—our ability to go into the atomic range and ultimately into the higher levels of that, the x-ray range—are in the application of laser devices. The laser devices concentrate an enormous amount of energy over an extremely short period of time very precisely, essentially onto a point, or onto as small a point as you want. That capability of concentration of energy depends on making use of highly coherent and relatively short-wavelength parts of the electromagnetic spectrum.

What we are talking about here are productivity jumps through the introduction of high-energy lasers and these so-called plasma-based technologies. Productivity jumps not of 2%, 3%, or 5% per year but productivity jumps in the order of magnitude of tens of thousands of percent. If you look at it from the standpoint of many developing-sector economies, rather than investing money in development of machine tools which are already outmoded, what I would do is as quickly as possible develop a laser research institute. I would find, anywhere in the world, my people, who may be scattered or have run away to greener pastures, and tell them to come back, work at home, get involved in this laser research institute. I would tell them, we will transform that into a machine-tool industry, and we will be able to skip an entire stage of technology rather than repeating every foolish mistake that has been made in the advanced sector.

That opportunity is now uniquely open to almost all developing-sector nations that have the initial manpower capability of handling these types of systems. We are not talking about a massive amount of investments. We are not talking about huge commitments. We are talking about making a concentrated government decision to create the relevant research institutes, to put some money into making this thing work, and then to assure that there is the speediest possible transfer of technology from the research sector to the actual applications in production.

The laser is going to be the single most important machine tool of the future. Already now, at its early stage of development—and even scientifically it was not even invented until 20 years ago—lasers last year accounted for about 5% of total machine-tool sales in the U.S. That is not a small amount of money; it represents several hundred millions of dollars. We are already beginning to spread these high-productivity machine tools into many sectors of the economy.

I can see absolutely nothing that would prevent that same

process from happening in India. The one aspect of it that is problematical from the standpoint of your technology—and which is in fact more difficult to handle than the laser technology itself—is the control technology for these systems. But even there, in India, at least—from the standpoint of space systems, from the standpoint of nuclear systems—you have developed the control capabilities to handle these kind of machine-tool systems as well.

These productivities are reachable and possible. The productivity of agriculture and the productivity of industry *determine* the rate at which you can transform your population from a largely rural agrarian base to an industrial base. And the rate of introduction of technologies in India in agriculture and in industry has unfortunately been so slow, that in the 20 years between 1960 and 1980, the percentage change in composition of your labor force was very, very minimal. In 1960 you employed 74% in agriculture; in 1982, 71%. And the industrial employment made a percentage gain of only 2%. That signifies low productivity and a very slow rate of diffusion of modern technology into the various sectors of agriculture and industry.

If I were an Indian planner, the thing that I would focus the greatest attention on, is how to concentrate on certain key projects in the energy sector, in the water sector—in particular, those two—and in the high-technology machine sector, to make available a concentrated breakthrough for the transformation of the population on a much more rapid scale. If the current rate of population change is maintained, you are surely headed for a very difficult time in the future. On the other hand, countries like Korea, in that same period of time, accomplished a percentage change of 32%—that is to say, they cut their agricultural population in half over that same period of time.

When you do these things right, then your agricultural workforce disappears, and properly so. That is what happened in the United States from the year 1800 to the year 1960. We had more than 80% of our population in agriculture in the year 1800; we had less than 10% in agriculture in the year 1960; and, today, in the year 1980, we have about 4% in agriculture. Those 4% of the U.S. population, if they were to operate at full capacity, could feed almost the entire world. . . .

Precisely to the extent that you accomplish that, and only to the extent that you accomplish that, are you going to be able to ever raise the standard of living of your population substantially. Without the productivity impact of high technology, as well as infrastructure projects associated with that, nothing of this sort can be accomplished. All you will gain is stagnation and a waste of resources.

The most dramatic waste of resources occurs when you do not concentrate them on a point. That is the single most important lesson to be learned, both from the standpoint of industrial technology and from the standpoint of economic planning.

# High technology to maximize resources

by Dr. N. Tata Rao

*The following is excerpted from a talk on April 10 in New Delhi at the conference, "India an Agro-Industrial Superpower by 21st Century: A Strategy for Economic Breakout," sponsored by Fusion Asia magazine. Dr. Tata Rao is chairman of the Andhra Pradesh State Electricity Board.*

The industrial policies adopted by India through successive Five Year Plans have relayed rich dividends, leading to substantial all-around industrial growth in the country, which today has the world's tenth-largest industrial base and third-largest skilled manpower reservoir. Though our achievements are a matter of some pride, one cannot help noticing that nowhere in the past policy formulations has there been an emphasis or direction toward productivity. The industrial licensing policies have stressed production and not productivity, investment but not efficiency. Hopefully the policy direction of the Seventh Plan will review the situation with a view to charting out a path of improving productivity.

Important constraints in achieving productivity include, among other things, sub-optimal capacities, time-worn technologies, low capacity utilization, and restrictions in technical know-how. The poor capacity utilization and plant availability in the case of power generation units not only raises the cost per unit of energy, but also affects and undermines the capacity utilization factors in the manufacturing sector in general. It may be mentioned that the overall capacity utilization in the manufacturing sector came down from about 85% in 1970-71 to about 75% in 1981-82.

Operational inefficiencies leading to low productivity and high cost indicate scope for reducing the cost and improving the productivity. This would, however, require, apart from concerted effort on the part of management, access to better technologies.

In the case of generation, transmission, and distribution of electricity, the problems confronted are enormous and the improvement on this side is extremely profitable. Introduction of microprocessor-based systems, fiber optics, etc., would go a long way toward the improvement of productivity and reliability in this sector. We in the Andhra Pradesh State Electricity Board propose to procure, install, and commission computer-based data-acquisition systems, with provision for sequential starting and stopping of the boilers and turbines, and recording of events and tripping of units for the

existing as well as the new units—and particularly for the proposed extension of the Vijaywada Thermal Station, which has established records which can be emulated not only inside the country but even elsewhere. By using one of the lowest grades of coal available in the country, with 45% ash, we have last year achieved 82-83% utilization with 100% indigenous equipment.

The new additions that we are going to make at that place will improve it further. I am trying to borrow some new technologies so that we can use an even poorer grade of coal, eliminate the use of oil altogether—either for starting or during the low-load period—and also use distributed controls, probably for the first time in the country (and in fact you can count on your fingers the power stations in the world that have such controls). It is also a purely computer-run power station, so that human errors can be eliminated to the maximum possible extent.

## Energy requirements

With reference to the energy sector in particular, unless we adopt the modern technologies we will not be in a position to handle the power needs of the country. Today, as most of you are aware, we hardly have 40,000 megawatts of installed capacity, given a per-capita consumption of hardly 150 units, compared to about 2,500 units of consumption even in a least-developed country. If we have to achieve even 500 kilowatt hours (kwh) of per-capita consumption, which is a very, very modest figure, we need about 120,000 megawatts of installed capacity, as against the 40,000 megawatts that we have today.

As I have said in other forums, our priorities are misplaced. We should have given the highest possible priority to develop the "hydel" energy, the renewable source of energy of which today we have developed hardly 15% of the available potential in this country. That is a disgrace! And, instead, we are using coal to generate the required energy to meet the demands of agricultural and industrial sectors.

Next, I have been telling, is nuclear energy. We ought to have developed nuclear energy much better than we have, because Bhabha [Dr. Homi Bhabha was in charge of India's Atomic Energy Commission in the 1950s—ed.] set the real trend. We thought—and we in the power sector were hoping—that we will be one of the few countries in the world with a high percentage of nuclear energy generation in our country. Unfortunately, we slipped up. We lost tremendous and precious time, and the net result is that we have hardly 1-2% of that, and we are hoping to achieve 10% at the turn of the century. But I doubt very much whether we will achieve it at the pace we are going. That, too, is a real disgrace.

For us, the *last* priority should be to use oil, gas coal, and such reserves created by nature over millions and millions of years of effort. We are trying to use it up in a matter of a century. Even in our own country, I don't think that at the rate at which we are using it, coal will be available after another 100 years.

## Richard Burt politically wounded in Senate vote

by Warren J. Hamerman

Richard Burt, after barely surviving one of the messiest Senate confirmation processes on record, which both “anti” and “pro” Burt Senators alike acknowledged on the Senate floor as having catalyzed the most “unprecedented” transatlantic telephone campaign in Senate history against the candidate, is now off to Bonn, West Germany. Since the West German news media widely reported the repeated delays in the Burt nomination and the tidal wave of opposition to the candidate, Burt arrives in West Germany as the only U.S. ambassador to a major ally in history, who begins his assignment wearing the dubious mantle of the ambassador whom all the principal senior defense spokesmen and patriotic senators of both U.S. political parties voted against.

In the mid-afternoon of July 16, ten U.S. senators, including all of the U.S. Senate’s “wise old men” from both the Republican and Democratic parties on defense and alliance questions, cast their vote against the Burt appointment, two voted merely “present” and 88 senators voted for Burt. The senators from President Reagan’s party who voted against the George Shultz appointment of Burt were Jesse Helms (R-N.C.), John East (R-N.C.), James McClure (R-Idaho), Steve Symms (R-Idaho), Barry Goldwater (R-Ariz.), Malcolm Wallop (R-Wyo.), and Jeremiah Denton (R-Ala.). The three senior Democrats who voted against Burt were Edward Zorinsky (D-Nebr.), a member of the Senate Foreign Relations Committee who dramatically reversed his previous committee vote for Burt to vote against the candidate before the full Senate body, the distinguished John Stennis (D-Miss.), and Howell Heflin (D-Ala.).

As the documents contained in this package detail, de-

spite the capitulation and cowardice of the 88 senators who voted for a *self-imposed Pearl Harbor*, many of whom had received urgent appeals to reject Burt from dozens of high-ranking military and political figures in West Germany and other European countries as well as from around the United States, a significant bipartisan resistance of ten senators to Burt emerged. The ten patriotic senators voted against Burt despite massive and repeated pressures from Vice-President George Bush, Secretary of State George Shultz, Senate Majority Leader Bob Dole (R-Kan.), Senate Foreign Relations Committee Chairman Richard Lugar (R-Ind.) and ranking Democrat on the Foreign Relations Committee Claiborne Pell (D-R.I.) to drop all opposition and acclaim Burt ambassador through a “unanimous consent voice vote.”

The Burt hearing before the Senate Foreign Relations Committee already had raised significant questions about Burt’s history in compromising U.S. national security interests. In his Senate speech against Burt, Jesse Helms made the very accurate assessment that Burt adhered to the foreign policy and “arms control philosophy of the Carter administration.” Indeed, it is widely believed in the intelligence community, in fact, that the only reason Burt had not been prosecuted for leaking U.S. security secrets on “Project Chalet” when he was a *New York Times* reporter was because the source of the leaks was none other than his mentor and protector, then Jimmy Carter’s National Security Adviser, Zbigniew Brzezinski. During the hearings, the CIA was caught red-handed in a clumsy attempt to prepare Burt’s alibis to certain sensitive questions.

In late June, Burt, frustrated over the repeated delays in



NSIPS/Suzanne Klebe

*A citizens' mobilization in Washington and a transatlantic telephone campaign dealt an unexpected setback to the promoters of Richard Burt.*

his nomination, had to cancel what was intended to be a high-profile European inaugural tour at the side of Vice-President Bush. After several days of frantic delays, Burt was assured that his nomination was "guaranteed" before the Fourth of July recess, so an over-confident Burt flew off to Brussels the last day before the recess, to be announced as new ambassador by NATO Secretary Lord Carrington the next morning.

Burt had massively miscalculated the opposition. While his plane was in the air over the Atlantic, nine Senators (Helms, McClure, Symms, Hawkins (R-Fla.), McConnell (R-Ky.), Hecht (R-Nev.), Gramm (R-Tex.), Thurmond (R-S.C.), and Hatch (R-Utah) placed a formal "hold" on the nomination until after the recess. A stunned Burt had to land in Europe quietly and slither back to the United States.

When the Senate reconvened on July 15, an overconfident Bob Dole tried to railroad through the Burt nomination in a special Senate procedure known as "executive session," a maneuver which would make Joe Stalin blush. With the huge Senate amphitheatre, capable of seating hundreds, totally empty, but for three men—a token Senator at the front of the room "presiding," and Senator Lugar (a former high-ranking military intelligence briefing officer) representing the entire Republican Party, and Claiborne Pell (a top Anglophile member of the Royal Institute for International Affairs and the Ditchley Group) speaking for the Democrats—the Burt nomination was again "guaranteed" to be rammed through. In a shocking procedure the executive session introduced and called for voice vote "unanimous consent" for all four State Department nominees then pending, and dared any opposition to come out onto the floor and stop their maneuver.

Their deed done, they brazenly left the chamber. At least twice over the next three hours a new team of the "executive session" marched into the otherwise still chamber. Another token Senator was propped at the front of the room "presiding," while Majority Leader Dole and Minority Leader Byrd (D-W.Va.) strutted into the amphitheater. Their message each time was the same: Dole announced that it was his understanding that certain Senators wished to make statements against Burt or other nominees and he demanded that they do so quickly, so that the Senate could then bury their mere protests under a "unanimous consent voice vote."

In fact, highly reliable sources report that Vice-President George Bush was giving the orders to avoid a "roll call vote" at all costs because then it would be evident that all of the senior defense spokesmen of both parties refused to vote for Burt on national security grounds. Even senior staff of Senators were stunned that the opposition led by Senators Goldwater and Helms came onto the Senate floor at 4:30 in the afternoon and successfully resisted the "executive session" unanimous consent railroad and forced a delay until the July 16 full roll-call vote.

What was the force behind the derailment of the July 15 executive session? Goldwater dramatically stated: "I have received, and this is something that has never happened to me in the 30-odd years I have served in this body, as of maybe a half hour ago, 26 telephone calls from Germany saying that they oppose the appointment of Mr. Burt to be ambassador. As I say, that has never happened before."

The next day, when the badly tarnished Burt was finally handed his pyrrhic victory, Senator Lugar himself, the tacti-

cal operations officer for the pro-Burt forces, acknowledged at the beginning of the official roll call vote: "I would be remiss, Mr. President [of the Senate], if I did not make mention of a concerted telephone campaign undertaken recently to oppose Mr. Burt's nomination. . . ." Lugar defensively tried to dismiss the campaign as coming from individuals with "questionable" motives and credibility. Avoiding the documented charges against Burt and unable to deal with the fact that he knew that an unprecedented bipartisan group

of senior senators was about to vote against Burt, Lugar tried to explain away the embarrassment to Burt with words once used by the defenders of Benedict Arnold: "Unsubstantiated innuendo has no place in our deliberative process."

U.S. senators are not supposed to acknowledge that the pressure is becoming intolerable on them. But, then again, neither are U.S. ambassadors supposed to be sent off to assignment to an ally at the cost of publicly impeaching the man's loyalties.

## LaRouche hails patriotic senators who rejected Burt

*Former Democratic presidential candidate Lyndon H. LaRouche, Jr., in a new release issued on July 16, praised the actions of the 10 patriotic Republican and Democratic senators, who refused to endorse Richard Burt's appointment as U.S. ambassador to the Federal Republic of Germany:*

Although the Burt nomination was rammed through the Senate, the condemnation of Burt by these 10 concerned senators will serve as a check on Burt's efforts to collaborate with his Social Democratic cronies. Had these 10 senators not fought this terrible nomination, Burt could have proceeded unchecked in his commitments to sabotage the Strategic Defense Initiative (SDI), and to assist in toppling the government of Chancellor Helmut Kohl. Now, both Burt and his sponsor, Secretary George Shultz, must watch their steps.

The second, more general accomplishment of those who resisted the Burt appointment, is that for the first time since 1981, a cross-aisle coalition of pro-defense Republicans and Democrats has been established. Equally important, these senators have reactivated renewed and close cooperation among the leading patriots within the Atlantic Alliance. This reflects the fact that the majority of U.S. citizens have been dismayed by the U.S. government's concessions to the Soviet and Syrian authors of the TWA skyjacking. The Senate opposition to Burt reflects the fact that Burt himself typifies the "Neville Chamberlain" tendency in our diplomatic service responsible for the back-down to Moscow and Damascus. By resisting Burt as they did, and because both Republican and Democratic senators joined in resisting Burt, more and more U.S. citizens have found a rallying-point around which to organize the growing mood of hostility to the pattern of U.S. strategic retreats before Soviet-steered aggression.

Had there been no vigorous resistance to the Burt appointment, our allies in Europe would have been totally demoralized. It would have been an easy matter, then, to topple the Kohl government, and to bring Soviet-leaning Willy Brandt's Social Democrats to power in that country. If that had occurred, without vigorous resistance from within the Senate, a Social Democratic government in Germany would have more or less easily proceeded to pull Germany out of its U.S. alliance, as Burt's Social Democratic cronies have promised to do. The vigorous resistance within the Senate has substantially ruined Burt's credibility as Bonn ambassador, to a degree which may enable us to save the U.S. alliance with Germany.

It is true, that the patriots of the United States and Germany have suffered a defeat. The important thing, is that we patriots have not been routed. At last, we have begun to fight back. Now, where 10 patriots fought boldly this week, there will be more who rally to the cause over the coming weeks and months.

Senator Lugar, whose background in intelligence services removes all excuses for his behavior today, said that there was no substance to the charges against Burt. Lugar's assertion was completely false; the evidence of Burt's leaking of U.S. strategic secrets, his cronyism with Soviet-leaning Social Democrats, and his commitments to sabotage the Strategic Defense Initiative, are all a matter of public record. Lugar will now be watched closely, as a man who has conspicuously discredited himself before his colleagues.

The most important features of the resistance to the Burt appointment, were: 1) that the facts on which the resistance was based, were completely accurate; 2) that those opponents of Burt showed firmness and courage in face of massive pressures; and 3) that the resistance came jointly from patriotic Republicans and Democrats, in the tradition of bipartisanship on principled issues of national defense. By these actions, a new rallying-point has been established both within the United States and the Atlantic Alliance. We may now begin to hope, that the time in which the policies of "Neville Chamberlain" rule our government may be near its end.

## Goldwater, Helms speak against Burt

*The following remarks have been excerpted from the Congressional Record of July 15, 1985, reporting the Senate session on Department of State nominations, under the sub-head, "Nomination of Richard R. Burt." The speakers are Barry Goldwater (R-Ariz.) and Jesse Helms (R-N.C.)*

**Mr. Goldwater:** Mr. President, . . . my colleagues might recall that when Mr. Burt was first suggested as being a member of the State Department I objected. I objected basically at that time on the grounds that when he was a reporter for the *New York Times* he had made disclosures of very highly classified material that nearly disrupted the relations between Norway and our country.

. . . I have received, and this is something that has never happened to me in the 30-odd years I have served in this body, as of maybe a half hour ago 26 telephone calls from Germany saying that they oppose the appointment of Mr. Burt to be ambassador. As I say, that has never happened before. I do not know if it was engineered by someone in this country. I do not know what the source is.

I merely think the Senate should be interested in that fact.

**Mr. Helms:** . . . I am opposed to the nomination of Mr. Richard Burt. I opposed Mr. Burt's nomination when he was chosen to be Assistant Secretary for European Affairs. I pointed out at that time that Mr. Burt's action, in publishing sensitive classified data while a reporter for the *New York Times* compromised his ability to serve the U.S. government.

At that time Mr. Burt published information about the Chalet satellite system, a system which he said was used by the United States for detecting violations of the arms control treaties by the Soviet Union. For some reason, many of my colleagues, in their eagerness to confirm Mr. Burt, did not think it significant that Mr. Burt, as a journalist, had compromised our intelligence data.

But now, after Mr. Burt's performance as Assistant Secretary, we see how, ironically, the Chalet story episode was a perfect prelude to the philosophy which he pursued within the administration. For Mr. Burt became the prime exponent in the councils of the administration of the doctrine that the United States should unilaterally observe the arms constraints

of the SALT II Treaty, even though that treaty was never ratified by the U.S. Senate, and even though the Soviets themselves have committed massive violations of the levels proposed in that treaty.

. . . I attempted to question him about his performance as Assistant Secretary. But Mr. Burt was extremely reticent to discuss his record. . . . Indeed, Mr. Burt stated that if his actions and advice were subject to become public knowledge that he could not serve effectively. . . . It is very strange that Mr. Burt had no inhibitions about publishing sensitive, classified information that affected the security of the United States when he was a journalist; but now that he is a public servant he declines to disclose even information that is nonclassified.

. . . It is well known that Mr. Burt has consistently opposed any significant change from the arms control philosophy of the Carter administration. Perhaps that is why he is so well regarded by partisans of that administration. While he claims that there is a philosophical difference between himself and the Carter policy-makers—while he claims that he does not believe that increased security will flow from arms control—his policies are basically the same. The only difference is that he rationalizes these policies in terms of keeping the Atlantic alliance going, rather than on the basis of arms control per se; but the politics are fundamentally the same.

. . . We also know what his position has been on observance of the SALT II treaties. His preferred position for START would have been SALT II with cosmetic changes. His second preference would be for a "Vladivostock" style agreement—that is the observance of unilateral declarations by both sides, without any verification. He has always opposed limits on throw-weight although at the beginning he was only against direct limits on throw-weight. Since our START position was announced in May 1982, he has been attempting to get the administration to raise the limit on warheads, thereby undercutting its effectiveness.

Mr. Burt says that he favors the SDI. But he would like to trade away the SDI for an agreement that would permit an increase in Soviet missile RV warheads. For him it is a mere bargaining chip. Indeed, until the President clearly vetoed the idea personally, Mr. Burt called for a three-year moratorium on SDI testing.

. . . Finally, Mr. Burt has been the principal architect of the interim restraint theory, that is, that we should observe the unratified SALT II Treaty even though it was never ratified and even though both President Reagan and the Senate Armed Services Committee pronounced it fatally flawed. It is not surprising, then, that he has been the main opponent within the administration of reporting to Congress on Soviet SALT violations. He has refused to find any Soviet SALT violations; when the violations were pointed out to him, he refused to call the violations violations. Clearly, he did not want any public announcement about Soviet violations, or do anything concrete to require the Soviets to correct those

violations—and he supports continued compliance with all of SALT II, despite the Soviet violations.

Mr. Burt may take umbrage at this recital, for when his record is made public one might get the impression that he is more anxious to find excuses for Soviet imperialism and oppression than he is to develop coherent policies for the administration to rectify the situation. But the record is there to see. If Mr. Burt wants to challenge it, then let him drop his advocacy of the Armacost doctrine; let him come and testify under oath. I think there may be some others who would be happy to testify at the same time.

## Telegrams from around the world oppose Burt

*A sampling of many telegrams sent from both sides of the Atlantic on July 10-16, urging the Senate to oppose the appointment of Richard Burt as U.S. ambassador to West Germany:*

### France

In the name of the European-American alliance, I support your fight against the nomination of Richard Burt. I am personally very worried about West Germany and I believe it is the next Soviet card to fall if we do not act together against the pacifists preparing the "New Yalta"—**Gen. Marcel Bigeard**, Member of the French Parliament and the UDF party, former State Secretary of Defense, Paris; telegram sent to Senators Goldwater, Helms, Wallop, Warner, Hefflin, Deconcini, Long, Stennis, Johnston, Zorinski, Exxon, Hollings.

As a former French senator, I want to affirm to you, that I do not consider Mr. Richard Burt an appropriate choice as U.S. ambassador to serve in Bonn, because I consider him incapable of defending the Western alliance—**Sen. Georges Repiquet**, former vice-president of the Armed Forces and Defense Committee of the French Senate Foreign Affairs Commission; to Sen. Russell Long.

### Federal Republic of Germany

Please accept this expression of my concern over the appointment of Mr. Richard Burt as ambassador to Bonn. I believe that Mr. Burt's closest friends in my country are ready to pursue a policy of appeasement in a time of considerable danger and challenge to the Western alliance. I respectfully urge that you and your distinguished colleagues of the United States Senate oppose Mr. Burt as Ambassador to the Federal Republic of Germany—**Vice-Adm. (ret.) Karl Adolf Zenker**, Bonn; to Senator Helms.

It would certainly be against the interests of the Western Alliance to entrust a man like Richard Burt with the respon-

sibilities of a U.S. ambassador to Germany—**Dr. Hans Kiskalt**, former chief of police, Frankfurt; to Senator Helms.

We support your fight against the nomination of Richard Burt. We need an American patriot and a man who can keep secrets—**Gen. (ret.) Paul-Albert Scherer**, former head, military intelligence service, Saarbrücken; to Senator Hollings.

We, the undersigned leading members of anti-Hitler resistance "Reichsbanner" that fought and fights both Nazis and communists, urge you to prevent the nomination of Richard Burt as ambassador to Germany. This nomination threatens the existence of the Western alliance—**R. Becker, F. Hron, M. Mann-Kauert, K. Muehling, M. Mletzko**; to Senator Hollings.

As an American long resident in Germany, I am seriously disturbed at the prospect of Mr. Burt's being appointed American ambassador in Bonn. I urge you in the interest of existing healthy U.S.-German relations to oppose his confirmation—**Col. (U.S.A., ret.) James Bradley**; to Senators Helms, Symms, McClure, Hatch, Thurmond, and Hollings.

Your concern that an appointment of Mr. R. Burt as American ambassador will have grave consequences for the U.S. position in the F.R.G and Europe has been reported here, and is welcomed, for especially those of Willy Brandt's political conviction against the Western alliance publicly welcome Mr. Burt. Encouraged by your actions in this matter, I and the majority of the German population that welcomed your President in our country recently pray that the U.S. Senate will have the wisdom to confirm a new ambassador about whom there is no doubt that he will personify the policies of President Ronald Reagan—**Lt.-Col. (ret.) Arnold Boldt**; to Senators Helms, Symms, and McClure.

It is encouraging to know that a number of distinguished U.S. senators have voiced concern that the possible appointment of Mr. R. Burt as American ambassador in Bonn may have grave consequences for our alliance and each of our countries. I can confidently say that a majority of the German population shares these concerns. I sincerely hope that it will be possible for those senators with the necessary insight and knowledge to make clear to their colleagues that it would be a serious mistake to appoint Mr. Burt ambassador in Bonn—**Prof. Dr. Günther Rohrmoser**, Stuttgart; to Senators McClure, Symms, and Helms.

In times that try men's souls, it is heartening that senators like yourself have the courage to insist on the fundamentals upon which our alliance rests. May I congratulate you, and add that your objections to the appointment of Mr. R. Burt as U.S. Ambassador in Bonn encourages those of us who know the challenges we must jointly meet, and strongly irritates those like Willy Brandt, who like to lean on American spokesmen for their anti-Western policies. May your courage be steadfast, and may your colleagues show the wisdom to confirm a person to the vital post of U.S. ambassador who truly represents the President of the United States—**Dr.**

**Wolfgang Bergt**, Munich; to Senators Helms, McClure, and Symms.

I am aware of, and have been encouraged by, your objections to the appointment of Mr. Richard Burt as ambassador to Bonn. I more than share your concern, and, as the matter is pressing, want to urge, in the interest of German-American cooperation, that the American administration does not send Mr. Burt as ambassador—**Dr. Hans-Werner Bracht**, Professor, Bielefeld University, Lemgo; to Senator Helms.

### Norway

The Norwegian government has recently issued a very strong protest to the Soviet Union for the grave interference by a Soviet vessel in the operations of a Norwegian research vessel investigating possible oil findings in the Norwegian portion of the Barents Sea. Increased Soviet provocations of this nature raise my concern as to the advisability of placing a person like Richard Burt in the very sensitive post of ambassador to West Germany. Burt's revelations in the *New York Times* of the transfer of a highly sensitive radar installation from Iran to Norway (Operation Chalet) represented a serious breach of Norwegian security, thus casting serious doubts on Burt's reliability in that post.

Furthermore, the increasing pressure on the countries of Western Europe from the Soviet Union demands a deep awareness on the part of U.S. diplomatic representatives as to the nature of Soviet aims—an awareness which has been frightfully lacking in Mr. Burt. The nomination of Burt to the ambassador post in the F.R.G. would only serve to further encourage Soviet attempts to "finlandize" Western Europe—**Jarle Synnevaag**, Norwegian strategist; to members of the U.S. Senate.

### Italy

We, the undersigned, as former military officers from Italy, strongly support any effort to halt the nomination of Richard Burt as ambassador to Bonn. In our view, his nomination would definitely not be helpful to the future of the Western alliance—**General (ret.) Bingi**, former Army division commander, Rome; **Gen. (ret.) Domenico Ludovici**, former Airforce commander, Rome; **Adm. (ret.) Luigi Ago**, Rome; **Gen. (ret.) Giulio Macri**, former Director of Procurement office of the Army, Rome; **Col. (ret.) Fernando Pouget**, former officer of Army Information Department, Rome; sent to Senators Goldwater, Helms, Wallop, Symms, and Hatch.

### Middle East, Africa

I and many friends in Lebanon are aware and encouraged by your opposition to the appointment of Mr. Richard Burt as ambassador to Bonn. We share your concern, as we realize that Mr. Burt will foster in the Federal Republic of Germany the kind of policies which have been so dramatically imposed on our country, Lebanon—policies which are handing over

our region to Moscow. It is not too late to save our region, and we hope that Mr. Burt will not be sent as U.S. representative in Bonn—**Rabbi Christophe Nader Shartouni**, Lebanese representative, Paris; to Senators Helms, Symms, Thurmond, and McClure.

I have heard of your fight to oppose the appointment of Mr. Richard Burt as ambassador to Bonn. I and some Tunisian friends want to express our support, as we realize that Mr. Burt will foster in the Federal Republic of Germany, policies detrimental to Euro-American cooperation which directly affect us in Tunisia and Northern Africa—**Selhami Hosni**, Tunisian journalist in France; to Senators Helms, Thurmond, Hollings, and Symms.

### United States

We, like many of you and millions of our fellow citizens, have risked our lives to defend our nation. We consider the security of our nation and our allies to be paramount. We are aghast at the idea of Richard Burt becoming our ambassador to our crucial West German ally. . . . He is totally unfit for that office. . . . We are concerned about an array of State Department policies, including its support for the PAN in Mexico and its apparent willingness to negotiate away the President's Strategic Defense Initiative, which weaken our security. . . .—**John Neafsey**, past State Commander, American Legion, Department of New Jersey; and **Sgt.-Major (ret.) Walter Platt**, U.S. Army, Commander, Disabled American Veterans, Post 23, Jersey City, N.J.; to the U.S. Senate.

We are Republican Party activists and loyalists. We want you to know of our total opposition to the confirmation of Richard Burt as ambassador to West Germany. We come from nations which have been subjugated by the Russian empire, and we will do everything in our power to prevent the spread of this empire. . . . The Burt matter is one crucial part of a larger situation, involving the fight over the SDI, and American relations to our southern neighbors (including the State Department's mistaken support for the PAN in Mexico); we believe mistakes have been made repeatedly in our foreign policy and we will continue to mobilize our fellow citizens to assure that our Party's policies and our government's policies fully advance the interests of our nation and of the Western Alliance, and give no aid and comfort to our Russian enemy—**Nicholas Hrehorovitch**, permanent member, Republican Senatorial Committee; Presidential Task Force; president, Ukrainian American Congress, Morris Co., N.J.; **Andrew Hrehorovitch**, 1984 assistant chairman, N.J. Ethnic Confederation for Re-election of President Reagan; **Jonas Kasauskas**, Republican National Committee, Republican Senatorial Committee; telegram to the U.S. Senate.

. . . I make a personal appeal to you as the representative of the people of a great state of the greatest nation in the world and a member of the most outstanding body, the United States Senate. In your hands Senator, rests the destiny of all man-

kind. I ask you to exercise your vote wisely on behalf of the people, vote *no* against Richard R. Burt becoming ambassador to West Germany.

It is reliably revealed that Mr. Burt's appointment to the position of Assistant Secretary of State for European Affairs raised disturbing questions about his loyalty because of suspicion that he was engaged in leaking United States National Security secrets. He is now under heavy suspicion that he is sympathetic to the cause of decoupling of Western Europe from the United States. Any individual entertaining these views of decoupling of West Germany from the United States, permitting the tactical conquest of Europe, aiding and abetting the spread of Russian despotism; anyone who gives aid to the enemy of our principles of liberty, freedom and justice is unworthy of our trust—**The Hon. Hulan E. Jack**, former Borough President of Manhattan; to Sen. Alfonse D'Amato.

## U.S. coalition: Stop the Burt nomination!

*Below are statements or endorsements issued in support of the Ad Hoc Coalition to Stop Richard Burt, which held several press conferences in Washington D.C. and lobbied against the Burt appointment. Over 150 prominent U.S. citizens, including military and veterans leaders, ethnic leaders, labor leaders, candidates for office and others signed a statement opposing Burt circulated by the National Democratic Policy Committee.*

*From a statement issued on July 9 by Milton Croom, past president, Peace through Strength, N.C.; past president, Reserve Officers of America, N.C.; chairman, Ad Hoc Committee to Stop Richard Burt:*

I am calling on the U.S. Senate to reject the appointment of Richard Burt to be the next U.S. ambassador to the German Federal Republic.

At this time, the Soviet Union has carried out the most unprecedented menacing acts against the Western Alliance, including the murder of Major Nicholson. The Soviets are exercising maximum pressure on the Federal Republic to adopt a neutral position, which would mean the end of Western Alliance. It is therefore imperative, that we appoint as ambassador one who has impeccable credentials as defender of this alliance. Richard Burt, emphatically, is not such a man. On the contrary, he has identified himself with compromise and accommodation to the Soviet Union. His appointment would send the decidedly wrong signal.

I wish to add that a great friend of Peace through Strength,

Dr. Dixy Lee Ray, has lent her support to the statement of mine.

*From a statement issued on July 15 by Milton Croom:*

In a private poll of a dozen Senate offices, all but one expressed opposition to Richard Burt as U.S. ambassador to West Germany. Nevertheless, these same senators, to avoid confrontation with the administration and with the Senate leadership, are prepared to accept this appointment. This lack of moral backbone is leading to a disaster for the United States, and can only be overcome by an outpouring of the citizenry's sentiments on the issue.

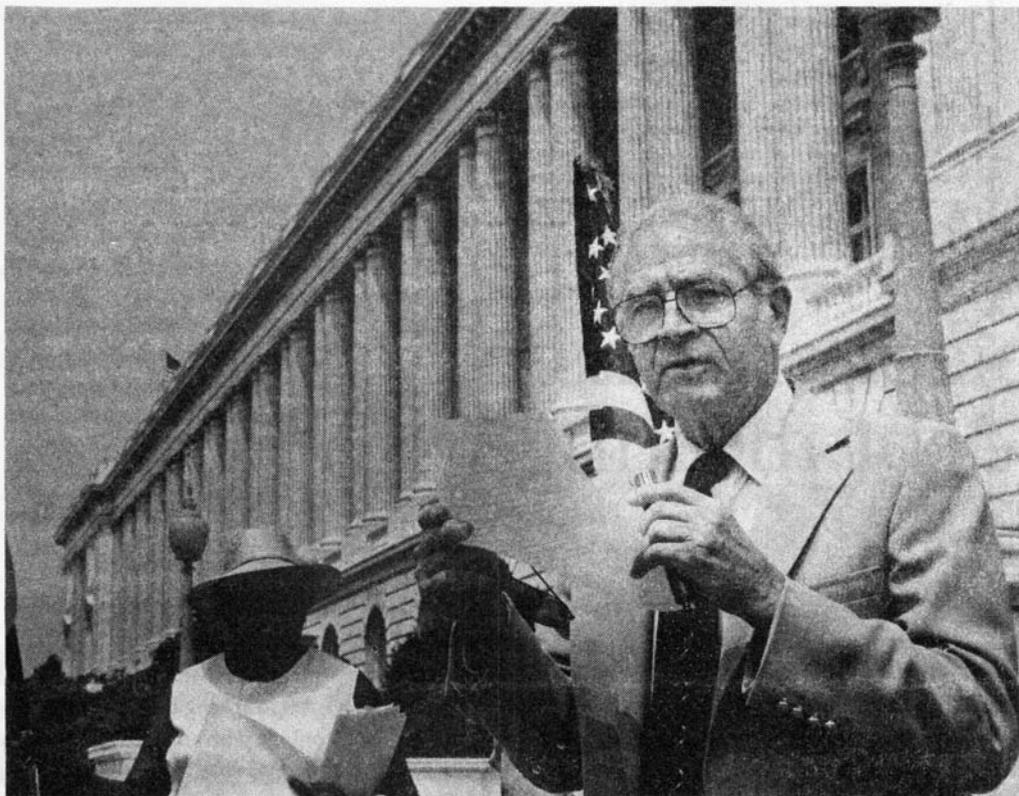
At the same time, the Burt appointment is but an aspect of a policy direction to which I am strongly opposed. I call attention to the State Department's role in promoting the fortunes of the PAN party in Mexico, with the predictable result of large-scale destabilization of our southern border. Therefore, beyond the issue of the Burt vote that will take place today, I believe that honest American citizens have to wonder in what overall direction our policy toward the world is being taken by the State Department.

It will require a continuing effort by American citizens across the country to provide the backbone necessary to force a change of policy equal to the challenge now being posed to the very survival of our nation. Therefore, I am calling upon my fellow citizens to oppose the Burt appointment and to support Senator Helms' efforts to block other appointments now before the Senate. Finally, I am calling on my fellow citizens to act as a confederation of concerned citizens to fight to restore principles of policy that advance the interests of this country.

*From a statement by Joseph Zeller, former State Representative, 134th Assembly District, New Tripoli, Pennsylvania:*

It is imperative not only that Mr. Burt's nomination as U.S. ambassador to West Germany be voted down by the U.S. Senate, but that the whole policy outlook of those in the State Department, like Mr. Burt, be thoroughly investigated and re-assessed. I firmly believe that the direction these policies are leading our nation are *not* those supported by the vast majority of the American people.

. . . We are faced with a state of undeclared war on the part of the Soviet Union against this nation, a war of terrorism, destabilization, the most massive military build up in history, and the direct attempt to sever our most important strategic alliance—that with Western Europe. To appoint Richard Burt as ambassador to Bonn would mean the end of the Kohl government and with it the Western Alliance; his appointment would mark a disastrous Pearl Harbor, one self-imposed, in a situation where the very survival of Western Civilization is at stake.



Milton Croom, chairman of the Ad Hoc Committee to Stop Richard Burt: "The Burt appointment is but an aspect of a policy direction to which I am strongly opposed."

NSIPS/Stuart Lewis

*From a statement issued on July 15 by H. E. Isaacs, Jr., past state commander, Georgia VFW, Past Coordinator for the VFW, Dept. of Georgia, quartermaster of VFW Post 4904, Bainbridge, Ga.*

In light of the charges raised against Assistant Secretary of State Richard Burt—that as a *New York Times* reporter he leaked top secret information about U.S. spy satellite reconnaissance capabilities to the Soviets through the media, leading to his being charged by Sen. Jesse Helms with “prima facie violation of the espionage laws,” and that he is good friends with the Social Democratic Party leaders in Germany who want to make a deal with the Soviets to kick the U.S. out of Europe—I call for a halt to Mr. Burt’s confirmation as ambassador to West Germany pending an immediate and thorough investigation of these charges. If these charges, after a full investigation, prove in fact to be true, then Mr. Burt should *not* be confirmed as ambassador to West Germany. I believe we need an ambassador to West Germany who is totally committed to the defense of the Western Alliance and will support the pro-American government of Chancellor Kohl against all Soviet attempts to destroy the West.

*From a statement of July 15 by Nello Carazzoni, Adjutant, District 12, Pennsylvania American Legion, former past state commander, Pennsylvania Dept., American Legion:*

From my own efforts on behalf of the fight to change the policies of the State Department . . . I can assure you that there is widespread alarm at the direction those policies are leading this nation. Veterans and patriots with whom I have raised these issues, sense, as I do, that something is very wrong in Washington. We know what war means, but also realize that peace is impossible if we try to purchase it through appeasement and capitulation.

The facts brought to light concerning Richard Burt . . . make clear that only a full and thorough examination by the U.S. Senate of all those facts of importance in this case would be considered adequate. I also can assure you that many individual citizens, veterans and others, will be watching closely how the U.S. Senate acts on this matter.

I have been told personally by the Senators from Pennsylvania that they will take this matter under serious consideration. I should hope that they do, but that will be demonstrated by their actions. Whatever the outcome, it is apparent that most Americans who are patriots will not sit idly by if those who are elected to decide on issues of vital importance to this nation’s national security sidestep that responsibility.

The very survival of the Western alliance, of Western civilization itself, is on the line. . . . I personally can state to you that if millions of Americans risked their own lives and saw others sacrifice theirs in the past, they will act politically to defend the same principles again today.

## Hemisphere's labor leaders ask debt meeting with Reagan

by Silvia Palacios

Forty-three labor leaders, whose unions represent more than 40 million workers from across Ibero-America and the United States, gathered in Mexico City from July 15 to 17 to map out a continental battle plan against the International Monetary Fund before their countries join Africa in becoming death camps of starvation and epidemics. The conference was called by the Labor Commission of the Schiller Institute, an organization founded by Helga Zepp-LaRouche in 1984.

The trade unionists, hailing from Argentina, Bolivia, Brazil, Colombia, Mexico, Panama, Peru, and the United States, endorsed an historic manifesto entitled, "Stop the IMF's Genocide! For the Integration and Development of Ibero-America." The manifesto commits the conference participants to mobilizing Ibero-America's population for the eradication of the drug trade, hunger, and disease, while converting the continent into a great economic power in its own right, taking as its program of action the proposals made by U.S. political figure Lyndon H. LaRouche in his 1982 study, *Operation Juárez*.

Among the eight resolutions passed by the attendees, one calls for a meeting with President Ronald Reagan as soon as possible "for the purpose of proposing and discussing the problem of the foreign debt of each country and the future development of Ibero-America as a whole."

The manifesto asserts that neither Kissinger, with his proposal for a new "Marshall Plan," nor Fidel Castro represent an option for sovereign republics; both defend the International Monetary Fund and other forms of colonialism. This was the conference's response to Cuba's Fidel, who tried in vain to sabotage the conference by calling a labor meeting in Havana for the same dates.

In May of this year, Fidel conducted aggressive diplo-

macy to try to pull the Ibero-American labor movement and governments into the Soviet orbit, dubbing himself the leader of the growing wave of discontent with the IMF's austerity programs. Castro's self-proclaimed role ironically emerged only recently, just at the point when the Schiller Institute's campaign to integrate the continent's labor unions began to achieve its goal.

### Unifying the labor movement

Since the 1950s, when General Juan Perón first issued his proposal for forging continental unity among nations through the integration of Ibero-America's organized labor movements, nothing even remotely similar has been heard or seen. Today, there is no doubt that the Schiller Institute, with its Mexico City labor meeting, has crystallized this fervent desire long held by Ibero-America's patriots.

On July 18, at the conclusion of the Schiller event, 12 labor leaders representing the national delegations that attended the conference held a press conference. Manuel Carulias of Argentina, one of the Schiller Labor Commission coordinators, responded to a question on whether it was premature, to think in terms of integration doing away with the IMF: "How can you say premature, when Benito Juárez in the last century, and Juan Perón in this century, already spoke of exactly this? How can you say premature, when our children are dying of hunger and cold in the streets, because they have nothing to eat nor a roof under which to sleep? How can you say premature when we can already see how our economies are being destroyed?" He emphasized: "We must face the future and know that we can reach the year 2000 in only one of two ways: united or subjugated."

The conference attendees are from the following labor

organizations: CGT of Argentina; unions of the CTM and CROC of Mexico; the CTC and UTC of Colombia; banking and metal workers unions of Brazil; CTRP and Fishing Workers Union of Peru; CONATO of Panama; and railroad and electric workers of Bolivia.

Among the resolutions adopted by the meeting is a call for forming a Nuremberg Tribunal to investigate and judge the crimes against humanity committed by the IMF. Excerpts of the resolution declare:

“WHEREAS it has been demonstrated to all the world that the mass death now occurring in Africa is wiping out entire populations through famine and disease, and

“WHEREAS the scale of such mass death conforms precisely to the description of genocide . . . defined in the . . . Nuremberg Tribunal after World War II as a crime against humanity, and

“WHEREAS the cause of this genocide is identifiable in the acts of economic and financial policy toward the nations of Africa, specifically, the manipulation of economic aid and credit . . . and

“WHEREAS it is conclusive that officials of the IMF and collaborators *know, or should have known*, that their credit policies would lead to . . . genocide,

“THEREFORE . . . as labor leaders of our respective nations and participants in the First Labor Conference of the Schiller Institute, we urge the heads of state of all sovereign nations . . . to immediately convene a Nuremberg Tribunal to hear testimony, and pass judgment, on the IMF’s crimes against humanity.”

The conference also supported the statements of Peru’s President-elect Alan García to “not pay the foreign debt with the hunger of the people,” nor make the debt problem an East-West conflict.

The conference expressed its full solidarity with the workers of Bolivia and condemned the drug-trafficking mafia of Bolivia which is seeking a comeback through Hugo Banzer. Another of the resolutions attacked “interventionism and any other vestiges of British colonialism in the American continent.”

### **Classical education for the working class**

Five huge portraits decorated the labor conference’s podium, with matching citations: Mexico’s Benito Juárez with his famous 1861 declaration of debt moratorium; Juan Domingo Perón of Argentina, with his quotes on economic integration; Pope John Paul II, attacking the injustice of today’s financial institutions; the German thinker Friedrich Schiller speaking of the dignity of man; and Esteban de Antunano, the renowned Mexican economist of the 19th century, speaking on industrialization.

In these five portraits was encapsulated the cultural inheritance of the continental movement the Schiller Institute is forging, a movement fundamentally opposed to worship of the bucolic, feudal world the Soviets revere.

In the session on defeating the drug trade, the director of

Mexico’s *War on Drugs* magazine, Carlos Méndez, singled out rock music as part of the counterculture associated with drug consumption. His remarks provoked an emotional discussion, which was given special impetus by a concert presented by the children’s chorus of the National Music School of Mexico, led by Mexico’s Schiller Institute president, Alfredo Mendoza.

Mendoza spoke of the necessity of encouraging classical culture on the part of the labor movement, so that citizens fully capable of facing the great moments of history—as Schiller said—are created. At the end of Mendoza’s presentation, Colombian labor leader Guillermo Pedraza asked for the floor to announce that his union would buy a piano so that members and their children could learn classical music.

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## **Manifesto**

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*The following is the full text of the Manifesto of the First Continental Conference of the Schiller Institute Labor Commission in Mexico City on July 15-17, 1985, titled, “Stop the IMF’s Genocide! For the Integration and Development of Ibero-America.”*

No, there are limits to the power of tyranny. . . . We are obliged to defend with force our most precious goods; we shall fight for our country, for our women and our children.—Friedrich Schiller, *Wilhelm Tell*

The situation confronting humanity is dramatic. It is not just that hunger and misery afflict us; our very Western, Judeo-Christian civilization, as we have known it from the period of the Golden Renaissance, is at stake.

The genocidal programs imposed on our economies by such supranational agencies as the International Monetary Fund, the World Bank, and the commercial banks, are generating an ecological-biological holocaust of such proportions that the pandemics and plagues already spreading on a world scale, may possibly cause more deaths than a thermonuclear war.

The famines which are now exterminating millions of human beings in Africa, are only a taste of what is beginning to emerge in Ibero-America. The systematic application of the IMF’s “adjustment programs” has generated a potential for the emergence of previously unknown diseases; new deserts have been created; even the climates and weather are changing in a dramatic way. The IMF is turning the nations of the Third World into the breeding ground for a new “Black Death,” like that which decimated Europe during the 14th century, killing half of its population.

The Ibero-American trade union movement must be equal to the demands of this historic moment. Thus, we, the representatives of the working class, are assuming the responsibility which some of our governments have not wanted

to take on. We commit ourselves to organizing the unity and integration of the Ibero-American peoples and nations to achieve the destruction of the IMF and of the oligarchic system it represents. We commit ourselves to mobilizing our bases, to force the construction of the large infrastructure projects which our continent requires to provide dignified employment, and appropriate cultural and living conditions for our populations. As of this moment, we declare a war to the death on the drug plague. The illegitimate foreign debt, imposed on us as a looting mechanism, cannot, and should not, be paid. We support all initiatives of governments, designed to free us from the foreign debt burden, and to guarantee the sovereign development of our nations. And we are going to competently train our brother trade unionists, to expose the opportunists and traitors.

As General Juan Perón said on November 11, 1953, when he complained of the failures of the "unity produced by governments," "Let us try, from another route which has never been tested, to see if, from below, we can come together in a decisive manner, so that this unity can be realized." Let it be clear, however: We do not intend to replace existing national and international trade union organizations, of which we form a part; on the contrary: We want to strengthen them with our programmatic proposals, and with our desire for unity. Democratic trade unionism will reaffirm itself with our ideas.

### Neither Kissinger nor Castro

During our continental trade union conference, held in Mexico City on July 15-17, 1985, we carefully scrutinized various alternatives to deal with the current economic crisis. We categorically reject as incompetent, and contrary to workers' interests, the proposals made by Henry Kissinger and Fidel Castro which, if implemented, would mean the destruction of the physical economies and populations in the Third World—including Ibero-America—as well as in the advanced sector.

Henry Kissinger has recently proposed what he calls a "Marshall Plan for Latin America"; similarly, Fidel Castro has jumped into the fray, proposing that the debt "not be paid." Both proposals have in common the idea of preserving the existence of the IMF and the usurious commercial banks. At the core of both proposals is the profound strategic commitment to handing our continent over to the Soviets. Should the IMF's programs continue, not only will democracy further deteriorate; our very nations shall disappear. The IMF is the primary promoter of class struggle and violence.

In his interview with *Folha de São Paulo*, published on June 2 of this year, Fidel Castro stated: "The IMF itself should be saved, as a forum for making governmental decisions. . . . Are bankruptcies a problem? Then let us save the banks. The Third World's unpayable debt would be paid by the governments of those countries where the banks reside,

with the approval of their congresses, in small installments through simple budgetary transmission." Castro and his Russian friends want to destroy the continent's defense capability, by opposing high-technology programs under the pretext of opposing "the arms race." Argentina's nuclear energy program is among the targets, both of the IMF and the Soviets. Nonetheless, after the Malvinas conflict, certain things have become clear.

Castro's proposal can be summarized as follows:

- 1) Do not pay the service on Ibero-America's foreign debt.
- 2) Save the IMF as an institution.
- 3) Save the creditor banks with funds from the U.S. defense budget.
- 4) Eliminate the United States' program for the development of beam weapons.
- 5) Cut Ibero-America's military budgets, thus eliminating the continent's defense capability.
- 6) Eliminate all of Ibero-America's nuclear, laser, and advanced technology programs, for their alleged ties to the "arms race."

Kissinger's proposal is no different from earlier ones: a mechanism that will guarantee some bridge loans, to prevent the explosion of the debt bomb at a point when Ibero-America has taken certain steps toward the creation of a debtors' cartel. Kissinger's only concern is that the debt be paid.

Anticipating that the financial bubble will explode at a given moment, Kissinger has been promoting debt repayment with nations' sovereign patrimony. That is, pay the debt with physical assets. This is a real threat to national sovereignty, which we reject, and against which we will fight.

Kissinger's proposal can be summarized as follows:

- 1) Create a Western Hemisphere development institution for the next 5 to 7 years.
- 2) Finance it through cuts in the U.S. defense budget, thus eliminating the Strategic Defense Initiative for the development of beam weapons.
- 3) Refinance Ibero-America's debt, reducing interest rates to between 2 and 4%.
- 4) Capitalize this interest, adding it to the total debt.
- 5) Pay a portion of Ibero-America's debt service with money from each country.
- 6) Use national currencies to purchase Ibero-American assets, equal to 20% of the total debt.
- 7) Continue imposing the IMF's adjustment programs, but with more subtlety.

Should Kissinger's program be implemented, within five years, the industrial production of Ibero-America will have

dropped by more than 50%. Castro's apparently very radical proposal will have the *same* impact on our economies.

### **Against epidemics and the drug trade**

The IMF's economic and financial policies have, and are, producing holocaust. The IMF, its controllers and collaborators, do not want to collect the debt, but rather want to use it as an instrument to reduce the world's population, through famine, plague, and pandemics. Famine, epidemics, and pandemics already exist in Africa, and could very quickly lead to another Black Death, such as that which wiped out half of Europe's population during the 14th century.

This is the affliction of Africa today; but tomorrow is *today*, because hunger is already stalking our continent.

The drug trade is the other plague which afflicts us, created and controlled by the same usurious parasites which stand behind the IMF and the international banks. While all other economic activity, including oil production, is collapsing, the drug trade expands. Today, the annual income from the international drug trade is \$450 billion, far greater than the total amount of Ibero-America's inflated debt. A portion of this income finances terrorism, destabilizations, and coups d'etat against democratic governments, while destroying our youth and our children with drug addiction.

There is sufficient public testimony to the fact that the IMF openly proposes that our economies become narco-economies to pay the foreign debt through drug export while our populations starve.

Furthermore, the international drug trade—with the help of the International Monetary Fund—has declared a third Opium War on Ibero-America, identical to that which England waged against China in the last century, with the same methods and the same objectives.

Thus, it is urgent that we battle the drug trade with the weapons and methods of war. There must be military, political, and legal agreements among the nations of Ibero-America, and, with full respect for national sovereignties, an Ibero-American anti-drug army should be formed; the national legislatures should reform their banking and financial laws to put an end to the laundering of drug money, and any relations with foreign banking or financial institutions whose complicity in the drug trade has been proven, should be prohibited outright.

We support the Quito, Ecuador agreement by several Ibero-American heads of state to declare the drug trade a crime against humanity.

We also demand the full cooperation of the United States, including the availability of its most advanced technology, in the war against an organized epidemic which seeks to destroy the North as well as the South.

The Ibero-American democratic trade unions are as determined to win the war against the drug trade as they are to achieve the economic and political integration of Ibero-

America. With our forces, our governments and our armies, we will soon defeat the drug trade.

Given the gravity of the crisis, dramatic, radical and immediate solutions are required, such as those indicated by U.S. economist Lyndon H. LaRouche in his study, *Operation Juárez*; these are solutions which would achieve the accelerated development of the economies of both the North and the South.

These measures are, in sum:

- 1) Reorganize the Ibero-American foreign debt through joint negotiation.
  - a) Declare a moratorium on the existing debt.
  - b) Issue new long-term Ibero-American bonds at 2 percent interest rates.
  - c) Shut down the IMF and the World Bank.
- 2) Form an Ibero-American common market.
  - a) Establish a customs union to encourage intra-Ibero-American trade.
  - b) Create an Ibero-American credit and development bank.
  - c) Establish a "golden peso," with new parities with respect to the dollar, protected by exchange controls.
  - d) Re-establish the real value of Ibero-American exports.
- 3) Launch great economic development projects in Ibero-America.
  - a) Physically integrate the continent with great infrastructure projects.
  - b) Emphasize advanced industrial technology, especially nuclear and laser technology.
  - c) Modernize agriculture.

By implementing these proposals of *Operation Juárez*, the industrial and agricultural production of Ibero-America could be increased by more than 50 percent in just five years, compared to a contraction by 50 percent, were the proposals of Kissinger and his twin Castro, to be adopted.

Such a rate of economic growth, at this stage in the crisis, is neither an option nor a luxury; it is an absolute necessity if we are to save our populations from the misery and genocide that looms.

We, labor leaders called together by the Schiller Institute's Labor Commission, accept the moral and political responsibility that history has imposed on us. We commit ourselves to forging the necessary continental unity to make this necessity a reality.

The great German thinker Friedrich Schiller, the Poet of Freedom, once said that unfortunately there have been great moments in history which have found a "little people." Before the public opinion of Ibero-America and the world, we pledge that this time it shall not be so. Our people will be equal to the great historical task that faces us.

# Massive new Soviet military maneuvers accompanied by command changes

by Konstantin George

The Soviet Union's summer military maneuvers, through which the Russians are "fine tuning" their war preparations, are now in full swing. Since the last week of May, there has been an uninterrupted series of land, sea, and air exercises—announced and unannounced—in Europe, the North Atlantic, and the Baltic. The most recent exercise activity has focused heavily on perfecting the plan of attack on two crucial NATO regions—West Germany and the Northern Flank.

Accompanying the summer maneuvers is a round of high-level command changes in the Soviet military leadership, to accelerate the process of change-over to wartime command and control.

The first of these changes was made public on July 13, at 1700 hours, when the East German News Agency, ADN, released a wire and photo of a farewell reception held that day in East Berlin by East German leader Erich Honecker, Defense Minister Heinz Hoffmann, and Honecker's young, groomed successor on the Politburo, Egon Krenz. They were honoring the departure of Soviet General of the Army Mikhail Zaitsev, since December 1980 the Commander in Chief of the GSFG (Group of Soviet Forces in Germany)—the European Theater spearhead offensive troops—and the Chief political officer of the GSFG since 1982, Colonel General Lisichev.

While Soviet media have kept totally silent, the ADN wire and large photo appeared on the front page of the East German party newspaper, *Neues Deutschland*, on July 15.

Honecker wished them "much success in your new, responsibility-filled activities," a clear signal that Zaitsev and Lisichev were on their way to top-level positions in the Soviet military leadership.

Lisichev's new "responsibility-filled activities" have already been related to Western news agencies by spokesmen from the Soviet defense ministry. Lisichev has been appointed the Soviet Union's top political officer—the Chief of the Main Political Directorate—replacing the 77-year-old Gen. Alexei Yepishev, a one-time deputy minister of security under Lavrenti Beria, who has headed the MPD since April 1962.

While nothing has yet been made known concerning Zaitsev's new duties, he would probably be made wartime commander of Western Theater forces, the 1st and 2nd Echelon

forces based in Eastern Europe and the western U.S.S.R., who would be used to invade and overrun Western Europe. The Soviets' overall wartime commander, Marshal Nikolai Ogarkov, who has been on location in East Germany, Poland, Czechoslovakia, and Byelorussia, actively supervising the troops of the Western Theater since last September, will have terminated his "inspection at the front" period, and move to Moscow, to spend more time on his duties as supreme wartime military commander.

Latest reports, based on "leaks" from the Kremlin, assert that Marshal Vladimir Tolubko, Commander in Chief of the Strategic Rocket Forces since April 1972, and Marshal Viktor Kulikov, Commander in Chief of the Warsaw Pact Forces, have retired. If the report on Tolubko is true, a military command decision has been made that a 70-year-old must make way for someone younger, to give continuity to this crucial post for the rest of the decade.

Since January 1977, when he was replaced by Marshal Ogarkov as Chief of the General Staff, Kulikov has played a largely ceremonial role as head of the Warsaw Pact—a post which until now, if not in the future, has meant being "kicked upstairs."

The same reports, unconfirmed, say that Ogarkov has been made a First Deputy Defense Minister, and is working out of Moscow. If the reports that Ogarkov is also being made Warsaw Pact Commander in Chief are true, then this would signify a totally new definition of a post which has hitherto been window dressing. It would mean that the Commander in Chief of the Warsaw Pact would have overall wartime command responsibilities.

No replacement for Zaitsev as Commander in Chief of the GSFG has yet been named. However, it is clear that preparations for the command changes were certified in April at the time of the Soviet Central Committee Plenum. In April, a new First Deputy Commander in Chief for the GSFG arrived, Lt. General Nikolai Vasilyevich Kalinin. Kalinin's previous post was First Deputy Commander of the Carpathian Military District. Kalinin, a veteran of years of service in the Far East Military District through 1983, served there with distinction under the commander at the time, General of the Army Ivan Tretyak.

In the summer of 1984, Tretyak was given one of the

major wartime command responsibilities, Commander in Chief of the Far East High Command. The first head of the recreated Far East High Command, from 1979 to December 1980, was General (now Marshal) Vasilii Petrov, who then became commander in chief of the ground forces, and now is a First deputy defense minister.

The military newspaper *Krasnaya Zvezda's* July 14 summation of Soviet-East German maneuvers July 6-14, was a tacit admission that Kalinin is at least Acting Commander in Chief of the GSFG. In the customary location where Zaitsev and Lisichev would have been mentioned, Kalinin, and one Lt.-Gen. G. Donskoi, the leading political officer of the GSFG, are cited.

### **Armored breakthrough into West Germany**

From July 6 to July 14, large-scale combined Soviet-East German ground and air exercises were held in East Germany. The maneuvers, called "Soyuz-85," involved at least 50,000 troops, including motorized rifle, tank, artillery, airborne, and missile units.

Dropping the standard litany about Warsaw Pact "defenders" launching "counterattacks" against the NATO "aggressor," the Soviet Union this time openly described the maneuvers as an offensive, which, in Central Europe, means one thing—an invasion of West Germany.

*Krasnaya Svezda* appeared, both on July 12 and July 13, with front page articles describing the offensive nature of the maneuver. On July 12, Colonels Lishnii and Panyukov, writing in *Krasnaya Svezda*, asserted that the task was "to break through the enemy's defenses" in the path of the main axis of advance:

"Artillery thunder broke through the morning calm. Suddenly an avalanche of tanks, infantry combat vehicles, and armored personnel carriers went into action in the decisive direction. The 'enemy,' under cover behind minefields and artificial obstacles, plastered the attackers with fire from weapons which had survived the artillery and missile barrage."

NATO air attacks against the Soviet Blitzkrieg forces are beaten off:

"The 'enemy' throws airplanes and helicopters into the battle. . . . Their aviation is met by well-directed fire from the anti-air defense units (SAMs) which are in the combat ranks of the attackers. The air strikes [by the 'enemy'] don't reach their targets." Then, finally, the last NATO counterattacks are repulsed.

The exercise featured large unit crossings of the Elbe River under simulated combat conditions. This type of exercise is repeated often by the Soviet troops earmarked for deep-penetration offensives through West Germany.

### **Action on the northern flank**

The same pattern of large-scale military exercises and blatant provocations seen in Central Europe (see *Report from Bonn*, page 51) has been occurring in the Barents Sea, Norwegian Sea, and Eastern Atlantic.

At 1:00 a.m. on July 11 (given the time of year and the location—way above the Arctic Circle—it was broad daylight), two Soviet Krivak Class Missile Frigates moved 50 kilometers inside Norway's 200-mile zone in the Barents Sea, on a line NNW of Kirkenes, the Norwegian town bordering on the Soviet Union. One of the frigates, using mine-sweeping equipment, cut and hauled aboard an underwater cable with a sonar attachment, which belonged to a Norwegian civilian oil exploration vessel. The cable and sonar were monitoring the effects of detonations from depth charges launched from the Norwegian ship.

Norwegian defense sources told *EIR* that the Russians "panicked" and sent their frigates deep into Norwegian waters because the underwater explosions were destroying Soviet anti-submarine warfare sensors, placed on the floor of the Barents Sea, including in Norwegian waters. There are a series of such sensor lines. They function as early warning against U.S. nuclear attack submarines, which could threaten the concentration of Soviet ballistic missile submarines that operate in the Barents Sea, as a key component of the Soviet thermonuclear-barrage forces.

According to the Norwegian defense ministry, during the same time-frame in mid-July, large-scale Soviet naval exercises have been under way in the Norwegian Sea.

### **The Eastern Atlantic**

The Soviet warships on maneuvers in the Norwegian Sea have since moved southwest, and are now conducting a 25-ship exercise in the Eastern Atlantic to the West of Ireland. On July 12, a Soviet Task Force left the Mediterranean, including a Krivak class guided missile frigate and a Kashin class destroyer, to join the exercises in the North Atlantic.

Then, an "exceptionally large"—to quote the Danish Navy—number of Soviet warships left the Baltic Sea, and are now on maneuvers in the Kattegat, south of Kristiansand, Norway. According to Danish intelligence sources, a total of 21 Soviet warships and supply ships have left the Baltic, in groups. These forces include the Kynda class cruiser "Grozny," armed with nuclear missiles; 2 Krivak class guided-missile frigates; 6 submarines (4 Whisky class, 1 Foxtrot class, 1 Juliet class); 4 amphibious landing ships (1 Alligator class and 3 Ropucha class LSTs); plus a number of supply ships.

Danish aerial surveillance pictures confirm that the LSTs contain Soviet Marines on board. While such Soviet exercises are commonplace in the Baltic, they are seldom seen in the waters of the North Sea and the Kattegat.

A total of 50 Soviet warships and supply ships are currently on unannounced maneuvers in the Eastern Atlantic. From the last week of June, when over 24 Soviet submarines off the U.S. coast simulated a thermonuclear "pin down" and strategic decapitation barrage, there has been an unprecedented string of continuing Soviet naval exercises and related ship movements under way for nearly four weeks, in various quarters of the North Atlantic.

# Manila calls Washington's bluff over military base agreement

by Gail G. Billington

President Ferdinand Marcos has demanded that the Reagan administration come clean on its intentions toward its closest political friend in Asia, the 7,000-island archipelago of the Philippines. Speaking to graduates of the National Defense College at Malacanang Palace July 18, Marcos put Washington on notice over the most vulnerable issue in bilateral relations between the two countries, U.S. access to the strategic base facilities at Clark Field air base and the Subic Bay naval station.

Without those base facilities the United States will be eliminated as a significant strategic power from the Indian Ocean to the Pacific. Despite the best (or worst) efforts of George Shultz's State Department to find alternative sites, the hard facts are that nobody else in Asia wants to become a target of either of the other two regional superpowers, the Soviet Union or China, by accepting U.S. military installations.

Beginning with the cancellation of President Reagan's visit in the fall of 1983—at the height of the furor that swept the Philippines in the wake of the August 1983 assassination of opposition leader Benigno Aquino—the Reagan administration has slowly but steadily weaned itself from the Marcos administration. Last year Vice-President George Bush, and members of the State Department staff, hosted opposition leader and presidential hopeful Salvador Laurel in the U.S. capital.

Finally, last fall, the U.S. State Department, under the direction of a stable of old Kissinger hands, orchestrated a major coup in U.S. policy evaluation toward the Philippines. These "realists," working with the U.S. Treasury Department, the Pentagon, and U.S. intelligence community concluded that an aging President Marcos, caught between an International Monetary Fund (IMF) "stabilization" program on the one hand and the fastest growing communist guerrilla insurgency in Asia, had to be eased out. Marcos's usefulness, from that point on, was to become a scapegoat for the IMF's "controlled disintegration" of the Filipino economy, while the U.S. reviewed its options.

In short, U.S. policy toward the Philippines is carrying

out a Soviet operation to destroy U.S. presence in Asia and the Pacific and to sever its ties to the most crucial and loyal American allies in the region. Doing the spade work for this Soviet operation has been the International Monetary Fund, which has imposed the conditions of economic collapse that are fueling the recruitment to the Soviet-funded New People's Army insurgency. The IMF is the best friend Moscow has, and the U.S. State Department does the IMF's bidding.

To cover up this collusion with the Soviets, the State Department and company are putting out the line that Marcos is the reason the Philippines has a growing guerrilla insurgency, and State has proceeded to do everything possible to undermine the Marcos government—even if it means destroying the conditions for the U.S. bases in the country. The Philippines has become the sacrificial victim of the policy of U.S. strategic withdrawal from the Pacific first initiated by Soviet agent Henry Kissinger in the Guam Doctrine of 1969.

## Drawing the line

The crisis that erupted in mid-July between Manila and Washington, D.C. over the terms of the base agreement marks a new conjuncture in bilateral relations between the two countries. The agreement for the bases was worked out in 1983 between the Philippines government and Defense Secretary Caspar Weinberger. On July 11, the U.S. House of Representatives voted to rip up the five-year agreement that expires in 1989. That agreement, worth a total of \$900 million, calls for \$475 million in economic support aid and \$425 million in military aid, broken into two categories, foreign military sales credits and grant military aid. Payments are in five annual rental installments.

The House, acting under the guidance of Rep. Stephen Solarz (D-N.Y.), chairman of the House Subcommittee on Asian and Pacific Affairs, junked the Reagan administration recommendation to pay out \$100 million in combined military assistance and \$95 million in economic support. On top of that, the administration requested an additional \$36 million in development assistance and \$42.4 million in food aid under the PL480 program.

The final House version cut the entire \$195 million in base-related aid outright to \$180 million. From there, things went rapidly downhill. The House voted to reduce the entire military aid component to a paltry \$25 million, all in grant military aid, with no money for foreign military sales! Economic support was raised to \$155 million.

The real kick in the teeth to the Marcos administration, however, was the House request to have a watchdog role in the distribution of U.S. development assistance. First, the House requested periodic reports from the executive branch on the progress of distribution. Second, the House incorporated into their version of the overall foreign aid package an amendment, drafted by Rep. Schumer (D-N.Y.), requiring that 20% of the development assistance and food aid be distributed not by agencies of the Filipino government, but by private agencies, especially the institutions of the Catholic Church.

The thinking behind the House bill is the worst conceivable hypocrisy. On the military assistance side, the idea is to put a leash on the Armed Forces of the Philippines, which are under a cloud of suspicion and suspected contamination following the Aquino assassination, while giving just enough to sustain the status quo of government counterinsurgency operations against the growing New People's Army guerrilla insurgency. In the same vein, Rep. Solarz recently succeeded in getting a foreign aid package through the Congress that will provide \$10 million in aid, including military aid, to the noncommunist Khmer resistance in Kampuchea.

Solarz may be a hypocrite, but he is no fool. The sum offered is just enough to keep the fighting going, and no more. Worse, intelligence sources agree that the strongest fighting units in the Khmer resistance are those of mass murderer Pol Pot's Khmer Rouge, and aid to the resistance coalition aids and abets Pol Pot.

Similarly, in the Philippines case, by demanding that development assistance and food aid distribution be handed over to the agencies of the Catholic Church, Solarz et al. are handing government power over to the people who are out to bring down Marcos and kick out the U.S. bases! The Philippines, the largest Catholic diocese in the world, is the diocese of Chinese-born Cardinal Jaime Sin, who has openly taken the side of the International Monetary Fund and Wall Street against Marcos.

In a June 2 speech to the National Press Club in Washington, D.C., Cardinal Sin demanded that the United States eliminate all military aid to the Philippines, and called for "a new face, and a new leadership" in Manila. It is common knowledge, in Manila and throughout Asia, that the "public works" side of the Filipino Catholic Church are rife with "liberation theologian" priests who provide an extensive logistical and command structure for the New People's Army. One of the most famous NPA commanders, Conrado Balweg, is a not-so-"ex" Jesuit priest.

The U.S. State Department is fully complicit in pushing

the destabilization of the Marcos government, most importantly, by its full support for the IMF's "stabilization" program. In fact, the State Department has learned a few tricks from the IMF and is engaged in open economic warfare against the Philippines, according to allegations lodged by Sen. John Melcher (D-Wyo.).

According to Melcher, the State Department has blocked U.S. wheat sales to the Philippines for political reasons, a move that could lose American farmers their control over the Filipino wheat and rice market, as well as to starve Filipinos. State wanted to eliminate the appearance of "preferential" treatment toward the Philippines. Melcher reports that, under nonstop pressure from the State Department, President Marcos finally "came unglued" when Shultz's boys demanded that the sales be conducted through private agencies, not the government. Melcher added that 59 out of 60 countries that buy wheat from the U.S. purchase it through government agencies!

U.S. Ambassador Stephen Bosworth, one of the Kissinger boys who "cut his teeth" on the Latin American debt crisis before moving to Manila, openly embraces the IMF's ham-handed restructuring of the Philippines economy, as the pathway to economic "stability" for the country. An IMF delegation left Manila last week, and is rumored to have demanded further devaluation of the Filipino peso and tax hikes from the government.

Secretary of State George Shultz, during his three-day trip to Australia last week, also made no secret that he was shopping for alternative base sites for Clark Field and Subic Bay. One way or the other, either at the end of Marcos' boot or at the hands of the NPA, our ever-loving State Department is planning a cowardly escape from the Philippines.

### **Who's in charge here?**

The one ray of hope in the situation is that President Marcos does not intend to be dictated to by either the U.S. State Department or the U.S. Congress on the base agreement. In his July 18 address to the National Defense College graduates, Marcos laid the issue squarely at the door of President Reagan. "We have an agreement with the party that is in power," Marcos said, "Now let the party in power tell us what is happening. Do we need to renegotiate or not?" Marcos then called for the creation of a commission to consider abrogating and/or renegotiating the treaty.

Defense Minister Juan Ponce Enrile has indicated his willingness to make good the Philippine government threat to break the agreement. On July 16, 27 ministers and deputy ministers caucused to discuss abrogating the treaty. Enrile volunteered to sponsor a bill to stiffen the terms of the treaty, to make it a binding pact, when the National Assembly reconvenes July 23. Two days earlier, Defense Minister Enrile charged the House of Representatives with "virtual blackmail and blatant interference" in the internal affairs of the Philippines.

# An East-West deal over Agca trial?

by Umberto Pascali

"The CIA is a serious organization. That's why they did not want to go for this story of the Bulgarian connection." The Bulgarian journalist is smiling politely while explaining to me what the trial of Mehmet Ali Agca, the Turkish terrorist who tried to kill the Pope in St. Peter's Square on May 13, 1981 is really all about.

We are talking in the big room in the Foro Italico, where the trial is being conducted, during a pause in the proceedings. The Bulgarian Antonov, accused by Agca of being his immediate accomplice in the assassination attempt, sits downfaced behind bars. Some say that the Bulgarians are very worried that he is on the verge of psychologically breaking and revealing everything.

Clearly, Sedar Celebi, another Bulgarian, looks much more alive, and smiles continuously at photographers.

Some say that Antonov feels the pressure of one who may never get out of jail, but fears also what his masters may do if he becomes too dangerous. *Izvestia* correspondent Paklin moves continuously, from a journalist to Public Prosecutor Antonio Marini, to the lawyers for the accused.

The statement of the Bulgarian journalist is surprising. I ask for further explanation. "The KGB is also very serious. And now, you know, there is a new atmosphere, Gorbachov will meet Reagan, and if I am not mistaken, he will also come to Italy to meet Prime Minister Bettino Craxi. . . . Yes, one could say that the CIA is realistic."

As my Bulgarian interlocutor indicated, the big problem in this trial, already labeled the "trial of the century," is that its outcome is being decided not so much in the big room at Foro Italico in Rome, but in confidential discussions between Moscow, Washington, Vatican City, Rome, and certain top oligarchical circles, first of all, the Thurn und Taxis family. "There are very strong pressures being applied against the Italian government," a high-level insider told me. "The Bulgarian track is absolutely true, everything Agca said on that is true, and even worse, but the strategic conditions to draw the obvious conclusions do not exist."

Another source, who knows much more than appears in the press, said, "Agca is sending signals. Sometimes he invents things or purposely denies what he has previously confessed to confuse the picture. This is why he has been promised a deal; he could be freed in some years, so he never

touches the Italian or Turkish side of the plot."

On July 9, when pushed by the public prosecutor, Agca blurted out: "Until now I said the truth. The rest does not depend on me. Certain conditions are necessary." On another occasion, the terrorist declared: "I did not believe that we could have arrived at this point. This was not supposed to happen." Agca also says that he has been threatened by the Soviets, and he wants certain assurances if he is to talk more.

## The role of the media

I had the clear impression that the Soviet and Bulgarian strategy is not at all what one observes in the behavior of their lawyers, but in the secret strategic negotiations and the atmosphere of pessimism created by the Western media. Only 30 court sessions have taken place to date—practically nothing considering the importance and the scope of the facts raised during the trial—but the media are generally spreading the idea that the thing is already over: Agca is crazy, he invented everything, and nothing will be discovered.

Aleksander Dospevsky, the most important Bulgarian lawyer who is a counsel to Antonov, told me: "Nobody believes in Agca anymore. Juridically the trial will go on, but it is already clear that the involvement of Bulgaria is completely invented. You will see."

True, Agca proclaimed a couple of times: "I am Jesus Christ." But the media did not report what else he said in his mystical mutterings. On July 15, I was quite struck at the way Agca, pushed by the judge to reveal what he knows of his accomplices in Munich, quite evidently felt that there was something he could not say. Munich is important, because it leads to the famous 3 million deutschemarks payed to Agca by, he says, a Soviet official. But a very nervous Agca said that he does not want to say more. "If I did spill innocent blood, I am condemned now. Of course I pay. I said I wanted to hit Christianity and Western civilization in the name of God. I did hit it. I always said I was a glorious Muslim, but also Jesus Christ. These are not contradictions, but facts that nobody understands. They will understand when we break world peace and hundreds of millions of innocent people die because the Vatican, the White House, and the United Nations did not listen to my words. . . ."

These are not just the words of a crazy man, but the deep "Prophecy of Fatima" belief-structure of a killer conditioned by the Gnostic-cult specialists at the top of Bulgarian and Soviet intelligence. *They* want to "hit Western civilization." Nor was Agca crazy when on an earlier occasion, he refused to answer questions, because, he said, at that very moment, the Vatican Secretary of State, Agostino Cardinal Casaroli, was in Czechoslovakia for the celebrations of Saints Cyril and Methodius, and in this context, was making a deal with the Soviets.

Nor did he seem to me to be very crazy when he said that he understood that there was a deal after reading the latest Papal encyclical on ecumenicism between the Orthodox and Catholic churches.

# Moscow builds up Libya for war

by Thierry Lalevée

President Reagan's July 8 denunciation of Libya as a center of international terrorism did not result in the isolation of Libya and its mad leader, Muammar Qaddafi. Quite the contrary, Qaddafi has been sought out by foreign guests as never before. As his widely publicized tour of Central Africa in May showed, the Libyan leader has been building his credibility for sometime. But what kind of credibility?

It is no secret that Libya is close to financial bankruptcy, and has been trying to negotiate a \$15 billion loan from Saudi Arabia—so far unsuccessfully. Nor can Libya's credibility be based on the kind of development expertise which is so badly needed in Africa.

As the Western position has disintegrated in the Middle East, or led pro-Western countries into deep troubles, Libya's Moscow connection has become more and more attractive to many. Admittedly, Moscow's relation with Libya is an unstable one, as it is also based on Libyan connections to certain Western intelligence circles whose interests are best served by Qaddafi's antics. However, Moscow's decision to build up Libya as one of its major launching pads in the North African/Mediterranean region is clear. Libya is to be that region what Syria is in the Middle East.

As early as June, NATO intelligence sources in Italy officially reported that satellite observation of Libyan territory had revealed that the Soviets are building an airport runway for use by Soviet strategic Backfire bombers. A report in the July 15 issue of the French magazine *Le Point* said that the Soviets are building SAM-5 launching pads on the outskirts of Tripoli. *Le Point* also reported an increase of Soviet reconnaissance overflights over the American Sixth Fleet in the Mediterranean, apparently coming from Libya or its territorial waters.

Over recent weeks, military-related diplomacy has been at the top of the agenda in Tripoli. On July 8, a treaty of defense cooperation was signed between Libya and Sudan. The following day, Syrian Defense Minister Mustafa Tlas arrived in Tripoli for a week-long visit. Then, on July 10, a high-level Bulgarian delegation arrived, led by Lt.-Gen. Dimitrii Dimitrov, deputy chairman of the state planning commission, and Gen. Doyan Sabir of the office of the Bulgarian chief of staff. At the same time, a Maltese delegation arrived, and it was announced in Kuwait that the foreign minister would soon visit Libya.

Libya is already waging war on several fronts. On July

7, a treaty was signed between the Libyan government and the little known Kurdish Socialist Party (KSP) of Iraq, a splinter group from the better known Kurdish Democratic Party of the Barzani brothers. The treaty implied full Libyan backing to the KSP in its war against the Iraqi government. This was Libya's answer to the July 7 creation in Baghdad of a "Libyan national movement" committed to the overthrow of Qaddafi.

Similarly, according to a London report of the Israeli newspaper, *Ha'aretz*, Qaddafi's cousin and troubleshooter, Ahmed Qaddafi, has been put in charge of a large task force, involving Syria and Iran, planning the assassination of PLO chairman Yasser Arafat and Jordan's King Hussein. The task force includes Soyyed Mahmoud Hashemi of the "Organizations of the Liberation Movements" in Iran. However, Qaddafi's presence is of special importance, since he is Libya's plenipotentiary and roving ambassador. On July 9, he was in Paris meeting with French Foreign Minister Roland Dumas. The discussions focused on improved French-Libyan relations. A glimpse of what that means, was the scandalous deal exposed in early July in France, a deal Mitterrand made with Qaddafi as early as October 1983. Promising to Qaddafi, and hence to the Soviets, the "independence" of strategic New Caledonia in the Pacific, Mitterrand had asked for the withdrawal of Libyan troops from Chad in exchange.

This is not likely to be very much appreciated by Libya's immediate neighbors, Egypt, Tunisia, and Algeria, which all consider Qaddafi their security problem number-one. Cairo feels surrounded and is being trapped into a military confrontation with Libya. Tunisia is witnessing direct Libyan interference which Qaddafi never dared before. At the beginning of July, Libya's Arab People's Congress, a state organization, distributed leaflets in the street of Tunis, denouncing the government and justice apparatus for the sentencing of a Tunisian member of the Arab National Movement to one year in jail.

But this is mild by comparison with what Tripoli and Moscow are plotting in the Western Sahara. Diplomatic sources say that during a series of meetings in June in Damascus, the Syrians and Iranians decided to sell ground-to-ground SCUD-b battlefield missiles to the Polisario guerrillas, the kind which Tripoli has been selling to Iran on Moscow's orders. This will make a joke out of Moroccan King Hassan's carefully built Saharan walls. SCUD missiles fired against Moroccan towns mean a totally new ballgame in the Saharan war, especially if the Libyans, Syrians, and Soviets can make it appear that America's new-found ally in the region, Algeria, made the delivery. A Morocco-Algeria war would ensue, with very much the same consequences, and worse, of the five-year-long Gulf war.

Diplomatic sources have stressed for sometime now that Northern Africa, from Morocco to Egypt, will be a crisis spot, aimed against NATO's southern flank. This may unfortunately prove true.

## Jimmy Carter in Athens

*It smells like a Democratic Party/State Department alliance against NATO partner Turkey.*

**B**etween July 2 and July 16, Athenian public opinion was focused on the public statements of numerous prominent visiting Americans, Senators Larry Pressler and Paul Sarbanes and ex-President Jimmy Carter being the most prominent among the visitors. Their message to the Greek Socialist government was twofold: not to pay any attention to the Reagan administration's protests over Papandreou's outrageous pro-Soviet behavior; and to continue exacerbating the, already explosive, Greek-Turkish tensions.

Sarbanes' anti-Reagan statements to the Athenian daily press read like instigations to further anti-Americanism and bordered on treason. Pressler's meddling into the interminable Greek-Turkish conflict over Cyprus, assisted by parallel activities of the State Department's Richard Haass, also in Athens at the time, was closer to pouring oil over flames.

But most interesting was Jimmy Carter's theological inquiries into the mysteries of the Eastern Orthodox faith. Following is an account of Jimmy Carter's meeting with Papandreou's Foreign Minister John Charalambopoulos on July 15, as reported by the leading pro-government Athenian daily *To Vima*:

"The next major subject in the conversations between Messrs. Carter and Charalambopoulos was (strange as it might appear), church-state relations and ecclesiastical property in Greece. Mr. Carter specifically requested information on whether there

is division between church and state in Greece and whether the Oecumenical Patriarch has the same administrative and political power as the Catholic Pope.

"Mr. Charalambopoulos, who was particularly well informed on ecclesiastical matters, explained that the Patriarch is considered head of the Orthodox church, but he reminded him that many churches are independent, that there are other patriarchs, and that the Oecumenical Patriarch does not have the political and administrative powers of the Pope.

"Mr. Carter repeated his question about ecclesiastical and monastic properties and requested specific items of information regarding church real estate property, whether it is subject to taxation and how the church helps the poor. . . ."

"Subsequently, Mr. Carter asked for further information about the Oecumenical Patriarchate and specifically asked whether Patriarch Demetrios was encountering serious obstacles in the execution of his duties. Mr. Charalambopoulos was thus given the opportunity to explain to Mr. Carter the problems which the Greek Orthodox Church is facing in Constantinople [*To Vima* editor's note: Mr. Carter also referred to Istanbul as "Constantinople"], especially with the recent demolition (by the Turkish government) of the church of Makrochorion, under the pretext of opening a new road."

"Mr. Carter, having listened attentively, and admitted that this was his first precise briefing on the subject,

said that Mr. Charalambopoulos' briefing will help him in his conversations both with the Holy Synod (in Turkey) and with the Turkish political leadership."

Subsequently, Carter was asked the following:

"Q: Are you planning to visit Constantinople?"

"A: Correct."

"Q: Will you be a mediator on the problem of the church of Saint George [at Makrochorion]?"

"A: Not a mediator. I have no such mandate. I am a simple citizen. But I am well disposed toward religion and toward Christian dogma and I will be meeting with the Turkish President, prime minister, and foreign minister. I might be able to say a few good words about the exercise of religion."

The gameplan: The Carter and Brzezinski wing of the Democratic Party's foreign policy mafia is in cahoots with the Papandreou government as well as with Syria and Bulgaria, in orchestrating a pressure campaign against Turkey aimed at forcing Turkey to distance herself from the United States and its military policies.

A joint Greek-Bulgarian-Syrian military blackmail against Turkey, if supported by a significant United States power group, such as, for example, a Democratic Party and State Department alliance on the matter, would virtually guarantee a collapse of Turkey's commitments to NATO by not later than the autumn of this year.

In approximately the same timeframe, the new phase of the Cyprus crisis is expected to erupt, thus providing the trigger for this scenario.

Also noteworthy is that, as soon as Jimmy Carter ended his talks with the Greek government, Bulgarian President Todor Zhivkov arrived in Athens for talks with the same officials.

## A campaign for the alliance in Sweden

*The first candidate to officially kick-off her campaign wants the prime minister tried for treason.*

In Sweden, where there will be general elections on Sept. 15, it is traditional to kick off election campaigns two months earlier, in July, in the park Almedalen in Visby on the island of Gotland. The island is situated in the Baltic Sea, only 1,000 miles from the Soviet coast.

The first Swedish party leader to take the podium in Gotland this year was Kerstin Tegin-Gaddy, chairwoman of the European Labor Party (ELP) in Sweden.

With big ELP posters plastered all over the island, the Gotlanders knew what to expect from Mrs. Tegin-Gaddy and her guest, Rev. Dibala Mpolesha of Zaire. The posters: "Do as Norway, Not as Greece: Put Prime Minister Olof Palme on Trial for Treason against Sweden"; "Africa Can, Must, and Will Be Saved"; and "Defend Beethoven, Verdi, and Shakespeare—Sweden Join NATO."

In spite of pouring rain, the outdoor rally attracted hundreds. This, they knew, would be the controversial event of the election kick-off period.

Both Mrs. Tegin-Gaddy and Reverend Mpolesha called saving Africa a moral imperative for the world. The ELP chairwoman emphasized that what Africa needs is high technology, infrastructure, and industrial development, not charity. The \$70 billion raised by rock-and-roll celebrities, she pointed out, is equivalent to the sum taken out of Africa by its usurious foreign creditors through an interest rate rise of only 0.25%. In short, the responsibility for the African catastrophe lies with the International Mon-

etary Fund, World Bank, and commercial bankers.

She exemplified the policy she would pursue by pointing to Sweden's Alfa-Laval company, which has built a dairy farm in the Saudi Arabian desert, and now supplies milk to thousands of children.

The ELP, she pledged, will break open the political environment in Sweden, where with the exception of her party, every party, left or right, agrees that Sweden should try to maintain an untenable neutrality, rejects nuclear energy development, and contends that agriculture suffers from "overproduction."

"If you vote for the EAP," she told the audience, "you are saying yes to nuclear power, yes to joining NATO, and yes, Sweden should produce more and better food. But in Sweden, if you say such rational things, you are regarded as dangerous and no effort is spared to stop you."

She elaborated: A woman preferred to educate her children in one of the few remaining private schools which teaches Judeo-Christian values instead of those of the state-controlled propaganda machine which manufactures Social Democrats. This was too much for the government authorities, who took away her children on grounds that her home was "unclean," and placed them with a Social-Democratic family to mold "right opinions." They promised to return the children only if she placed them in a state-controlled school. The woman got her children back, but only after going to the European court at The Hague.

Against the ELP itself, she continued, Gestapo methods are applied. For example, "conservative" press slandered the party by claiming that it falsified 1,500 names on petitions required to qualify for party registration. One such article appeared in the newspaper *Svenska Dagbladet* on the day before the Gotland rally.

"Why," asked Mrs. Tegin-Gaddy, "are they so afraid of what they call 'a small insignificant party'? Why be so afraid of the ELP's 1,800 members? The reason is that the ELP is the only opposition to Sweden's five-party dictatorship, the only party that wants Palme out of office. If he remains, Europe's northern flank will soon fall to the Soviets undefended."

She then appealed not only for votes, but for candidates. "Run for office yourselves," she stated. "This is absolutely necessary for rescuing Western civilization."

Represented at the rally were ELP candidates from not only Sweden, but Denmark and West Germany as well, 20 in all. An island newspaper, *Gotlands Tidningar*, wrote of one of the candidates:

"Martin Binnerson, 50 years old, was born in West Berlin. He worked most of his life at sea, but lived in the United States and was a U.S. Marine Corps sergeant for 16 years. He has been a Swedish citizen since 1970. . . . 'I became politically aware the very day a Russian submarine was stranded on our archipelago,' Binnerson says."

Following the rally, the party staged a concert featuring the well known Swedish pianist Ann Marie Fröijer and West German violinist Martin Buch, in a program of Bach, Shubert, Beethoven, and Mozart that so inspired the editor of the *Gotlands Allehanda* that he headlined his report, "A Mind-Refreshing Musical Shower."

## Elections mean major changes

*Raymond Barre, at the other end of the political spectrum, is Swiss bankers' chosen successor to Mitterrand.*

If present trends persist, as they undoubtedly will, the March 1986 legislative elections in France will bring to power a coalition of nominally right-wing opposition parties led by the Gaullist RPR. Polls indicate that the opposition parties will receive over 60% of the vote, while the presently ruling Socialist Party is said to be hovering around 25%.

The Socialists have been attempting to minimize the extent of a defeat which they consider virtually inevitable. They recently introduced partially-proportional elections, in a major departure from traditional election practice under the Fifth Republic, which multiplied the legislative results of the victorious parties. At the same time, the Socialists have unashamedly promoted the emergence of the populist National Front to undercut the RPR, which remains the single largest party in the country. It is not expected, however, that these maneuvers stand much chance of success: Divide and conquer maneuvers will have more impact upon the 1988 presidential elections than on the upcoming legislative tests.

A dual power situation will thus become reality in 1986—unprecedented in the history of the Fifth Republic, founded in 1958 by General de Gaulle. The constitution of 1958 created a presidential republic in which the legislative branch was made into the guarantor and implementer of presidential policy, retaining strong

independent privileges and powers of control, but not of initiation of policy. Nonetheless, a strong and stable presidency depended on a clear parliamentary majority.

In 1986, the situation will be entirely novel. The parliamentary majority will be in direct confrontation with the executive. Mitterrand will be the President of a country whose parliament is bitterly antagonistic to him.

The President has declared that he will retain full control over French foreign and security policy, the most hotly contested point of his regime. But constitutional and legal niceties aside, France will suddenly have two foreign and security policies as well as two economic and social policies.

Well informed circles in Paris say that the RPR will demand the posts of Minister of the Interior and Defense in the new coalition, which will place them in control of police and affairs pertaining to international security interests (New Caledonia, Africa, cooperation with NATO, etc.) It is difficult, if not impossible, to imagine anything but a rapidly mushrooming conflict between the presidency and the government under these conditions. Most recently the RPR as well as ex-President Giscard d'Estaing endorsed the idea of French-American and European-American cooperation on the U.S. Strategic Defense Initiative, and strongly criticized Mitterrand's substitute Eureka program. At the same time, police and security cir-

cles linked to the opposition have been violently critical of the Socialists' appeasement of international terrorists.

The latter conflict has virtually become an area of undeclared war. While the French foreign ministry under guidance from the Elysée has protected European terrorists hiding in France and has tried to negotiate with Islamic Jihad (among others), the DST and parts of the DGSE (respectively domestic and foreign intelligence) have been doing their best to sabotage these discreet negotiations. The DST appears to have won the latest round in the fight: One of the leaders of the FARL Lebanese terrorists, Georges Abdallah Ibrahim, was sentenced to 25 years' imprisonment, though the government sought to free him in exchange for French hostages who remain captive in Beirut.

While the change of government will have important effects on European and international politics in the short term, the overriding question of the presidential elections remains open. A large-scale effort is being organized by the Swiss banks, parts of Anglo-Saxon banking circles, and the Trilateral Commission to put Raymond Barre into power. Barre, honorary president of the Geneva Association, the largest insurance think tank in the world, has long been the darling of the international banking community. He is a member of the international board of Banco di Lavoro and a long-standing member of the Trilateral Commission. In keeping with this pedigree, Barre is considered to be Moscow's candidate for 1988, a fact which coheres with his repeated pleas in favor of détente and European-Soviet cooperation. The financial elites (Schlumberger, Gervais-Danone, etc.) who backed Mitterrand in 1981 have found a new candidate on the other side of the political spectrum. Barre is Mitterrand's chosen successor.

## Who covers up Soviet provocations?

*The U.S. State Department, Rozann Ridgway, and Richard Burt—who else?*

**I**n all critical periods of the past 40 years, Berlin has been a measuring-rod of Soviet intentions, whether for détente or confrontation. In order to increase the pressure on Central Europe, the Soviets have always used a crisis over Berlin—an enclave surrounded by East German territory and Soviet troops. Among the few privileges the three Western allied powers—U.S.A., Britain, and France—have maintained since the occupation period, the foremost are air transit from West Germany to the city, and military inspection tours in East Germany. Any attack on these privileges would unmistakably signal Soviet commitment to confrontation.

The shooting of U.S. Major Arthur Nicholson by Soviet soldiers in March was a clear signal that the confrontation was on. Then, on July 5, a British airliner was “attacked” by Soviet MiG jetfighters during unannounced air exercises. On July 12, a U.S. military patrol, which observed the return of Soviet military units from maneuvers to their barracks near the city of Satzborn, was slammed by a Soviet truck. The American car was damaged, and one of the three U.S. officers injured.

There can be no doubt that the Soviets are intentionally building confrontation in and around Berlin. Yet, one finds that the American authorities in Berlin are not only reluctant to inform the public about these incidents, but even misrepresent the situation. Just one day before this latter incident, the media were told that co-

operation between the Western powers and the Soviets worked “generally well.” The fact that East German customs had caught two Arab terrorists who had planned to hijack an American airliner in West Berlin was cited as a prominent example.

An exact date for this affair was not given, but it must have occurred during the days around the exchange of spies in Berlin on June 12, which was presented as another example of “cooperation with the East.” This was the exchange new U.S. Ambassador to West Germany Richard Burt personally handled, and West Berlin journalists were surprised to see the “iron information curtain” lifted during that exchange by the same authorities who would normally block any information from reaching the public.

The picture presented to the public is a very selective one, therefore, and the fact is, the U.S. Department of State plays a key role. While American soldiers get shot, beaten up, or intimidated by the Soviets around Berlin, the information policy of the U.S. authorities in Berlin—which operate according to State’s guidelines—present a kind of “East-West love story.” While Western airliners get harassed by Soviet jetfighters, and the Soviet confrontation strategy could not be clearer, certain people on the American side talk of “understanding” with the Soviets.

The real “Berlin Story” is that with the full consent of the East German authorities, East Berlin functions as a huge sluice for Soviet-steered secret

agents and terrorists into the West. It functions as the main trading point for drugs and illegal weapons in Central Europe. The region around the city of Berlin is increasingly being militarized—the incidents between Soviet and Western soldiers outside Berlin find their explanation in the simple fact that the Soviets don’t like the Western powers to exert their rights to monitor this militarization.

Senators Helms, Goldwater, and eight others had good reasons to oppose the nominations of Richard Burt and Rozanne Ridgway to their new posts. Mrs. Ridgway should have told the full story on what was going on in and around Berlin, while she was U.S. Ambassador to East Germany from January 1983 to June 1985. Richard Burt, whose European Affairs section at the State Department was obviously complicit in covering up the incidents in and around Berlin, is not qualified to take the post of ambassador to Bonn. Nor is John Kornblum, head of the U.S. Mission in Berlin since the end of 1984, qualified for his job. His role in the Berlin agent exchange of June 12 is less interesting than his role in the Central European desk at Burt’s European Affairs section between 1982 and 1985.

With this variety of diplomat in the most sensitive region between East and West in Central Europe, more Nicholson cases seem to be certain to occur. The fact that during the Senate debate on the confirmation of the Burt and Ridgway nominations on July 15-16, at least some aspects of that cover-up were made public, leaves some hope for a change, however.

The Soviets, and their State Department friends, should be warned: The next, even minor incident might just provoke the Senate debate on the policy of the State Department in Central Europe which is long overdue.

# International Intelligence

## *International press eats crow*

The Montreal daily newspaper *La Presse* has retracted a slander against American economist Lyndon H. LaRouche, which it printed April 13, 1985. In its July 9 edition, *La Presse* printed a notice entitled "Neo-Nazism: Apologies and Retractions," which goes in part:

"*La Presse*, in its supplement of April 13, 1985, had published an article on neo-Nazism of a nature to do harm to the reputation of Lyndon H. LaRouche, Jr., an economist and American political figure, and that of Mr. Gervais, representing the Party for the Commonwealth of Canada. . . .

"This same reporting indicates Mr. LaRouche diffuses anti-Semitic ideas and that he inspires himself for this purpose from the Protocols of the Elders of Zion. *La Presse* retracts this affirmation.

"According to this article, Mr. LaRouche appeared before the New York Supreme Court and was found guilty of anti-Semitism in 1980. *La Presse* retracts this affirmation. . . .

"*La Presse* regrets the inconveniences this article may have caused to the plaintiffs."

In a similar ruling, a state appeals court in West Germany, overturning a lower court ruling, has prohibited the radio station Westdeutscher Rundfunk from repeating slanders against the European Labor Party, which is headed by Helga Zepp-LaRouche. The ruling states that the station will face a 500,000 deutschemark fine if they repeat the allegations, contained in their Nov. 11, 1983 show, "Nazis without Swastikas," a) that Lyndon LaRouche uses the words "British" and "Zionists" as synonyms, b) that LaRouche called Hitler's extermination of 6 million Jews a "Zionist swindle," c) that LaRouche demanded, that the Jews/British must be stopped by violence, if necessary with the same means applied against Japan in 1945, and d) that the organization of Lyndon LaRouche has openly threatened nuclear terror.

## *Qaddafi outdoes the Inquisition*

In his drive to obliterate the last shards of "decadent" Western culture from his land, madman Soviet puppet and Hitler admirer Muammar Qaddafi has ordered that not only all Western books, but also all *Western musical instruments*, be immediately burned. Libya's Domestic Servants' General People's Committee met in Tripoli this week and announced that the burning of the instruments stems from the eagerness to purge society of all "false Western cultures, which history has proven to be amusements that stain the minds of our youth."

In order to "destroy the defunct cultures, direct minds toward the correct path, and purge it of all its faults," the committee also ordered the burning of all Egyptian films, of all foreign audio-visual tapes, and of any books that "contradict the theory of the Al-Fatih Revolution."

## *Marx and Mertes deaths: a mere coincidence?*

Dr. Werner Marx, head of the foreign relations committee of the West German parliament, died unexpectedly in a Bonn hospital July 12 from what is being reported as the "after-effects of heart surgery." Marx was a Christian Democrat and a leading opponent of the nomination of Richard Burt as U.S. ambassador to his country. He had been designated for the post of assistant secretary in the foreign ministry.

Curiously enough, this post had become vacant just two weeks earlier when another leading West German opponent of the Burt nomination, Dr. Alois Mertes, died suddenly after being hospitalized with a stroke. Both Marx and Mertes were known as hard-line opponents of the policy of appeasement of the Soviets pursued by Foreign Minister Hans-Dietrich Genscher. In addition, CDU member Marx was known for publicly sup-

porting President Reagan's intervention in Grenada, even after Foreign Minister Genscher had criticized the U.S. President.

## *Shultz Asia trip used for 'Jap-bashing'*

Secretary of State George Shultz used his mid-July tour of Southeast Asia and Australia to drum up a trade war against Japan. The opening up of Japan's domestic markets, Shultz told the foreign ministers meeting of the Association of Southeast Asian Nations (ASEAN), is one of the keys to "stimulating" the world economy.

Shultz backed up his bullying by having the U.S. embassy in Tokyo simultaneously hand a detailed list of demands to the ministry of foreign affairs in Tokyo. Among these were demands that Japan 1) restructure its industries in order to facilitate imports; 2) develop target figures for imports; 3) create new financial institutions in order to expand consumer credit; 4) change its laws in order to force "mom and pop" stores out of business, replacing them with American-style fast-food chains.

In short, the United States is demanding that Japan turn itself into a post-industrial junk-heap identical to the United States.

Shultz, following in the footsteps of Henry Kissinger who visited Japan early in July, was also adamant that regional economic development shall *not* be the solution to its economic problems. In an obvious reference to the renewed drive by the Fusion Energy Foundation and the Mitsubishi Research Institute of Japan to get a shipping canal constructed across the Isthmus of Kra in Thailand, Shultz warned ASEAN to avoid "the strains of ambitious supranational projects and policies."

## *Soviet KGB meddling in India*

Sant Harchand Singh Longowal, one of the top leaders of the Akali Dal, the Sikh polit-

ical party in the Indian state of Punjab, has charged the Soviet Union with aiding and abetting the destabilization of India.

According to reports from New Delhi, the Sant told *Indian Express*, India's largest-circulation English language daily, that the Russians are not interested in a peaceful, stable India, and in particular have no interest in a solution to the separatist strife that has devastated the vital border state of Punjab for more than two years.

The Sant further charged, according to reports, that the Indian foreign intelligence agency, the Research and Analysis Wing (RAW), was complicit in the KGB's dirty operations in Punjab.

Longowal is a "moderate" within the Akali Dal, and early last year had unsuccessfully attempted to fight the takeover of his party by extremist-separatists. When the Indian Army was finally forced to move into the Punjab and clean out the Golden Temple occupied by Sikh extremists, Longowal was arrested and kept in custody until early this year. Longowal's release from prison was the first step in a series of initiatives the Rajiv Gandhi government has taken to create the conditions for a return to normalcy in the state. So far, the Longowal leadership seems to have successfully weathered the latest spate of terror-bombings unleashed by the fundamentalists in northern India in May, which only resulted in alienating the vast majority of Sikhs along with the rest of the Indian population.

## ***Israel drifting toward Moscow?***

Israeli Prime Minister Shimon Peres says that Israel wants to re-establish diplomatic relations with the Soviet Union. Peres told the executive committee of the World Jewish Congress in mid-July that the Soviets "have never been our enemies, and with Gorbachov coming to power, "there could be a new window of opportunity which we should not overlook."

"We should attempt to reach a dialogue

on all subjects with the Russians," he said.

A London dispatch from the Israeli newspaper *Al Hamishmar* says that "the cables of congratulations sent from Israel to the new Soviet President Gromyko were described by a senior official in Jerusalem as a gesture aimed at a renewal of diplomatic relations with the U.S.S.R. A senior foreign ministry official said that since Moscow severed diplomatic relations with Israel in 1967, protocol does not require Israel to send cables of this type. He added that the cables reflect Israel's desire for an improvement in the relations with the U.S.S.R. in the future."

This same shift was strongly reflected in the July 12 *Jerusalem Post*. In its op-ed column, entitled "Need for Debate Over 'Star Wars,'" Hebrew University professor and former foreign ministry official Shlomo Avineri wrote that many Israeli leaders have said that "the recent changes in the Kremlin may portend better relations with the Soviet Union. How can one express such views and at the same time get involved in a project which is considered, rightly or wrongly, by the Soviet Union as the most confrontational tool of U.S. policy vis-a-vis the Soviets?"

## ***Probe launched for Halley's Comet***

The European Space Agency has dispatched its first interplanetary probe on a mission to explore Halley's Comet. The space-probe Giotto, named for the 14th century Italian painter who depicted Halley's Comet in his paintings, was launched from Kourou, French Guyana by the booster Ariane-1, and put into geosynchronous orbit. After three revolutions, the probe was then propelled from its Earth orbit for a Sun orbit that will take it, in March 1986, to an encounter with Halley's Comet.

A prime objective of the probe will be to detect the comet's nucleus, which is too small to be visible to the best Earth telescopes. The best pictures will be taken at a distance of less than 1,000 kilometers (approximately 620 miles).

● AN EIR documentary film on Soviet-sponsored narco-terrorism in Central America, using Guatemala as a case study, was the feature of an EIR-sponsored luncheon July 16 in Washington, D.C. Two colonels from the Guatemalan Armed Forces were the guests of honor. Other institutions represented were Western Goals, the Confederation of Associations for the Unification of Societies of the Americas (CAUSA), the American Security Council, Hemisphere Hotline, Accuracy in Media, *SeaPower* magazine, *Soldier of Fortune*, *Human Events*, the Association of Former Intelligence Officers, the Drug Enforcement Administration, Ecuadorean and Argentine military attachés and several private consultants and regional analysts.

● AUSTRALIA'S opposition Liberal Party leader and spokesman, MacPhee, has stated that his party is committed to supporting America's space-based defense program, as well as the mining and export of uranium and free access to Australian ports by all allied naval ships.

● PORTUGUESE PRESIDENT Eanes dissolved his parliament July 12, and called for early general elections for Oct. 6. He had announced the previous week that he would take this step after the Social Democrats walked out of the coalition government last month.

● ISLAMIC fundamentalist demonstrations against Egyptian President Hosni Mubarak have been going on for almost a full week. According to the *Times* of London, the Mubarak government is taking forceful measures to contain the Islamic extremist organizations. They are being whipped up by foreign forces interested in the destabilization of the country, on the pretext of Mubarak's refusal to implement codes of the *Sharia* or Islamic Law.

## Don Regan's Palace Guard is fast seizing power

by Kathleen Klenetsky

Using the pretext of President Reagan's illness, the White House Palace Guard, with Chief of Staff Don Regan in the lead, has moved with incredible speed to seize the reins of the United States government.

The President had hardly been admitted to Bethesda Naval Hospital for surgery to remove a large intestinal growth on July 13, when Donald Regan, acting with the seeming concurrence of Vice-President George Bush, anointed himself de facto President—as the *Philadelphia Inquirer* put it. “Don is in charge of the whole show,” one White House aide said. “Everyone works for Don.”

The Eastern Establishment press is exulting over former Merrill Lynch banker Regan's attempts to reduce the President to a mere figurehead. The *New York Times* wrote on July 15 that Regan “is emerging as one of the most powerful chiefs of staffs in years, and Mr. Reagan's illness has placed [him] squarely in the center of decision-making” on domestic and foreign policy.

According to numerous sources, the White House Chief of Staff has set himself up as the main channel between the recuperating President and the White House for the duration of the President's recovery—a recovery which Regan would apparently like to extend forever.

Immediately following Regan's surgery, Regan moved into an office down the hall from the President's hospital room; until July 17, a full four days after the President's surgery, Regan had been the only member of the administration to confer personally with the President. Regan announced July 14 that Reagan would follow “a much lighter schedule. We'll try to make as many decisions as we can without involving him. . . . We would try to spare him as much of the details as possible.”

Emulating his predecessor Mike Deaver, who tried to cultivate a Rasputin-like relationship with Mrs. Reagan, the White House chief of staff has managed to enlist the First Lady in his efforts. White House sources report that Nancy

Reagan has assumed the role of “protector” of the president. “She's his protector in making sure that he does not overdo it,” said an aide. “She's certainly part of the decision-making. Don Regan is definitely consulting her on how many meetings the President should have. They are talking a lot.”

The President's actual physical status appears to be less serious than Regan's actions convey. Doctors called his recovery “spectacular,” and White House spokesman Larry Speakes described Reagan as “chomping at the bit,” and eager to resume his duties. The President is “already talking about his schedule and returning to work,” Speakes announced July 16. “So, I think, the President is, in his own mind, ready to be up and at 'em.”

Apparently, the President's chief of staff does not agree. Regan has started exercising his new powers with a fury.

- He has made clear that the National Security Council, the Domestic Policy Council, and the Economic Policy Council will meet without President Reagan.

- He has also taken control of the budget process—which, through his personal sabotage of a compromise which had been worked out between the President and the House leadership earlier this month, immediately fell apart.

- He has placed himself in charge of White House personnel, as evidenced by his key role in selecting a replacement for Office of Management and Budget head David Stockman, and his efforts to move long-time Reagan loyalists, such as Patrick Buchanan and John Svahn, out of the administration, and substitute his own cronies.

The financial oligarchy which pulls Wall Street banker Don Regan's strings has kept an entrenched position inside the administration, particularly dominating economic and foreign policy. Now, running roughshod over the Constitution, Regan's backers see the opportunity to overturn the mandate of the 1984 presidential election, when voters emphatically rejected Mondale in favor of the President.

Since first entering the administration as treasury secre-

tary in 1981, Donald Regan has pursued policies totally at odds with U.S. interests, including his insistence that the U.S. submit to International Monetary Fund surveillance, and that cutting the budget deficit is a far more important priority than providing the U.S. with a defense adequate to meet the mounting Russian threat.

He has scored major victories on both issues: The U.S. formally embraced IMF surveillance at the IMF Interim Committee meeting last April, and three weeks later, the White House agreed to a zero-growth defense budget.

The chief of staff played a particularly egregious role in engineering the military budget disaster, apparently convincing the President that he had no political choice but to concede to congressional demands for deep cuts in military spending. So intent was Regan on keeping the defense budget at levels far below what is necessary for U.S. national security that in May, while traveling with the President in Europe, he deliberately blocked Mr. Reagan from receiving an emergency, transatlantic phone call from Defense Secretary Weinberger warning against the cuts.

Moreover, Regan has functioned as the principal channel for the mountain of lies and disinformation which has convinced Reagan, against all the evidence, that the economy is on the upswing. This has not only prevented the President from developing the necessary emergency solutions to the impending economic crisis, but also threatens to be his political undoing once the crisis becomes unignorable.

Regan's policy orientation locates him squarely in the State Department-dominated faction which wants to destroy the Strategic Defense Initiative (SDI)—a position which places him completely at odds with the President's own wishes, as the President himself unequivocally reiterated them just before undergoing surgery.

Regan devoted his entire nationally broadcast, Saturday noon radio address July 13, prerecorded before he entered the hospital, to reaffirming the importance of the SDI to Western security, and blasting the "hypocrites" in Moscow for demanding the United States drop the project. The SDI "makes eminent sense," said Reagan, not only because "it is better to protect lives than to avenge them," but because "it could prove crucial to guarding security and peace for America and her allies."

The President blasted the Soviets for attacking the SDI, pointing out that the Russians not only have far surpassed the U.S. in key areas of strategic defense technology, but have repeatedly violated the very arms control treaties which they claim the U.S. program infringes. "The Soviets have devoted a huge share of their military budget to a sophisticated SDI program, which, in resources already allocated, far exceeds what the United States anticipates spending in the current decade."

"Is it not preposterous," Reagan asked, "for the Soviets, already researching defense technologies for two decades, to now condemn America's embryonic SDI program. . .? Soviet hypocrisy is even more glaring when we realize who's

taking advantage of our open society to propagandize against" the SDI.

The President pledged "to put these facts on the table when I meet with Mr. Gorbachov in Geneva this November, and to tell him the United States not only has the right to go forward with research for a strategic missile defense," but "in light of the scale of their program, we'd be the greatest fools on Earth not to do so."

### 'Palace politics'

If Don Regan and the Palace Guard have their way, Americans will certainly turn out to be "the greatest fools on Earth." As *EIR* contributing editor Lyndon LaRouche stressed in a statement issued July 12, this is unhappily the direction in which U.S. policy is now heading.

Devoted primarily to explaining how Richard Burt, a leaker of crucial U.S. intelligence secrets and a proponent of "New Yalta," could be named ambassador to West Germany, LaRouche's widely circulated document identified the principal reason behind the recent spate of suicidal policies pursued by the administration.

The reason many influential Washington circles accept these policies is "Washington Palace-Guard Politics," wrote LaRouche. "They say words to the effect: 'Sure, the Titanic is sinking, but the captain refuses to believe it, and we're not going to jeopardize our seating position at the captain's table by offending him on this issue.'

But the "captain" in Washington isn't Reagan, LaRouche continued. The true "captain" is a "'palace guard,' centered around Grand Vizier Donald Regan, and spreading to include Secretary of State George Shultz, Henry Kissinger's crowd, and anyone else who happens to have prominent access to molding what amounts to 'palace gossip' on assorted topics. . . ."

LaRouche noted that growing portion of Washington opinion views the President, at the moment, as predominantly a figurehead. "Long-range thinking in most circles around Washington is already concentrated on the outcome of the 1988 presidential elections. Long-range thinking . . . is adjusting to a prospective phasing-out of 'a lame-duck President,' and the emergence of his prospective successor. . . ."

The real problem, LaRouche stressed, is that, on nearly every real issue of foreign and domestic policy, "individuals do not say what they think; they say what they believe it advantageous to be overheard saying. They calculate how the 'palace guard' will react to everything said or unsaid. In brief, 'rearranging the seating positions at the captain's table on the sinking Titanic.'"

"Unless forces inside the United States rise on their hind legs, and break this suicidal pattern of behavior in Washington," LaRouche warned, "the Titanic will sink, captain's table, captain, and all. . . . unless Washington changes drastically very soon, President Reagan is presently headed to be the last elected President of the United States to serve full term in office."

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## Investigative Leads

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# Terrorists in U.S. readied for action

A network of Iranian and Libyan terrorists which has been interfaced with Sikh networks is being prepared to carry out terrorist attacks in the United States.

Over the month of June, leading Iranian terrorist controller Imam Majdeddin Mahalati traveled throughout the United States and Canada as a personal representative of the Ayatollah Khomeini. Mahalati, whose role of securing Khomeini's revolution in Shiraz and subsequent personal direction of the execution of former ranking military officials is well known, was allowed into the United States by the State Department. Sen. Jesse Helms (R-N.C.) protested this traitorous action in a report entered into the *Congressional Record* on June 27.

On the pretext of fulfilling the spiritual needs of Shi'ites during the Islamic holy month of Ramadan, Mahalati is known to have traveled to New Brunswick, New Jersey, Washington, D.C., Toronto, Ontario, Vancouver, British Columbia, and Berkeley, California. The purpose of his tour, and related Sikh and Islamic fundamentalist gatherings, was to deliver marching orders to Iranian, Sikh, Libyan, and other Soviet-run terrorist networks in the United States and Canada.

Upon arriving in the United States, Mahalati met with Hooshang Amirhanadi, the executive secretary for all pro-Khomeini Iranians in the United States. Sources indicate that in Canada, he had several meetings with top terrorist controllers in Toronto, and in Vancouver met with Imam Al Batal, reportedly at the center of a drug-smuggling network that interfaces Windsor, Canada. In Berkeley, Mahalati reportedly met with the Movement for the Liberation of the Arabian Peninsula, a Shi'ite front dedicated to the overthrow of the Saudi government.

Mahalati's tour was partly prepared by the Union of Islamic Students of the United States and Canada, which held a San Francisco Bay Area conference on May 22. Over 2,000 fundamentalists from all over North America attended.

Complementing the intent of Mahalati's trip, the Islamic Circle of North America sponsored a conference of 1,000 in Toronto on July 4-7. The psychological setting was prepared by both the successful TWA 847 hijacking and the bombing of the Toronto outbound Air India Flight 182, which left 331 dead. The latter action was carried out by Sikh organizations present at the conference.

Among the key North American participants at the con-

ference was Dr. Mohammed Ayub of the University of Toronto, who is currently playing a leading role in the coordination of Sikh and Iranian networks. Among the key associates of Ayub, are Latif Oviassi and Zafir Bangash, editors of *The Crescent*, the Iranian intelligence-sponsored newspaper of Toronto and London. Reports indicate that Imam Mahalati met with Oviassi and Bangash during his trip to Toronto.

In mid-July, there were reports of several arrests of Sikhs attempting to enter the United States with false passports, and that some Sikhs arrested were going to Houston to carry out a bombing of a U.S. airliner.

### Libyan interface with U.S. neo-Nazis

The Islamic fundamentalist *Al-Majalla* recently ran pictures of Richard Butler of the Aryan Nation and robed members of the Klu Klux Klan with an accompanying caption, "American Friendly Fortress." A short article reported on the philosophy of these groups and noted that the Aryan Nation and KKK concurred with Islamic fundamentalists that the Israelis are occupying Palestine. Sources say that Butler's organization is receiving Libyan money and that there is an interface between Iranians and white supremacist/survivalist networks in the southeast United States.

On the "left" side of Libyan operations is EAFORD, The International Organization for the Elimination of All Forms of Racial Discrimination. Founded in Tripoli in 1979, EAFORD is an international network of anthropologists, political scientists, and leftists with significant activity in the United States and Canada.

Abdalla Sharafeddin, a Libyan national who is the international president, resides in Houston, Texas. According to intelligence sources, EAFORD is an aboveground umbrella operation which interfaces underground Libyan terrorist operations run directly by Sharafeddin in at least Houston, Dallas, Los Angeles, and San Francisco. Leading EAFORD members are active in New York, Philadelphia, Washington, D.C., Toronto, and Montreal.

It has been reported that the EAFORD network has been supporting the activities of Minister Louis Farrakhan of the Nation of Islam, including sponsoring his speaking engagements. Farrakhan is said to have received \$30 million on his recent trip to Libya, to be used to buy land in the southern United States for an independent black nation.

EAFORD is interfaced with the terrorist National Lawyers Guild and Bill Wapelah and Philip Deere, leading members of the American Indian Movement.

On July 16, the FBI arrested 25 members of the African Hebrew Israelite Nation in Washington, D.C., Chicago, and Baltimore. They were charged with theft and use of \$10 million in airline tickets, passport fraud, and other criminal acts. Included in the arrest were members who had safe-housed Chicago-based El-Rukn gang members wanted by the law. Both the El-Rukn Moslem Nation and Ismael Ben Israel, founder of the Black Hebrew Israelite Nation sect, are intimate supporters of Louis Farrakhan.

# Bill Weld's Soviet legal standards

by Edward Spannaus

The most obnoxious—and unAmerican—feature of the Abscam prosecutions and other such “political corruption” cases, is that they start by targetting the *individual* rather than the crime. First, the individual political figure is selected for prosecution, then a crime is created where none previously existed (as in many of the Abscam “sting” operations), or else the law is stretched to the breaking point to interpret the target’s activity as criminal.

In the case of Sen. Harrison A. Williams, the former occurred. In the case of Theodore Anzalone, the top political fundraiser for former Boston Mayor Kevin White, the latter transpired during U.S. Attorney William F. Weld’s relentless targeting of White’s political machine, which succeeded in driving White out of the political arena. Weld is currently using the same political targeting method against political associates of former presidential candidate Lyndon H. LaRouche; again, Weld started with the target, and then used grand jury subpoenas, FBI intimidation, and perjured statements to the court to obtain contempt citations against organizations associated with LaRouche.

Just recently, the judicial wrong committed against Anzalone by Weld’s prosecution team and a federal district judge has now been dramatically corrected by the U.S. Court of Appeals for the First Circuit, which reversed the conviction and dismissed the indictment (*U.S. v. Anzalone*, No. 84-1628 [1st Cir.], decided July 1, 1985).

As background, the following should be noted. Anzalone was the highest-ranking member of the approximately one-dozen members of the White machine who were prosecuted by Weld and his team of prosecutors which included his Deputy, Mark L. Wolf,\* and Assistant U.S. Attorney Daniel Small. Anzalone was indicted on five counts; two involving charges of extortion were tried separately and Anzalone was acquitted; he was convicted on two of the remaining counts involving alleged violation of the Currency Transaction Reporting Act, which requires banks to report cash transactions greater than \$10,000.

Anzalone’s lawyers had moved to dismiss the charges on the grounds that the transactions law applied to banks, not to customers. Federal Judge A. David Mazzone denied the motions and sent the case to trial; Anzalone was convicted and sentenced to a year in prison by Judge Mazzone. At the time of sentencing, Mazzone stated, “The law is clear. I want

frankly to discourage similar behavior in the future.”

Before his sentencing, Anzalone told Judge Mazzone that he had been harassed by the government’s “relentless investigation,” saying that federal agents had been opening his mail and surveilling his wife’s office. He asked Mazzone not to put him in jail “for crimes I haven’t committed or been charged with,” and said, “This is not Russia, Your Honor.” Nevertheless, Mazzone handed down a one-year sentence.

## Soviet ‘crimes by analogy’

In its July 1 opinion, the Appeals Court issued a sharp rebuke to Weld and Judge Mazzone, which began:

In contrast to what is permitted under other legal systems, the Constitution of the United States mandates that, before any person is held responsible for violation of the criminal laws of this country, the conduct for which he is accountable be prohibited with sufficient specificity to forewarn of the proscription of said conduct.

The court pointed to the principle of “crimes by analogy” in the Soviet legal system, and quoted from Article 16 of the Soviet Criminal Code which states: “If any socially dangerous act has not been directly provided for in the present Code, the basis and extent of liability for it is determined by applying to it those articles of the Code which deal with the offenses most similar in nature.”

The Currency Transaction Reporting Act under which Anzalone was convicted, requires banks to report the specified transactions, said the court, and there is nothing that suggests that it is intended to apply to a bank’s customers.

The government was trying to “test the limits of statutory interpretation,” said the court, and it should not expect the courts to “stretch statutory interpretation past the breaking point to accommodate the government’s interpretation.” The confusion and ambiguity in the law was created by the government itself, stated the court, and in a sharp admonition to the lower court, it warned: “We cannot engage in unprincipled interpretation of the law, lest we foment lawlessness instead of compliance.”

It is ironic that while Weld and Mazzone tried to send Anzalone to jail for alleged currency violations involving \$100,000, they respectively negotiated and approved the plea-bargaining deal by which the Bank of Boston was permitted to plead guilty to one count of violation of the currency reporting law, involving over \$1.2 billion, and walk away without any jail sentence.

*\*Wolf has established close relations with the Soviet Procurator General’s Office and the Soviet embassy, allegedly as part of his campaign for Soviet Jewry. The Procurator General’s Office is the official Soviet liaison with the Justice Department’s Office of Special Investigations, which has repeatedly used KGB-forged documents to wrongly charge German-American scientists with being “war criminals.”*

## The 'sons of Kissinger' and Europe's new Potsdam

It may sound like the title of the newest, and most horrifying, monster movie, but the story is unhappily true, and indeed most monstrous: the "sons of Kissinger" are coming to Europe.

We are not referring to the unfortunate who goes by the name of David Kissinger, who travels through Europe pretending to be the only begotten child. What we are referring to is the consequence of the decision, taken by an 88-10 U.S. Senate vote July 16, to confirm Richard R. Burt as U.S. ambassador to West Germany.

A day later on July 17, West Germany's Deutschlandfunk radio commented wryly that Burt, until then U.S. Assistant Secretary of State for European Affairs, had headed the "New York Times Bureau of the State Department."

But, on May 16, 1985, the *New York Times* itself had referred to Burt's division of the State Department as, in effect, the true-blue *Henry Kissinger division of State!* In a piece entitled, "State Department: Who's Who Now the Old-Boy Network is Dead," the *Times* identified Burt underlings R. Mark Palmer and James Dobbin as two of the key individuals in "the most insular" of State Department networks, "the European one. The group congealed," the *Times* continued, "when Mr. Kissinger was Secretary of State from 1975 to 1977. Unlike the other networks, the Kissinger hands stuck almost exclusively to the European area, and particularly to Soviet-

American relations. Almost all of them were protégés of two key Kissinger aides, Helmut Sonnenfeldt . . . and Lawrence S. Eagleburger, now president of Kissinger Associates."

In the autumn of 1982, when Burt's confirmation, then, as Assistant Secretary of State was being challenged, one of the scandals that surfaced, was that Burt had already appointed, prior to being confirmed, three individuals as his assistants: Mark Palmer, James Dobbins, and Robert Blackwell.

Now, in the summer of 1985, as Burt prepares to come to Bonn as U.S. ambassador, the following line-up emerges:

- Dobbins is already moving into the Embassy, to prepare for Burt's arrival. He will serve as Burt's closest aide, particularly on "arms control" issues, for which he was specially trained by Kissinger and co.

- Blackwell is assuming the role of U.S. ambassador to the Mutual and Balanced Force Reduction (MBFR) talks in Vienna, which serve as a key arena of U.S.-Soviet back-and-forth. In fact, the new Soviet ambassador to Austria will be Leonid Zamyatin, former head of the information department of the Soviet Communist Party. Insider sources in the European "green/peace" movement report that Burt and Zamyatin developed "close working relations" during a strategy conference of the Protestant Church's Tützing Academy in March 1983, and that the Vienna-Bonn axis is now expected to become a key focus of U.S.-Soviet "back channels."

- John Kornblum, until now head of the Central European desk at State, in Burt's division, is the new head of the U.S. consular office in West Berlin, from which vantage-point sensitive East-West negotiations, especially in a time of growing Soviet war provocations, take place. Kornblum is greatly admired by the hardcore

"green/peace" groups in the Federal Republic.

## The name of the game

The strategic thrust of Burt's "sons of Kissinger" is most obvious, and could variously be referred to as "New Yalta," a new "1815 Congress of Vienna," or, as most recently stressed by the East German press, "New Potsdam," in commemoration of the July 1945 signing of the allied powers' Potsdam Accords, certifying the division of Europe earlier worked out at Yalta.

The current fad in British strategic circles is to offer what one Sussex source labels "flexible carve-ups" to the Soviets, as part of a "global crisis-management system." This source claims that the Soviets have offered, via the British, a deal, whereby the Soviets "rein in terrorists," in exchange for U.S. concessions on the Strategic Defense Initiative policy.

British Prime Minister Thatcher is deploying at least four major delegations to Moscow, between now and the end of the year, to organize a Thatcher summit with Soviet leader Gorbachov. Ten British parliamentarians spent nine days in Moscow, through July 16, cooing about a "marked improvement" in relations between the U.S.S.R. and the British upon their return.

Throughout the June-July period, Burt's State Department division has been involved in a whole range of East-West deals, including spy exchanges with East Germany; crisis-management with the Soviets over Soviet provocations against Americans in East Germany; and preparations for a Reagan-Gorbachov summit, which were in significant part carried out by Palmer, often in association with octogenarian KGB billionaire Armand Hammer.

## A refreshing exercise in moral outrage

If as much moral outrage as the House of Representatives exhibited against Red China's population control policy July 10 were aimed against the equally murderous International Monetary Fund, starvation in Africa would end soon.

The House narrowly voted up an amendment by Rep. Chris Smith (R-N.J.) to remove \$51 million in U.S. foreign aid money to the United Nations Fund for Population Activities (UNFPA) because of its collaboration with the People's Republic of China's heinous "one child per family" policy.

Smith's amendment, attached to the comprehensive \$12.6 billion foreign aid bill that passed July 11, put the House on the line respecting one of the most blatant cases of genocide in modern history. Even so, an attempt to water down the amendment was only narrowly voted down by a 221-198 margin.

Long-time Washington observers called it the first victory of its kind, and a hopeful sign that the Congress may be starting to respond to public sentiment against the morally reprehensible implications of "population control" strategies.

Rep. Smith invoked "crimes against humanity" as defined at Nuremberg: "The U.S. must not fail to strongly condemn the barbaric practices that continue unabated in the PRC. We have a unique opportunity here to send a clear message around the world that such practices are intolerable to a civilized society, that such practices are obscene and our country will in no way, directly or indirectly, be involved in them, condone them, diminish their reality, or quietly acquiesce to them."

The amendment, which Smith said was supported by President Reagan, establishes a mechanism for the President to monitor PRC population policies, and to withhold monies from any agency—in particular, the UNFPA—that supports the PRC program.

Testimony showed that the PRC's "one child only" policy has resulted in 53 million forced abortions in five years (1979-84)—equal to the entire population of France. That includes up to 800,000 forced abortions a year in one province. Mass forced sterilizations and systematic infanticide practices were also documented.

The UNFPA receives more than half of its \$140 million yearly budget from the U.S. Agency for International Development (AID). It recently announced its second five-year grant of \$50 million to the PRC.

Rep. Michael DeWine (R-Ohio) documented what he called the UNFPA's "hand-in-glove relationship with the PRC's Population Control Program" by noting that in 1983, a U.N. committee gave the PRC family planning minister its first \$12,500 award for "the most outstanding contribution to the awareness of population questions." He quoted UNFPA executive director Raphael Salas: "China provides an example of integrating population programs with the national goals of development."

Given the extent of documentation provided, the bipartisan hew and cry against the amendment was astonishing. Reps. Dante Fascell (D-Fla.) and Peter Kostmeyer (D-Pa.) offered a counter-amendment, retaining the earmarked funds to the UNFPA, forbidding their use for China. As Rep. Smith pointed out, this "would simply require a little bookkeeping at the UNFPA. UNFPA will gladly keep our money in a so-called segregated account, but UNFPA's support for the

PRC would in no way be inhibited by this bookkeeping exercise."

Reps. Olympia Snowe (R-Maine), Marge Roukema (R-N.J.), Sander Levin (D-Mich.), Pat Schroeder (D-Colo.), Jim Moody (D-Wisc.), and John Porter (R-Ill.) took the floor to express their explicit support for genocide. Snowe and Roukema—both Republicans—took special pains to retail the racist "Malthusian" argument that population growth is the cause of poverty in the Third World. They said that the UNFPA's population control programs in no less than 115 nations would be jeopardized.

But while most of these muttonheads were failing to grasp the implications of the fact that voting against the amendment was voting for mass genocide—plain and simple—the saddest excuse of all was given by Rep. Fascell, who attacked Smith's reference to "crimes against humanity" for being what he called "impolitic language in reference to another government."

This drew a refreshing exercise of outrage from Rep. Henry Hyde (R-Ill.), who replied to Fascell: "This House is not at all reticent in pointing out human rights shortcomings when it comes to the Philippines, when it comes to South Africa or Central America; why should we be so genteel and concerned about ruffled feathers and feelings when it comes to coerced abortion, coerced sterilization, and infanticide now going on in China? If something is evil, let us call it evil. That is the only way to address it. And let us not try to euphemize something that is a thoroughly evil practice."

In that spirit, the Smith amendment narrowly passed in a vote that might go down in history as one of the most clearly delineated, unclouded tests of minimum human morality ever administered in our Congress. And 198 failed.

## House sets hearings on Castro-Kissinger proposals

The House Banking and Foreign Affairs committees have convened a series of hearings whose purpose is to give a public forum to Henry Kissinger's and Fidel Castro's proposals for international debt reorganization, greater International Monetary Fund surveillance, and cutting the U.S. budget—especially defense.

On July 23, Kissinger made an appearance before the House Banking Subcommittee on International Development Institutions and the House Foreign Affairs Subcommittee on the Western Hemisphere. Kissinger testified on his proposed "Western Hemisphere Development Institution," a scheme for intensifying the looting of developing countries, under the auspices of the IMF and other supranational institutions. Fidel Castro, who is currently sounding the alarm about the danger of a debt blow-out, is on record hailing the role of the IMF, since its disastrous austerity policies help him to gain power and influence in the Third World.

On July 18, that same subcommittee heard from economist C. Fred Bergsten on "The U.S. Role in Development Banks." Bergsten sounded themes similar to those of Kissinger and Castro, arguing that IMF austerity had to be maintained, but that enough capital had to be channeled into developing-sector countries "to permit them to maintain adjustment-cum-development policies that are sustainable in terms of their domestic societies and that avoid disrupting the world economy as a whole." The advanced sector must facilitate this by cutting its own budgets, he declared.

On July 25, the hearings continue with the Brookings Institute, followed on July 30 by Federal Reserve Board chairman Paul Volcker, speaking on "International Debt and Development."

Prior to that, during the week of July 15, the House Banking Committee held hearings organized around the concept, promulgated by Castro and others, that the United States must cut its own budget to prevent international and domestic economic catastrophe. Shearson Lehman economist Allen Sinai and Volcker, who testified on monetary policy July 17, argued that large federal deficits have been the cause of a "lopsided" recovery. Suddenly, the economic community has discovered that there is no recovery in the productive sector, just as *EIR's Quarterly Economic Report* (April 1985) documented months ago.

House Banking Subcommittee chairman Walter Fauntroy (D-D.C.), Volcker, Sinai, and others all documented the decline of employment and investment in heavy industry. The solution each demanded was further cuts in the U.S. budget deficit.

## Defense conferees reach 'compromise'

During the week of July 15, the Senate and House members of the Defense Authorization Conference Committee reached a series of compromise decisions on next year's defense bill, according to Capitol Hill sources. Given a House bill which was a disaster for the national defense, and a Senate bill which was only marginally better, the mean struck between the two leaves

the United States extremely vulnerable in the face of the Soviet war mobilization.

Funding for the Strategic Defense Initiative (SDI) was reportedly settled at the figure of \$2.75 billion for FY1986. The President had requested \$3.8 billion, the Senate had voted for \$2.97 billion, and the House had approved \$2.5 billion. Efforts to officially restrict the program to the level of research were rejected. However, the low level of funding, and the resulting timetable, effectively preclude an aggressive campaign of testing and deployment.

The conferees accepted the Senate figure of 50 MX missiles, rather than the House proposal of 40 missiles. House language was accepted, however, which makes the 50-missile cap permanent. President Jimmy Carter had originally requested 200 MX missiles, and President Reagan had received initial approval for 100 missiles, before this year's defense debate. The Soviet Union has an equivalent force of over 600 missiles.

House efforts to prohibit testing of anti-satellite (ASAT) weapons, unless the Soviets resume testing, were rejected. The compromise bill allows for three tests in 1985 and 1986. The Soviets have tested and have operational an ASAT capability. The United States has not carried out a test against an object in space.

## Broomfield scores State Dept. capitulation

The ranking Republican on the House Foreign Affairs Committee, William Broomfield (Mich.), took to the floor

of the House of Representatives on July 17 to attack the State Department's policy of appeasement toward Soviet aggression. Pointing to the July 15 incident in East Germany, during which a U.S. military vehicle was rammed by a Soviet truck and U.S. personnel were injured, Broomfield charged, "The Department of State insists that we must hold our tongue. They say we should turn the other cheek and try to influence Soviet behavior by persuasion."

Broomfield also declared, "Recent information leads me to believe that the Department was even reluctant to fly the flag at half mast in East Germany to show our anger over the murder of Major Nicholson."

The U.S. ambassador to East Germany at the time was Rozanne Ridgeway, who has just become Assistant Secretary of State for European Affairs, replacing Richard Burt, who has been named ambassador to West Germany. Both appointments had been attacked by conservatives because of the appeasement policies pushed by the nominees.

## **D**emocrats push trade war measures

Democratic senators and congressmen holding key positions on relevant trade committees, introduced the "Trade Emergency and Export Promotion Act" on July 17. The bill will slap a 25% import tax on items from Japan, Brazil, South Korea, and Taiwan, if those countries fail to buy more American goods.

Introduced as S. 1449 in the Senate by Lloyd Bentsen (Tex.), Lawton

Chiles (Fla.), Don Riegle (Mich.), Ernest Hollings (S.C.), Carl Levin (Mich.), Paul Simon (Ill.), and others, the legislation carries strong reminders of the infamous Smoot-Hawley tariff which precipitated trade war in the 1930s and aggravated the first Great Depression of this century.

House sponsors include Ways and Means Committee Chairman Dan Rostenkowski (Ill.) and Richard Gephardt (Mo.), leader of the Gary Hart-style Democrats in the House. The legislation blames the economic policies of U.S. allies, rather than the IMF and the Federal Reserve Board, for the economic woes of the United States.

Japan, Taiwan, Brazil, and South Korea were particular targets of the legislation, which would require them to cut their trade surpluses with the United States by 5% or face a 25% additional tariff on all exports to the United States starting on Oct. 15, 1985. The legislation also requires that the United States begin actions on the General Agreement on Trade and Tariffs (GATT), charging Japan and the European Community with unfair trade practices. The EC would be a target of GATT proceedings because of its continued policies of supporting agricultural production.

Besides the effort to undermine the economies of U.S. allies, simply because they have adopted American System economic policies and the United States has abandoned them, the legislation contains dangerous provisions concerning the dollar. In his floor statement introducing the bill, Bentsen said, "The bill requires the Department of the Treasury to come up with a global plan to prevent fluctuations in our currency values."

The International Monetary Fund, and its allies in Washington such as Treasury Secretary James Baker, have been seeking to bring the U.S. economy under greater supranational control, using the dollar crisis as a weapon, and the Democrats' trade bill goes one step further in that direction.

## **B**udget negotiations reach a deadlock

The House-Senate budget negotiations collapsed on July 18, just like Senate Majority Leader Robert Dole threatened they might. The week before, Dole had threatened to deadlock the FY1986 budget in retaliation for President Reagan's agreement to rescind the freeze on Social Security Cost-of-Living Adjustments, which the Senate was demanding, but the House voted against.

President Reagan stated that his top priority was to resolve the budget issue, and Dole's action is a slap in the face to Mr. Reagan.

Senate Budget Committee chairman Pete Domenici (R-N.M.), ended the joint conference on the budget by saying, "We'll call you back as soon as we have something to talk about." He reportedly told Rep. William H. Gray III (D-Pa.), his House counterpart, "We'll see you at the end of the year."

Earlier in the day, the Senate had rejected a House proposal to cut an additional \$24 billion in domestic spending over three years, while moving closer to the Senate and White House demands for a defense budget that would allow the Pentagon to at least cover the full impact of inflation.

# National News

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## New York court blocks Shoreham nuclear plant

The New York State Court of Appeals ruled on July 9 that the Long Island Lighting Co. (LILCO) nuclear power plant in Shoreham, Long Island, cannot be brought on line. The anti-nuclear environmentalist lobby—including superliberal Democratic Gov. Mario Cuomo—secured the ruling on the basis of a technicality: that Suffolk County Executive Peter F. Cohalan usurped legislative functions, when he commissioned a review and testing of the emergency evacuation plans drawn up by the power utility.

This destructive ruling means that LILCO loses \$1.5 million a day, while the New York metropolitan area starves for energy. A January 1985 study by the New York State Society of Professional Engineers concludes that the state will need to build 8-10 power plants in the next decade just to replace aging capacity. The study shows that nuclear power is still generally cheaper per kilowatt hour than oil or coal.

During 1984, New York was forced to import 16% of its electricity from Canada. The state used 124,338 gigawatt-hours of electricity, and by 1994, according to the New York State Power Pool, requirements will reach 141,348 gigawatt hours.

The Suffolk County Executive is now seeking ways to rewrite his executive order in a way that will comply with the court judgment.

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## Drug attorney covered for Marvin Warner

Investigations have revealed that drug-linked Washington, D.C. attorney Edward Bennett Williams intervened with the Department of Justice, during the Carter administration, to prevent the criminal prosecution of officers of Ohio's Home State Savings and Loan Association. Among the officers under scrutiny at that time was Home State's owner

Marvin Warner, the chief bankroller of Democratic party politicians in Ohio.

Home State collapsed on March 6, 1985, amid charges of fraud and other criminal activity, and is now being bought up by Warner's associate Carl Lindner, the drug-trade financier—with the help of over \$100 million from the taxpayers of Ohio.

The *Cincinnati Inquirer* reported on May 12, 1985 that during the Carter years, Cleveland U.S. Attorney James Cissell had detected a clear pattern of criminal activity in regard to \$800,000 in fraudulent commercial loans issued by Home State. But his superiors refused to permit a full investigation, and attorney Williams was adamant that the S&L's officers should not enter "guilty" pleas, which could have opened the way for further investigations. Cissell was reportedly "furious," and had several "pointed conversations" with high-level officials in Washington.

Plans for criminal prosecution were dropped, and the bank was fined a measly \$800,000.

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## Inman: Retaliate against terrorists!

"The administration should place a high priority on developing a clear policy" on terrorism, including retaliation against terrorists, former CIA deputy director Bobby Inman told the House Foreign Affairs Committee on July 16. "It should announce that policy, stop arguing publicly about what that policy should be, and get on with implementing it." Inman testified in his capacity as head of a panel reviewing security at U.S. diplomatic posts.

The panel's report, released in June, found 126 of America's diplomatic facilities inadequate to provide protection against terrorist attacks, with another 50 classed as vulnerable. "Our conclusion is we can provide no guarantee against the loss of life and destruction of property. But we can, with sensible measures, sharply reduce the degree of vulnerability. We believe we can change the facilities, improve the facilities

so there will be less likelihood of a major loss of life and property," Inman said.

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## Cocaine processing lab busted in Virginia

Drug Enforcement Administration agents carried out one of the biggest drug raids ever on the U.S. East Coast on July 10, in the remote rural town of Gordonsville, Virginia. Six persons were arrested and finished cocaine worth as much as \$20 million was seized, on a 250-acre farm that was being used as a cocaine processing laboratory.

"To our knowledge, there has never been this quantity of cocaine-processing materials seized in Virginia," said Orange County Assistant Commonwealth Attorney Charles W. Bowman, according to a report in the *Washington Post* on July 16.

Authorities are linking the Gordonsville operation to two similar laboratories that were raided in New York that week, and are allegedly run by three Colombian drug-trafficking families who have also been involved in terrorist activities in the U.S.

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## Pentagon names new arms procurement chief

James P. Wade, Jr. was named the Pentagon's new defense procurement chief on July 5, reportedly over the objections of Defense Secretary Caspar Weinberger. Wade has a reputation as a fanatical devotee of the systems analysis and "cost-accounting" philosophy of former Defense Secretary Robert S. McNamara, which has done more to wreck U.S. military capabilities than any Soviet spies.

Wade was named Assistant Secretary of Defense for Acquisitions and Logistics; he previously served as Acting Undersecretary of Defense for Research and Engineering and Assistant Secretary of Defense for Development and Support.

An 18-year veteran of the Department

## Briefly

of Defense, he joined in 1970 as a staff assistant on strategic and space systems. He functioned as chief Pentagon adviser on the SALT I talks in 1972, through which Henry Kissinger negotiated away America's nuclear superiority. Wade also served in the Ford administration as an adviser on arms control issues, and stayed on in the Carter administration as Defense Secretary Harold Brown's adviser on nuclear energy.

Wade's new position gives him sweeping powers over weapons purchasing and military installations. Within days of his appointment, Wade wrote a memo to Assistant Air Force Secretary Thomas E. Cooper, complaining about cost increases in the Air Force's F-15 and F-16 fighters. The memo was "leaked" to the Project on Military Procurement, a civilian watchdog group.

### Lawsuit would ban 'launch on warning'

A legal battle is under way to prevent the United States from adopting a military doctrine of "launch on warning" (LOW), by declaring it unconstitutional, on the grounds that thermonuclear war could be triggered by computer, circumventing the Congress's constitutional power to declare war.

Stanford University computer expert Clifford Johnson, a British subject, filed a lawsuit in a California court, where it was rejected; it is now being appealed in a Federal circuit court in California.

Were this legal battle to succeed, Moscow would have achieved a crucial victory in its war with the West. Given the military superiority which the Soviets now enjoy, and Moscow's determination to achieve world domination by 1988—with or without war—the adoption of LOW represents one of the few measures available to the United States to prevent World War III. Under this doctrine, the United States would launch its nuclear missiles at the first warning of a Soviet attack.

Johnson declares that his goal is not only to outlaw LOW, but to establish a precedent under which the Strategic Defense Initiative

for antiballistic-missile defense and the first use of nuclear weapons could also be declared unconstitutional.

Johnson has worked indirectly with Britain's Lord Solly Zuckerman, a leading light of the Pugwash Conferences' disarmament movement and associate of the late Lord Bertrand Russell. Johnson also admits to collaborating with the Soviet-controlled Green Party of West Germany.

Also backing Johnson's effort is the Lawyers Committee on Nuclear Policy, an organization believed to have ties to the Communist Party U.S.A., and the Lawyers Alliance for Nuclear Arms Control. LAN-AC is preparing its own legal case against the Strategic Defense Initiative.

### New York's Mayor Koch challenged by NDPC

Petitions were filed at the Board of Elections in New York City on July 11 to place two leaders of the National Democratic Policy Committee (NDPC) on the Sept. 5 Democratic Party primary ballot. Judah Philip Rubenstein and Dennis Speed are running for mayor and comptroller, respectively, in a challenge to incumbent Mayor Ed Koch, whose two-term tenure has turned the city into a haven for drug traffickers and real estate speculators and the child pornography racket.

The NDPC is a political action committee in the Democratic Party, which is seeking to regain the party leadership from the "smoke dope and jump rope" mafia which currently runs it, and to launch the kind of military and industrial build-up which President Roosevelt did on the eve of World War II.

Over 29,000 petition signatures were filed for each of the two NDPC candidates, nearly triple the number required to qualify for ballot status.

Mayoral candidate Rubenstein charged in an interview on July 13, "Koch's financial solution for the city is the political equivalent of throwing two of a family's five children out of a 15-story window."

● **A SPY RING** that stole U.S. Navy supplies for Iran did so by gaining access to the U.S. government's computerized inventory of \$36 billion in weapons and equipment. One government investigator declared that the current security system—or lack of one—means that the theft occurred, "like ordering out of a Sears & Roebuck catalogue."

● **REP. JOHN CONYERS** (D-Mich.) has introduced two bills to the House of Representatives, that would establish a postcard voter registration system for federal elections. If passed, the measures would also allow "instant" registration at the polls on Election Day, opening the way for widespread vote fraud. A similar system already applies in 22 states.

● **THE MIDGETMAN** missile, favored by Henry Kissinger and the Scowcroft Commission, is too small to deliver its payloads to targets throughout the Soviet Union, according to a study released by the General Accounting Office. In addition to problems with the missile's range, a number of other technical and operational problems may delay the missile's scheduled early 1990s deployment. The Air Force may now have to modify the missile design or move its basing to the northern parts of the United States.

● **REP. PETER 'DOPEY' RODINO** announced July 18 that he will introduce a comprehensive immigration-restriction bill into Congress at the end of July, and that he plans to make "immigration reform" one of his top priorities. Supporters of immigration restriction believe that Rodino's status as Judiciary Committee chairman will strengthen the bill's chances of passage. Rep. Mazzoli (D-Ken.), the sponsor of previous anti-immigrant legislation, will co-sponsor Rodino's bill. On the Senate side, the Senate Judiciary Committee has begun work on an immigration-restriction measure sponsored by Sen. Alan Simpson (R-Wyo.)

## Editorial

# *Our responsibility to the Philippines*

Had President Reagan been permitted by his palace guard to visit the Philippines during his November 1983 Asian tour, that country would not be in the throes of the economic collapse and social disintegration it is today. Had he gone to Manila, he would have seen a cemetery there, where 17,000 Filipinos and Americans, killed in World War II, lie side by side. On the walls of the buildings at this gravesite are mosaic maps of all the major battles during the war in the Pacific, with descriptions of how they were fought. Had the President been to Manila in November 1983, reports Contributing Editor Uwe Henke von Parpart, in Manila now, this sight would have been burned into his mind forever.

Instead, today, U.S. policy toward the Philippines spits on the graves of those who fought in World War II. The United States has backed the International Monetary Fund 110% in its destruction of the Philippine economy and its attempt to seize control over the economic policy of a sovereign nation. Today, thanks to the International Monetary Fund and the World Bank, children are starving in the Philippines, and children are now dying of cholera. Thanks to the IMF, farmers have been driven out of business and are joining the Soviet-backed New People's Army, where they are fed lies that the NPA will bring justice to the country, and are put to work growing drugs to fund NPA terrorism.

Let there be no illusions. The downfall of the Marcos government would mean the catastrophic disintegration of the Philippines and the dissolution of U.S. presence in that country. It would mean the ouster, sooner or later, of the strategic U.S. bases on the islands, which have enabled the allies to control the gateway between south Asia and north Asia, and to control the South China Sea.

The United States has never, in fact, since World War II, paid back the debt it owes to the Philippines. With the death of Franklin Delano Roosevelt in 1944, the American Grand Design to build the Pacific into a zone of republican industrialization was relegated to

the scrap heap by the liberals in the State Department. The United States reverted to the role of the British and the French in the region, a policy disaster that led inexorably to the U.S. debacle in Vietnam.

Today, the United States has made a travesty of the heritage that binds it to the Philippines, its sister republic in Asia. Not only has the United States imposed the International Monetary Fund on the Philippines. Now, the KGB Democrats in Congress like Stephen Solarz are demanding cuts in U.S. military aid to the Philippines, and are carrying out the requests of the anti-Marcos Cardinal Sin, the Jesuit agent whose Jesuit-laced New Democratic Front is the electoral arm of the NPA.

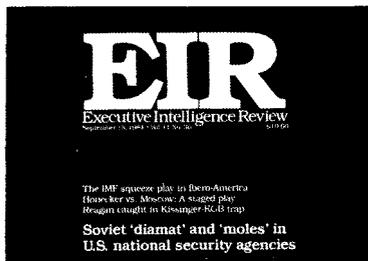
The Philippines is the most glaring example of the immediate necessity for a drastic change in U.S. foreign economic policy. The United States must break with the International Monetary Fund, and, under the program for monetary reform of Lyndon LaRouche, contribute the technology transfer and technological know-how needed to bring about the full industrialization of its allies in the underdeveloped sector.

In a speech before the graduating class of the National Defense College on July 18, President Ferdinand Marcos declared that those who seek to destabilize the Philippines have failed to take into account the determination of the country's national leadership. "We will defend our principles to the death. . . . Our articles of faith are known, and we will defend them to the last breath of our life."

To the genocidal liberals at the State Department who blithely carry out the dirty work of the Soviet Union around the world, such a statement has no meaning. They do not know what principles are.

Gen. Douglas MacArthur would understand what Marcos is talking about. President Reagan could understand what Marcos is talking about. Most Americans should understand. The reality is that the United States cannot destroy the Philippines without destroying the basis upon which the U.S.A. itself exists.

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