

# EIR

Executive Intelligence Review

September 13, 1985 • Vol. 12 No. 36

\$10.00

'Guns for Khomeini': the Mossad connection  
Inter-American navies map war on drug trafficking  
Actions begin against U.S. disease crisis

**Gorbachov orders science drive  
to upgrade war industry**



# EIR Special Reports

---

## THE SCIENCE OF STATECRAFT

*Strategic Studies by Lyndon H. LaRouche, Jr.*

---

**Operation Juárez.** LaRouche's famous analysis of the Ibero-American "debt bomb"—a program for continental integration. Order #82010\*. **\$100.**

**A Conceptual Outline of Modern Economic Science.** Order #82016. **\$50.**

**Religion, Science, and Statecraft: New Directions in Indo-European Philology.** Order #83001. **\$100.**

**Saudia Arabia in the Year 2023.** The thematic task of the Arab world in the next four decades: conquering the desert. Order #83008. **\$100.**

**The Implications of Beam-Weapon Technology for the Military Doctrine of Argentina.** Order #83015. Was \$250. **Reduced price: \$100.**

**The Design of a Leibnizian Academy for Morocco.** Order #83016. Was \$250. **Reduced price: \$100.**

**Mathematical Physics From the Starting Point of Both Ancient and Modern Economic Science.** Order #83017. Was \$250. **Reduced price: \$100.**

**The Development of the Indian and Pacific Ocean Basins.** Order #83022. **\$100.**

---

## MILITARY AND ECONOMIC SCIENCE

**Beam Weapons: The Science to Prevent Nuclear War.** The year before President Reagan's historic March 23, 1983 speech announcing the Strategic Defense Initiative, this ground-breaking report detailed the feasibility—and necessity—for beam defense. Order #82007. **\$250.**

**The Economic Impact of the Relativistic Beam Technology.** Order #83005. **\$250.**

**Economic Breakdown and the Threat of Global Pandemics.** Order #85005. **\$100.**

---

## THE WESTERN OLIGARCHY

**The Conspiracy Behind the Trilateral Commission.** Order #81009. **\$100.**

**Olof Palme and the Neo-Nazi International.** By Lyndon H. LaRouche, Jr. Order #82006. **\$100.**

**Global 2000: Blueprint for Genocide.** The Carter administration's infamous proposal to reduce the world's population by two billion. The promoters of this genocide policy are as active now as they were when this exposé appeared in 1982. Order #82011. **\$100.**

**We've Got the Goods on Henry Kissinger.** Photocopies of the most important articles from *EIR's* Kissinger Dossier. Order #84005. **\$100.**

**Who Should Not Be Who in the Reagan Administration.** Order #84006. **\$100.**

\* First two digits of the order number refer to year of publication.

Order from:

**EIR News Service** P.O. Box 17390, Washington, D.C. 20041-0390.

Please include order number. Postage and handling included in price.

---

## THE SOVIET UNION

**Will Moscow Become the Third Rome? How the KGB Controls the Peace Movement.** Includes transcript of the infamous spring 1983 meeting in Minneapolis at which KGB officials gave the marching orders to Walter Mondale's "peace movement": Destroy the Strategic Defense Initiative! Order #83011. **\$250.**

**How Moscow Plays the Muslim Card in the Middle East.** Some in the Carter administration—and since—hoped to use Islamic fundamentalism to make the Soviet Empire crumble. What fools! Order #84003. **\$250.**

**Global Showdown: The Russian Imperial War Plan for 1988.** The most comprehensive documentation of the Soviet strategic threat available. A 368-page document with maps, tables, graphs, and index. Order #85006. **\$250.**

---

## INTERNATIONAL TERRORISM

**The Jerusalem Temple Mount: A Trigger for Fundamentalist Holy Wars.** Order #83009. **\$250.**

**The Hot Autumn 1983: Separatism, Pacifism, Terrorism.** Who's who in the European terrorist movement and its oh-so-peaceful support apparatus. Order #83019. Was \$250. **Reduced price: \$100.**

**Narco-terrorism in Ibero-America.** The dossier that sent the Colombian drug-runners and their high-level protectors through the roof. Order #84001. **\$250.**

**The Terrorist Threat to the 1984 Los Angeles Olympics.** An analysis of the U.S. terrorist underground—the information the FBI has repeatedly suppressed. Order #84005. Was \$250. **Reduced price: \$100.**

**Soviet Unconventional Warfare in Ibero-America: The Case of Guatemala.** Order #85016. **\$150.**

**European Terrorism: The Soviets' Pre-war Deployment.** The dual control of terrorism: Europe's oligarchical families and the Russian intelligence services. The case of Germany's Green Party, with profiles of the top families of the international oligarchy. Order #85001. **\$150.**

---

## THE MIDDLE EAST AND AFRICA

**The Real Story of Libya's Muammar Qaddafi.** Who placed him in power? The role of European masonic networks, Armand Hammer, and the "Billygate" mafia. Order #81004. Was \$250. **Reduced price: \$100.**

**The Club of Rome in the Middle East.** The Arab Thought Forum and Islam and the West are using Islamic fundamentalism to retard economic and scientific progress, and plunge the Mideast into a Dark Age. Order #82012. **\$250.**

**Prospects for Instability in the Arabian Gulf.** Order #82014. **\$250.**

**Africa: A Case Study of North-South Policy.** Exposes the "Global 2000" networks that are deliberately blocking Africa's development. Order #82017. Was \$250. **Reduced price: \$100.**

**Anglo-Soviet Designs on the Arabian Peninsula.** Order #83002. Was \$250. **Reduced price: \$100.**

**The Military, Economic, and Political Implications of Israel's Lavie Jet Project.** Order #83010. Was \$500. **Reduced price: \$250.**

**Founder and Contributing Editor:**

*Lyndon H. LaRouche, Jr.*

**Editor-in-chief:** *Criton Zoakos*

**Editor:** *Nora Hamerman*

**Managing Editor:** *Vin Berg*

**Features Editor:** *Susan Welsh*

**Production Director:** *Stephen Vann*

**Contributing Editors:** *Uwe Parpart-Henke,*

*Nancy Spannaus, Webster Tarpley,*

*Christopher White, Warren Hamerman,*

*William Wertz, Gerald Rose, Mel Klenetsky,*

*Antony Papert, Allen Salisbury*

**Special Services:** *Richard Freeman*

**Advertising Director:** *Joseph Cohen*

**Director of Press Services:** *Christina Huth*

**INTELLIGENCE DIRECTORS:**

**Africa:** *Douglas DeGroot*

**Agriculture:** *Marcia Merry*

**Asia:** *Linda de Hoyos*

**Counterintelligence:** *Jeffrey Steinberg,*

*Paul Goldstein*

**Economics:** *David Goldman*

**European Economics:** *Laurent Murawiec*

**Energy:** *William Engdahl*

**Europe:** *Vivian Freyre Zoakos*

**Ibero-America:** *Robyn Quijano, Dennis Small*

**Law:** *Edward Spannaus*

**Medicine:** *John Grauerholz, M.D.*

**Middle East:** *Thierry Lalevé*

**Science and Technology:** *Marsha Freeman*

**Soviet Union and Eastern Europe:**

*Rachel Douglas, Konstantin George*

**United States:** *Kathleen Klenetsky*

**INTERNATIONAL BUREAUS:**

**Bangkok:** *Pakdee and Sophie Tanapura*

**Bogotá:** *Javier Almaria*

**Bonn:** *George Gregory, Rainer Apel*

**Caracas:** *Carlos Méndez*

**Chicago:** *Paul Greenberg*

**Copenhagen:** *Poul Rasmussen*

**Houston:** *Harley Schlanger*

**Lima:** *Sara Madueño*

**Los Angeles:** *Theodore Andromidas*

**Mexico City:** *Josefina Menéndez*

**Milan:** *Marco Fanini*

**Monterrey:** *M. Luisa de Castro*

**New Delhi:** *Susan Maitra*

**Paris:** *Katherine Kanter*

**Rome:** *Leonardo Servadio, Stefania Sacchi*

**Stockholm:** *Clifford Gaddy*

**United Nations:** *Douglas DeGroot*

**Washington, D.C.:** *Nicholas Benton,*

*Susan Kokinda, Stanley Ezrol*

**Wiesbaden:** *Philip Golub, Mary Lalevé,*

*Barbara Spahn*

Executive Intelligence Review (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July and first week of January by New Solidarity International Press Service 1010-16th N.W., Washington, D.C. 20036 (202) 955-5930

**European Headquarters:** Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, Dozheimstrasse 166, D-6200 Wiesbaden, Federal Republic of Germany  
Tel: (06121) 44-90-31. Executive Directors: Anno Hellenbroich, Michael Liebig

**In Denmark:** EIR, Haderslevgade 26, 1671 Copenhagen (01) 31-09-08

**In Mexico:** EIR, Francisco Días Covarrubias 54 A-3 Colonia San Rafael, Mexico DF. Tel: 705-1295.

**Japan subscription sales:** O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 208-7821.

Copyright © 1985 New Solidarity International Press Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited. Second-class postage paid at Washington D.C., and at an additional point. 3 months—\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10 Academic library rate: \$245 per year

**To Postmaster:** Send all address changes to EIR, 1010-16th N.W., Washington, D.C. 20036 (202) 955-5930

# EIR

## From the Editor

We'll say it again—the kind of intelligence you read in *EIR's* weekly magazine cannot be gotten anywhere else for any amount of money, not even with a top security clearance. The cover feature and *Investigation* this week, prove that in spades, by presenting material that is simply unknown to top policy-makers in Western governments—and you may suspect there are people who want it to remain unknown.

The “revolution” in the Soviet economy (p. 20), to prepare for war by 1988, is sobering enough by itself. The cover story was researched and written by Rachel Douglas, co-author of *EIR's* by-now famous “Global Showdown” Special Report. Set that against the crumbling of the U.S. banking system described in the *Economics* lead (p. 4): The banking system is foundering because, as is documented in great detail in the *EIR Quarterly Reports*, the physical economy of the United States has been driven into breakdown by monetarist policies.

If this all scares you—and it should—all the more reason to link up with the anti-monetarist fight in Ibero-America. The latest news: In Colombia, a well-known opponent of the International Monetary Fund was sworn in as labor minister in Colombia over the weekend of the U.S. Labor Day (p. 33). Another crucial flank is seen in the decision by the continent's navies to join forces in a war on the illegal drug traffickers, whose business is facilitated by the IMF (p. 30). In both cases, the policies governments are adopting are those which have been advocated by *EIR* for some time now.

The Dope, Inc.-IMF connection has just become the subject of litigation in Peru, where President Alan García broke with IMF debt-collection and launched a full-scale war on drugs. Former Prime Minister Manuel Ulloa, obviously feeling the heat, has sued Peruvian anti-drug leader Luis Vásquez for having written that through his economic policies, Ulloa “created the environment conducive to the meteoric growth of the drug trade in Peru.”

Ulloa has also threatened to sue *EIR*, for having made similar charges! We would suggest that Ulloa & Co. read about the fate of Cyrus Hashemi and his well-protected friends, in the *Investigation* (p. 26). Mr. Hashemi once sued *EIR* for telling the truth about his gun-running to the Khomeini regime. . . .

*Nora Hamerman*

# EIR Contents

## Departments

- 15 Report from Rio**  
The 'Brazilian connection.'
- 16 Andean Report**  
Peronist leader Labaké in Peru.
- 46 From New Delhi**  
Battle for stability in Punjab.
- 47 Dateline Mexico**  
Shakeup in security and intelligence.
- 48 Report from Italy**  
The nation goes with the SDI.
- 49 Report from Africa**  
Qaddafi threatened by coup.
- 64 Editorial**  
An American 'Plan B.'

## Economics

- 4 Third quarter bank crisis breaks as EIR predicted**
- 6 Chase and other drug-money laundries try to pull the plug on South Africa**
- 8 'Technology transfer' conference plans slave labor for Mexico, Texas**  
Harley Schlanger reports from Houston on a conference at The Woodlands. Special guest: Jimmy Carter.
- 10 Peru: Wall Street Journal in campaign of lies**
- 11 Currency Rates**
- 12 Canada's James Bay fresh-water project gains political support**
- 14 World Trade**  
GATT opens trade offensive for IMF.
- 17 Labor**  
Assessing labor on Labor Day.
- 18 Business Briefs**

## Feature



Soviet Life

A Soviet researcher at the Paton Institute of Electric Welding in Kiev tests new welding techniques developed for use in space. The Soviet command has vowed to force the rapid introduction of new technology upon a reluctant bureaucracy.

### 20 Gorbachov orders science drive to upgrade war industry

Rachel Douglas analyzes the far-reaching shakeup in the Soviet party and government that General Secretary Gorbachov has launched, in the service of a war-economy build-up.

### 23 Gorbachov's purges: A clean sweep of party and government

### 24 Siberian economist: Investment policy is the vehicle for new technologies

## Investigation

### 26 'Guns for Khomeini': the Mossad connection

Recent arrests bring to light a vast network of Mossad stringers in the U.S. Department of Defense and open the question of the extent of Israeli intelligence penetration of the U.S. military establishment.

**Documentation:** Merrill Lynch subsidiary funded guns for Khomeini.

## International

### 30 Continent's navies vow 'war of no return' against drugs

### 32 Meese: 'No neutrals in the war on drugs'

### 33 Colombia's new labor minister vows national drive for 'great projects'

**Documentation:** Speeches at the inauguration by Jorge Carrillo and President Belisario Betancur.

### 36 Germany's spy scandals: a script for the Kohl government's overthrow

### 38 Burt linked to Soviet spy ring

Why has the new U.S. ambassador to the Federal Republic of Germany been so silent?

### 39 Role of Lloyd Cutler exposes aims of Trilaterals in 'Greenpeace' affair

The Trilateral Commission has a deal with the Russians, and at the center of it is this Washington lawyer, who has agreed, free of charge, to be the attorney for "Greenpeace" in its suit against the government of France.

### 42 Background briefing: a short history of the Cyprus issue

### 45 Argentina: Workers rally against 'international usury'

### 50 International Intelligence

## National

### 52 The Kremlin talks, and the media and Congress grovel

The Kremlin's bid to force concessions on the Strategic Defense Initiative has entered a more aggressive phase, with the open support of the U.S. media and key members of Congress.

### 54 U.S. disease crisis acknowledged; first emergency actions under way

**Documentation:** A bill to stop AIDS.

### 58 Sen. Richard Lugar: Who is he really?

The chairman of the Senate Foreign Relations Committee has turned out to be one of the closest collaborators of the State Department, contrary to wishful thinking by some conservatives.

### 59 Eye on Washington

New report on bank money laundering.

### 60 Congressional Closeup

### 62 National News

**Correction:** Our Aug. 9 issue contained an error in the article on p. 42 entitled "Can moderates stem the tide of holocaust in South Africa?" The President of the Republic of South Africa is Pieter Willem Botha; the foreign minister is Pik Botha. The country has no prime minister.

## Third quarter bank crisis breaks as EIR predicted

by Kathy Wolfe

Just as predicted by *EIR*'s April and June quarterly reports on the U.S. economy, the U.S. and dependent world banking system in the first week of September have gone into a generalized crisis, with more than \$100 billion in loans announced to be unpayable, and overdue.

Precisely this sort of "collapse of some large mass of debt, either in the U.S. internal economy, or by a number of developing nations simultaneously," was predicted for the end of 1985 by *EIR* founding editor Lyndon H. LaRouche, Jr., in the introduction to *EIR*'s April 1985 *Quarterly Economic Report*. Now it is happening, in spades, across both the U.S. domestic economy and the rest of the world:

- On Sept. 3, Farm Credit Administration Governor Donald Wilkinson declared that the \$74 billion Farm Credit System is about to go under due to more than \$11 billion in unpayable agricultural loans. "We cannot absorb the losses we face," he stated. Wilkinson asked Congress for a multi-billion dollar bailout, stating, "This is the most severe crisis the Farm Credit System has faced since the Depression." If FCS goes under, it will dwarf the \$40 billion bankruptcy last year of Continental Illinois, and rock world markets.

- On Sept. 5, the Federal Deposit Insurance Corporation (FDIC) announced that at least \$25 billion of additional farm debt to private commercial banks is "uncollectable" and about to collapse.

- On Sept. 6, the banking crisis broke out again in Maryland, which closed all savings & loans in May. The \$500 million Community S&L of Baltimore, Maryland and its falling real estate subsidiary Equity Programs Investment Corporation (EPIC) failed and had to be taken over and bailed out by the taxpayers of the state of Maryland. This was the fourth Maryland S&L which has had to close its doors, with total bad assets in the state of over \$2 billion. Meanwhile,

New York's Citibank moved in to buy up the \$400 million First Maryland S&L, which collapsed in the run on the state's S&Ls last May. In Maryland, 25 S&Ls are still frozen and depositors can only withdraw \$1,000 per month.

- One of Houston's largest S&Ls is about to close, as record numbers of families going bankrupt are forcing single-family home foreclosures.

- Internationally, South Africa on Sept. 1 announced a total debt moratorium on over \$12 billion in foreign debt to U.S. banks led by Chase Manhattan.

- The Canadian government on Sept. 4 announced plans to liquidate two billion-dollar banks, the Canadian Commercial Bank and Calgary-based Northland Bank, which has assets of \$992.8 million, the first forced liquidation of a Canadian bank in at least 50 years.

### Fire Donald Regan

In the face of this, President Reagan's press conference of Sept. 7 announcing that the recovery has "taken off and is packing new power" was mind-boggling to say the least. To blame for such lunacy is White House chief of staff Donald Regan, the former chief executive officer from Wall Street's Merrill Lynch firm, a notorious conduit for drug-tainted dollars, who is lying to the President to maintain his control over the U.S. economy, with his masters at the International Monetary Fund.

Regan and the Commerce Department Sept. 7 announced a faked drop in the unemployment rate to 7% which made big "recovery" headlines. But BLS Commissioner Janet Norwood admitted in an interview that U.S. jobs in manufacturing fell 210,000 during January-August, "with 80% of the loss in heavy industry: primary and fabricated metals, machinery, and electrical equipment."

Regan, Fed Chairman Paul Volcker, and the IMF are also trying to cover up the fact that their Trilateral Commission crowd has *deliberately caused* the current wave of U.S. and world bankruptcies, to attempt to destroy the productive sector of the U.S. economy and bring as much credit as possible under the control of Trilateral banks such as Citibank, Chase Manhattan, and the IMF.

IMF U.S. Director Ernesto Hernandez-Cata told *EIR* last February that thousands of U.S. farm and regional banks and savings & loans should be "allowed to collapse." The IMF man said that then Budget Director David Stockman was working with the IMF on his "farm program," which included allowing farm banks to go under so as to remove "excess credit" from farmers.

### Farm sector being destroyed

On Sept. 5, it was revealed that the \$74 billion U.S. Farm Credit System bankruptcy is being allowed to happen now, based on the cited recommendations made by Stockman and the IMF last spring. A White House official told the *Wall Street Journal* that in July, President Reagan accepted the recommendation of Stockman's working group that "no federal assistance should be provided to the System."

White House spokesman Larry Speakes said on Sept. 6 that "there are sufficient resources within the FCS to take care of this problem."

This is more Don Regan and IMF lunacy. The Farm Credit System (FCS) bankruptcy, which finances a third of the nation's

entire farm debt within months. FCS is a national system, the "Federal Reserve" for farmers, which has 12 regional banks, each of which has a land bank, a short-term farm credit bank, and a farmers' cooperative. Governor Wilkinson has openly predicted the system could fail totally within the next 18 months.

At least \$11 billion of the system's \$74 billion is known to be bad, and at least nine of the system's 37 main banks have more problem loans than capital—that is, they could fail any quarter. FCS as a whole is projected to lose more than \$400 million in the third quarter, and banks are not supposed to have losses.

Wilkinson, in a dramatic turnabout from earlier assertions that things were fine, on Sept. 6 demanded a "multi-billion" federal bailout that would dwarf the \$4 billion Continental Illinois government bailout. FCS's Ron Erickson said regulators want "to get something in place before everything goes to hell."

Many of the individual members banks of the FCS are already going under, led by the Federal Intermediate Credit Banks of Wichita, Kansas, Louisville, Kentucky, and St. Paul, Minnesota. They have combined loans of about \$24 billion, virtually all of it maturing in the short- or intermediate-term.

Meanwhile, the private commercial farm banks are reporting that at least 50% of their \$51 billion in loans, or \$25

billion, are bad, according to the FDIC. Recent FDIC reports show that the number of farm banks with more problem loans than capital—i.e. the number bankrupt—surged to 135 at the end of the first quarter, up from 89 at the end of 1984 and 60 in June 1984. The FDIC's overall list of "problem banks," those suspected of financial problems, includes 402 farm banks.

Even the mighty Bank of America lost a full \$338 million in the June quarter on its \$1.7 billion farm loan portfolio. The \$2 billion Hawkeye Bancorp, the largest bank in Iowa, had an actual 6 months net loss this June of \$6.5 million, and will likely have to close. "Things are getting worse fast enough to spin your head," Earl Hall, President of the Fairview State Bank of Fairview, Oklahoma stated on Sept. 5.

### Trilateral manipulation

Wilkinson pointed out that the U.S. farm economy itself, where prices have collapsed due to lack of export demand by IMF victim nations abroad, is operating in the red and "could produce an operating loss in 1985 for the first time since the Great Depression of the 1930s. . . . If we are unsuccessful in securing the cooperation of the congress or the administration . . . we will begin to face the necessity of possible liquidation of portions of the farm credit structure," he told the press on Sept. 6.

Trilateral and Soviet manipulation of the world food, general commodity, and currency markets has bankrupted U.S. farmers. World commodity prices have been driven to seven year lows by lying press rumors of a gigantic fall 1985 harvest, fueled by Swiss Trilateral grain cartels and Russians, seeking to lower prices at which to snap up U.S. grain. The artificially high dollar, still absurd at DM 2.80 levels, has flooded the U.S. with cheap Third World commodities. So many farms are going under and putting farm land up for sale that farm land values have dropped 6% during 1985 so far, which in turn forces banks to call in loans collateralized by land as collateral evaporates.

As LaRouche outlined in the April *EIR Quarterly Economic Report*, the danger is now that the Volcker and the IMF may try to hyperinflate their way out of the crisis. Already, Volcker's Federal Reserve has lowered the Fed's key Fed Fund interest rate from 9% to 6% this year, and reported this week that they have been gunning the money supply of cash to the banking system by a record annual rate of 12%, more than double Volcker's stated public target of 5%. The Farm Credit System is calling for the government to literally print more money and buy dozens of billions of U.S. farm debt off their books, and plans to form a cartel with private bankers to press the demand. Despite the huge banking crisis, the U.S. dollar soared from DM 2.75 before Labor Day to DM 2.94 the week of Sept. 2-7. As LaRouche put it, "the collapse might take the form of a continued skyrocketing of the dollar's exchange rate" for a period, to be followed by an even worse blow-out of the dollar and the banking system later this year or "perhaps even into 1986."

# Chase, other drug-money laundries try to pull the plug on South Africa

by William Engdahl

The emergency currency crisis which forced the Botha government of South Africa to close South African foreign exchange and stock exchanges at the end of August and declare a four-month debt moratorium on Sept. 1, was the result of a top-level decision at Chase Manhattan Bank to pull the plug on the South African economy.

The sudden cash emergency in the otherwise solvent economy of South Africa was provoked by the abrupt cut-off of short-term credit lines by a Chase-led group of U.S. banks. Reliable banking sources in Frankfurt and London confirm that Chase Manhattan and the Bank of Boston took the lead in this politically motivated decision.

South Africa promptly responded by declaring a moratorium on principal payments on its foreign debt of at least four-months' duration.

With \$17 billion in foreign debt, South Africa is a relatively small debtor compared to, say, Mexico or Brazil, but a full-blown default crisis here could detonate an economic crisis of staggering consequences for the Western economy. The economy of South Africa is based on some of the most advanced mining and transportation infrastructure anywhere in the world, on which the functioning of strategic sectors of the U.S. and European economies are dependent.

## Why it happened

Clearly, the action of Chase Manhattan was politically motivated. With no warning, U.S. banks, with the reported complicity of U.S. Federal Reserve head Paul Volcker, cut off their short-term credit lines. Some 60% or \$12 billion of South Africa's foreign debt is routine, 6- to 12-month corporate borrowings by giant firms such as Anglo-American, Consolidated Goldfields, and others. Within hours of this surprise move, the trading value of the South African rand fell to a low of 33¢ to the dollar. In 1981, the rand was at \$1.35.

When the rand collapsed on Aug. 28, the government was forced into emergency action, and South African Reserve Bank chairman Gerhard De Kock took the next jet to London, and then Washington, to meet with the heads of the Bank of England and Volcker and South Africa's New York

creditors, respectively. His purpose was to get the credit lines reopened. He failed.

"Two or three" U.S. banks refused to roll over the short-term credits, De Kock told the press, "for political reasons. . . . No country can repay all of its short-term liabilities in three months. So we were forced to the decision of rescheduling our debt." Banking sources told Reuters news service that Chase was one of the banks, and that the decision was taken "about a month ago, at a very high level. With a big player like Chase out, the rest of the banks are not about to pick up its share of the credits."

On the evening of Sept. 1, South African Finance Minister Barends du Plessis announced an emergency system of two-tier currency trading, and at least a four-month freeze on payment of principal on its foreign debts. No matter that an official from the West German Bundesbank, prefers to think that South Africa has implemented a system of "delayed transfers." It is a debt moratorium: While companies continue to meet interest payments on foreign debt obligations, principal payments now go into a blocked account in the South African Reserve Bank, where the payments will be held until at least Dec. 31—and may never be released. As De Kock put it: "We will continue to make all interest payments and, if the American banks insist on withdrawing from South Africa, we will repay all money eventually—not in three months, but eventually."

Nedbank, Ltd. of Johannesburg, ranked among the world's 200 largest banks, informed its creditors that it would not be paying a maturing debt obligation, for example, because of South Africa's new restrictions on foreign exchange.

To date, only U.S. banks have tried to spark a default crisis against South Africa, while London, West German, and Swiss banks nervously maintain credit lines.

## Moral rectitude?

The U.S. banks are, perhaps, taking a moral stand against apartheid? Hardly. This is the same Chase Manhattan and Bank of Boston which are falling over each other to launder billions of dollars in illegal narcotics moneys. The Bank of Boston was convicted and fined several months ago for laun-

dering \$1.2 billion in illegal drug transfers to accounts of *Crédit Suisse* and others. Most recently, Crocker National Bank, a subsidiary of Midland of London, was fined \$2.25 million by the U.S. government for failing to report what are believed to have been illegal drug and prostitution transfers from Hong Kong totaling \$3.9 billion.

U.S. Treasury enforcement chief John Walker's office estimates that the major U.S. banks launder more than \$100 billion annually, more than \$40 billion in cocaine, heroin, and other illegal narcotics profits. David Rockefeller's Chase Manhattan Peru subsidiary, and its former head, Manuel Ulloa, have been accused of involvement in a multi-billion dollar drug business there.

The motive for the U.S. credit squeeze on South Africa certainly does not represent a display of moral rectitude on the part of Mr. Rockefeller's banking colleagues.

### **Soviet global strategy**

David Rockefeller's Trilateral Commission, the secret association which engineered Jimmy Carter's entry into the White House in 1976, is complicit in a strategic deal with the Soviet leadership to betray the Western alliance to Soviet imperial designs. Part of this "New Yalta" scheme includes the permanent crippling of U.S., European, and Japanese industrial-production capabilities. South Africa, because it is the most vital source of strategic minerals and other resources to the West, is to be destroyed in service of "New Yalta."

This, of course, would sentence major portions of the population of black Africa to immediate starvation. When he announced the emergency "seige economy" measures, De Plessis emphasized the serious economic consequences a further collapse of the South African economy would have for black Africans as well as the white population. De Kock also emphasized that a credit cut-off of South Africa "would not help the cause of those who want to promote black advancement in South Africa."

Some 352,000 official, and an estimated 1.2 million unofficial, black workers from other African countries presently earn wages in South Africa, many at rates far higher than they could earn at home.

In addition, South Africa supplies 100% of the electricity of Lesotho and Swaziland, more than 50% of the electricity of Botswana, and 60% of that of the Port of Maputo in Zambia.

Moreover, other African countries depend on South African rails, roads, and ports to move their exports and imports. Some 45% of the total trade of Zimbabwe, Zaire, and Malawi, and nearly 100% of that of Lesotho, Botswana, and Swaziland goes through South Africa.

In talks with *EIR*, a mineral geologist with a leading London firm specializing in South African mining and industry outlined some further consequences of a South African

default crisis: "The effects of a major default crisis would be staggering. Certain U.S. State Department circles recently indicated that vital chromium imports could be gotten from Zambia if we lose South Africa. This is not possible for several reasons. Even if you could reopen the Port of Maputo, to export the chrome directly, you could not mine without the essential mining explosives and detonators and related special mining equipment. Today, the only company in all southern Africa which makes these specialized explosives is African Explosives, Ltd. of South Africa."

The geologist elaborated: "No other African country has so far dared to build such an explosives factory because, among other things, of the risk of accidental explosion. It's been far easier simply to import from South Africa. If South African mining explosives are cut off, mining in Zaire, Zambia, and elsewhere will grind to a halt. No pilot in the world would dare fly a planeload of glycerine explosives. They must be transported in special trucks, with special brass wheels, from South Africa. This would also mean the elimination of vital nitrogen fertilizer imports to those black African countries like Zaire and Zambia. African Explosives, Ltd. produces the fertilizer as a by-product of its explosives chemicals."

"Further," he stressed, "if we lose South African platinum, we could produce virtually no nitrogen explosives or nitrate fertilizers. Platinum is the only known metal able to hold boiling nitric acid used to make nitrate fertilizers. South Africa is the Free World's largest supplier of platinum-group metals. Additionally, platinum has become essential in the cracking of petroleum. All gasoline fuels used in modern jet aircraft engines depend on this catalyst."

South Africa is also the world's most important supplier of manganese metals. "If we lose this source of manganese, we in the West will be able to produce no tool steel. Neither Western Europe, nor Japan, nor the United States produce industrially significant supplies of manganese. Manganese is essential to production of all steel."

Beyond such vital agricultural and industrial links, the Republic of South Africa today has become one of the world's largest exporters of coal. Using one of the most modern coal-handling ports in the world, South Africa is the world's third-largest exporter of coal, 100 million tons per year. More than 40 million tons of South African coal flow to the industry and power plants of West Germany and France. Loss of this would put Western Europe into a position of dependency on Soviet and East bloc coal, added to its present natural-gas dependency.

Beyond this, no industrial process in Western Europe involving high-temperature smelters and refractories could occur without special high-temperature bricks. Western Europe imports 90% of such special bricks from South Africa.

"The Russians would indeed smile, if South Africa is pushed into a major default crisis," he concluded.

# 'Technology transfer' conference plans slave labor for Mexico, Texas

by Harley Schlanger

Appropriate technology, cheap labor, tourism, austerity, drugs: This is the future for Texas and Mexico, if those who planned the Aug. 19-20 conference titled "Technology Transfer: U.S.-Mexico Perspective," have their way. George Mitchell, billionaire oilman and member of the U.S. Association of the Club of Rome, presided over the conference from his development, The Woodlands. The focus for the conference was provided by America's national embarrassment Jimmy Carter, who declared that proposals put forward at the conference were an extension of the *Global 2000 Report*—which calls for reducing the world's population by 2 billion by the year 2000—published by his administration.

To "build a policy consensus" among the attendees, including businessmen from both sides of the border, and government officials from the United States and Mexico, speakers voiced their "deep concern" for the future of Mexico, emphasizing support for "economic growth," "development," and the need for "mutual respect for national sover-

eighty." But the conclusions reached demonstrate that they mean to loot Mexico's people and raw materials—and Texas as well—with a 200-mile free-trade zone along the border.

These conclusions included: 1) The "population problem" must be solved before Mexico can develop; 2) The *Global 2000 Report*, released by the Carter administration in 1980, with the recommendation for mass murder, is the proper approach to control Mexico's "population problem"; 3) "Appropriate technology" (that is, labor-intensive production, using slave labor), is the only means to employ the growing labor force; and 4) Protectionist policies must go, Mexico must join GATT (the General Agreement on Trade and Tariffs), and open up for foreign looting.

By emphasizing Mexico's failing economy, the conference planners hope to cover up the fact that, despite the brave talk from Chamber of Commerce leaders throughout Texas of the strength of the economy (particularly the "diversity" of local economies), in reality Texas has been devastated by

## The 'recovery' in Texas

During 1983, as the reality of economic collapse hit the state of Texas, the good ole boys of Texas were unanimous in their "economic forecasts." "Don't worry," they said, "there will always be a need for oil." The consensus was that Texas, the last state hit by the "recession," would be the first to recover. Despite consoling talk of the "Reagan recovery" during 1984, the economy has been shattered.

**Energy:** The rig count, measuring the number of new wells, has dropped steadily since 1983. Over 62,000 jobs in oil-field and related services have been lost nationally, most of those in Texas. With the present oil "glut" on international markets, this is not expected to improve in the near (or distant) future.

**Agriculture:** There were officially 3,000 farms lost in Texas last year, but that figure is misleading. The amount of land farmed in Texas dropped by more than 500,000 acres last year, and much of what is under cultivation will

not be harvested, because of depressed prices. Even cattlemen, historically spared in past crises, are losing \$125-175 per head of cattle they bring to the market.

**Trade:** The optimism of 1984 (based on improved figures over the total collapse of 1983), is gone. The Port of Houston reports a 13% drop overall from last year, with grain shipments down 63% for the first six months of 1985. The Port of Brownsville is operating at 50% of its 1981 level, while the ports of the "Golden Triangle" (Beaumont-Orange-Port Arthur) are virtually empty; official unemployment in that area is over 20%.

**Defense and "high tech":** Despite talk of the Reagan defense buildup, there have been layoffs in defense plants in the Dallas-Fort Worth area, including General Dynamics and Texas Instruments.

**"Service":** Even in this post-industrial sector, all is not well. Realtors have been hit hard. Housing starts have dropped, houses remain unsold for months, condos around Houston are empty and half-completed. Dallas and Houston are in a race with Los Angeles for the lead in empty office space, with Dallas slightly ahead at last count.

the "recovery" as much as the rest of the economy.

There is not one sector which has escaped the combined effects of the Volcker high interest rates and the Reagan administration's "free enterprise" policies. Traditional industries have been idled. Houston has lost 43,000 manufacturing jobs since 1980. The steel and petrochemical plants built during the World War II mobilization have been shut down, and are being sold for scrap.

With official unemployment rates along the border ranging from 12.3% in El Paso, to 16.1% in Laredo, to 37.4% in Eagle Pass, local business leaders have accepted the shift to an economy based on slave labor, the so-called "Hong Kong model free trade zones" (like massive increase in drug trafficking and prostitution) and tourism (like plans for casino gambling in northern Mexico). Behind the banner of "free enterprise," is resurrected the "technetronic society" of Zbigniew Brzezinski, complete with his maxim that the United States must not allow Mexico to become a "Japan on our southern border."

Representative Bill Richardson of New Mexico has introduced legislation to create a 200-mile free-trade zone along the border, a proposal to make permanent the deindustrialization of this region. And Don Shuffstal, an executive vice president of Bank of El Paso, whose prediction of a peso collapse at the end of June triggered a wave of peso dumping, mused that the border should be seen as "a third country," since it is "neither properly understood, nor governed, by Washington and Mexico City."

What the conference planners recommend for Texas—deindustrialization and Hong Kong-style free trade—Mexico must first earn by reducing its population and relaxing its protectionist policies. The only "technology" to be transferred is more of the same slave-labor, low-skilled jobs. Victor Urquidi, a founder of the Club of Rome in Mexico, recommended that the United States focus on transfer of appropriate technologies. These are needed, he argued, to employ a growing labor force. "Technology displaces labor. . . . Mexico must create one million new jobs each year." He rejected the prospect of a return to the economic growth rates of 1976-80, when the economy grew at an annual rate of 8%, creating more than 800,000 jobs annually in steel, construction, infrastructure development, etc. Urquidi said that Mexico must adapt to being a source of cheap, unskilled labor, and slash its birth rate. This proposal was backed by Jimmy Carter, who insisted that technology transfer be dependent on reducing the population and birth rate. Carter called for "an extension of the *Global 2000 Report*, just relating to the U.S. and Mexico," to be funded privately "in the absence of government support from either Mexico City or Washington."

Martha Harris, of the U.S. Congressional Office of Technology Assessment, and Mexican economist Everardo Elizondo, both attacked Mexico's "protectionism." Elizondo said that, to spur industrialization, Mexico must "turn itself into a huge, 'in-bond' industry of the U.S." 'In-bond' indus-

try, or *maquilador*, refers to assembly plants set up in Mexico for assembly of American-made duty-free parts which are bonded and imported for assembly with cheap Mexican labor. The assembled parts are then shipped back to the United States. The only contribution to the Mexican economy is the employment of Mexico's labor at cheap wages—no contribution at all. Elizondo raved, "The best incentive we can offer to the rest of the world is our relatively cheap labor."

---

## Documentation

---

*The following excerpts are from Jimmy Carter's speech at the Aug. 19-20 conference, "Technology Transfers: U.S.-Mexico Perspectives." Readers who recall Carter's days in the White House will note that much of his speech is the usual empty rhetoric; he finally gets to the point with his call for Global 2000.*

Mexico has become our third largest trading partner, and the foremost supplier of crude oil to the U.S. For Mexico, the U.S. is its primary trading partner and the largest source of foreign investment. . . .

Protectionist tendencies within the United States costs U.S. consumers, damages our neighbors, prevents repayment of external debt, and encourages social and political unrest, particularly in the embryonic democracies.

. . . We in North America must now face the fact that Mexico has taken a great leap in international influence, and decisions made in Mexico City can seriously affect our country. In matters concerning trade, finance, regional security, international diplomacy, employment, immigration, agriculture, music, art, and the everyday habits of life, each nation's people have an increasing impact on the other's.

During times of sober reflection this interrelationship is acknowledged, but it must be managed with balance, maturity, and respect. Both of us are now more vulnerable, and we need to be more sensitive and to forge more routine and comprehensive ways to cooperate in meeting present and future challenges. We must be willing to deal with each other on the basis of equality and mutual respect. If we do this, we need not fear the future.

One of the greatest unmet needs is the long-range analysis of almost inevitable change. An extension of the *Global 2000* report, just relating to the U.S. and Mexico, would be invaluable. In the absence of governmental support from either Mexico City or Washington, private incentives can be explored, perhaps including entities like the U.S. National Academy of Sciences or Mexico's equivalent.

Technology is a vital part of our future, because it represents the capacity of a nation to achieve self-sustaining growth and self-reliance. . . . However, we must not ignore the inevitable complexities of cultural, historical, and political relationships that are intertwined with the potential technological advances.

## More Dangerous Than Nuclear War



If IMF policies continue, the deadly tse-tse fly

may be ruling the world by the 1990s!

That's what *EIR's* new Special Report, "Economic Breakdown and the Threat of Global Pandemics," shows.

An exclusive presentation of the causal relation between economic policymaking and the outbreak of new deadly diseases.

- Features the world's only handbook for the general policymaker, on how pandemics are being generated and where they will next break out;
- Over 70 pages, including charts, maps, and graphs demonstrating the U.S. vulnerability to biological warfare;
- Prepared by the *EIR* scientific task force which 11 years ago forecast the precise location and time of the currently erupting epidemics in Africa.

Price: \$100

Order from:  
EIR News Service  
P.O. Box 17390  
Washington, D.C. 20041-0390

---

## Peru

---

## Wall Street Journal in campaign of lies

The *Wall Street Journal*, in an Aug. 30 feature article, launched a campaign of slander against the new President of Peru, Alan García, saying that he is a "Marxist" and that he rejected the concept of "private property." The Peruvian government was forced to issue an official communiqué, pointing out that certain parts of the *Journal's* "interview" with the President had been manufactured outright.

The *Journal*, of course, never informed its readers of the reason for its lies against García. But in the short period of time since his inauguration on July 28, the young President has waged a highly successful war against the cocaine mafia, has challenged the power of the International Monetary Fund (IMF) and the international banking oligarchy, and has stood up to Fidel Castro's efforts to turn Ibero-America against the United States. García has cut off approximately one-third of the cocaine supply to the United States, and has pledged to pay no more than 10% of the foreign exchange earnings of his nation for servicing the foreign debt.

Moreover, his example is beginning to spark an anti-IMF rebellion throughout Ibero-America.

The elite backers of the *Wall Street Journal* find their own stranglehold over international finance in jeopardy, at the same time that a principal source of liquidity for the New York banks—the dope trade—has been placed in danger of drying up.

While the *Journal* joined the rest of the Eastern Establishment press in blacking out any news of García's military operations against the cocaine mafia for weeks, it now has the nerve to lie that, "Ominously, there is talk, deep in the new government, that if too much pressure is placed on Peru to pay its debts, cocaine might be legalized—for export only."

No one should have any doubts about the allegiances of the *Wall Street Journal* to the pro-drug financiers: It is edited by a long-time member of David Rockefeller's Trilateral Commission, Robert Bartley. One of Rockefeller's top associates in Peru, former Prime Minister Manuel Ulloa, is among those now under investigation by the García govern-

ment for his role in opening up the economy of Peru for the cocaine trade. The *Journal* itself has often boosted this "liberalization" of the economy, on "free enterprise" grounds, at the same time that it has gone on record against the Reagan administration's war on drugs.

Despite the official Peruvian government denial, the *Journal* article was given widespread international play. UPI and the Spanish news agency EFE released international wires on García's "admissions," and the widely read *Diario de las Americas* of Miami gave it banner headlines: "Alan Garcia says he is a Marxist, and that Peru will follow a strong anti-imperialist line."

The *Journal's* article, bylined Eric Margolis, did not hesitate to issue the veiled threat of a coup against García, saying that the President's current popularity among the Peruvian people was "a heavy, even dangerous burden for an inexperienced man of 36 in a nation where boundless hope can quickly turn to despair and revenge."

## Documentation

The following is the full text of the Peruvian government's official communiqué, denying that President García had called himself a Marxist in an interview with the *Wall Street Journal*:

In regard to the article of reporter Eric Margolis, published by the daily *Wall Street Journal* and picked up by the UPI and EFE agencies, reproduced in several local dailies:

1) At no time in the interview did the President call himself a Marxist. The chief of state was very clear in asserting what he has always maintained, that Marxism is a method of interpreting history, used by APRismo [García's APRA party—ed.] and other political parties, which is substantially different from having declared himself a Marxist.

2) Regarding the quote taken from the President's message to Congress July 28 which says "private property, another foreign concept, has been imposed on us by the imperialists," we affirm that that statement does not appear in any part of the presidential message nor has any declaration in this sense been formulated by the President.

3) The circulation of the article by reporter Eric Margolis seems to have the sensationalist intention of confusing the U.S. population, by presenting a distorted image of the Peruvian President at a moment in which our government is carrying out a battle against the IMF and has just rescinded the oil contracts that harm our national dignity.

4) This secretary, on the orders of the President of the Republic, is sending a copy of the chief of state's message to Congress on July 28 to the *Wall Street Journal*, which clearly defines the position of the government and of President Alan García.

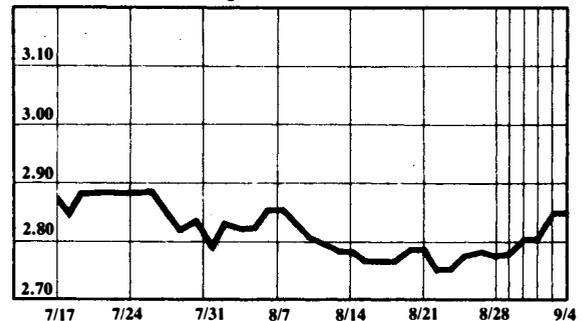
Lima, Aug. 31, 1985

Victor Tirado, press secretary of the republic

## Currency Rates

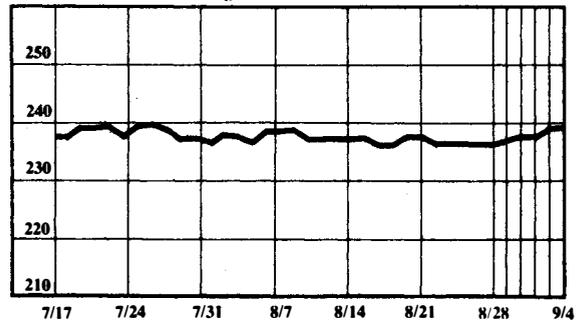
### The dollar in deutschmarks

New York late afternoon fixing



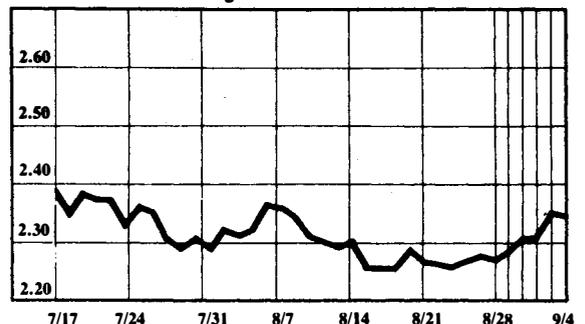
### The dollar in yen

New York late afternoon fixing



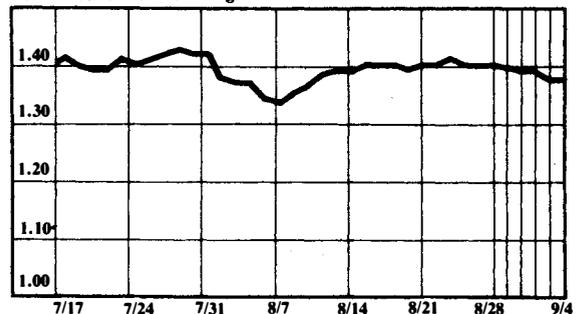
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



# Canada's James Bay fresh-water project gains political support

by Nicholas Benton

The fresh water shortage crisis confronting the entire globe has become a matter of growing awareness and concern in the last year. Droughts of unprecedented magnitude are not only sweeping Africa—combining with International Monetary Fund conditionalities to create mass genocide—but are also ravaging economically-strapped agricultural and urban regions of the North American continent. Not only the 11 million irrigated acres dependent on the shrinking Ogallala aquifer on the great plains, but New York City, Southern California, the Central Canadian Plains, and northern Mexico all face acute water shortages right now.

Enzo Fano, chief of the water resources branch of the United Nations, predicts that many nations' need for water will soon make the oil crises of the 1970s pale by comparison. Jimmy Carter's genocidal recipe for world depopulation, the infamous "Global 2000" report, intoned that—assuming his faction is successful in choking off any substantial new water development projects—by the end of the century "the notion of water as a free good available in essential limitless quantities will have disappeared throughout much of the world." For such genocidalist social engineers, the notion of manipulating demographics and population through water control is an art devised over centuries.

Africa's crisis, for example, is one of deliberately-imposed underdevelopment. There are no less than eight major river systems on that resource-rich continent, combined with more unused arable land than any other continent on Earth. With sufficient investment in water diversion projects, the continent could quickly become a leading breadbasket of the world.

As this is true for Africa, it is even truer for the North American continent. In the case of water development, despite the monumental achievements to date, such as the Hoover Dam, the continent has barely touched its potential. A staggering 27% of the entire globe's fresh water flows untouched to our north in Canada! By tapping this resource, the developing shortage crises throughout the continent could be readily overcome.

It has been proposed that large-scale weather modification methods—derived from the spectacular plasma technologies development that the Strategic Defense Initiative will provide—is the best and ultimate solution to drought and water shortages in the world. The ability to "bend" the pre-

vailing weather flow pathways on the globe with high-powered laser or particle beams, something originally envisioned by the late Dr. Krafft Ehrlicke, could shift the pathway of monsoon storms from India directly over the Sahara, for example. It has been proposed that the same species of technology could be used to provide dirt-cheap salt water desalination.

These approaches may indeed render the whole notion of conventional forms of water diversion obsolete. Yet, still, the accelerating growth in magnitude of the water crisis is forcing some serious reappraisal of "great projects" for tapping the fabulous water resources of Canada using ideas developed by water engineers that have been sitting on the shelf for over 30 years.

*EIR* has reported on the "North American Water and Power Alliance" (NAWAPA) proposal, developed in the 1950s by the Ralph M. Parsons Company of California, to divert the flow of northern-flowing rivers in western Canada and Alaska through the Rocky Mountains, providing 150 million acre feet and 70,000 megawatts of hydroelectric surplus for development of Canada, the lower 48 states, and Mexico. Because of its comprehensiveness and net yield, this remains the "grandest" proposal of all—made most rational by the fact that the system flows almost entirely downhill.

But although the biggest, NAWAPA is only one of eight proposals for tapping Canadian waters. One that is gaining popularity now is a plan devised over 30 years ago by 72-year-old water engineer Tom Kierens to turn the James Bay into a fresh water lake, and "recycle" that water into the Great Lakes for use throughout the Canadian and U.S. plains. This plan won the editorial approval of Canada's equivalent of *Time* magazine, *Macleans*, in its August 26, 1985 issue, and is also promoted by former Quebec premier Robert Bourassa in his new book, *Power From the North* (Scarborough, Ontario: Prentice-Hall, 1985, 181 pages).

This proposal is euphemistically known as the "GRAND (Great Recycling and Northern Development) Canal," and begins with building a dyke across the northern mouth of the James Bay to turn it into a fresh-water lake.

The James Bay is chosen because of the enormous flow of fresh water into the body (three million gallons per second)—twice the water flow into the entire Great Lakes. This comes primarily from the LaGrande, Nottaway, Broadback,

and Rupert Rivers. As a result of this massive inflow of fresh water, the salinity level of water in the James Bay is already one-third the salinity of ocean water. Further, the bay is shallow, and the dyke would be built through a string of islands near the mouth of the bay, at a distance of not more than 100 miles to close it off from the Hudson Bay.

One of the reasons for the renewed interest in the James Bay project over the other seven designs is the fact that this region has already undergone enormous hydroelectric development since 1965. This effort has already tapped a yield seven times greater than that of the Hoover Dam, and when finally completed, will provide 20 times that yield. This project was launched when Bourassa, a member of the Liberal Party who is still looking to win back his former job, was premier.

Once captured in James Bay, the GRAND Canal concept envisions the water being channeled roughly 500 miles to the Great Lakes, which Kierans says should be considered as the greatest natural "reservoir" on the continent, being huge (100,000 square miles), elevated (580-feet above sea level), and central to everything. As much as 500,000 gallons per second—one-third the flow of Niagara Falls—could be pumped into the Great Lakes from James Bay.

From the Great Lakes, water could be pumped to augment all the water systems linked to it, as well as the major river systems—the Mississippi, Ohio, Hudson and Delaware (to meet East Coast urban water needs)—and directly to the agricultural plains regions both in Canada and the United States. Over 90% of the water use from this plan would be in the United States, Kierans said.

### Concept came from Dutch

The concept for dyking and transforming James Bay into a fresh-water lake comes directly from the Dutch, Kierans said. It is based on the dyking project carried out there in the 1930s that converted the Zuider Zee into the fresh-water IJsselmeer.

The pricetag on this plan? Kierans envisions about \$100 billion—with costs about equal on each side of the border. It would take 10 years to build, he said. Kierans sees negotiations at the U.S.-Canada International Joint Commission key, as well as the up-hill battle of winning support from his own provincial and national governments and, of course, the relevant jurisdictions in the United States. He proposed that financing be done in a manner parallel to a "large communications service company," where the various jurisdictions serviced by the company pay in proportionately.

This is not just another "pipe dream," apparently, although Kierans has been a lonely crusader for the idea for a quarter-century: this year, Bechtel Canada Ltd., a subsidiary of Bechtel, and four other companies have formed a joint venture to promote the project.

The principle drawback of the plan is that it requires a significant lift of the water—from sea level in the James Bay

to 950 feet above sea level in the Harricana River Valley to an area near Amos, Quebec. From there it would be transferred across a short canal to the Upper Ottawa River near Val D'Or. It would then flow southward and be transferred to Lake Nipissing and then, via the French River, into Lake Huron.

Lifting the water the 950 feet could consume 10,000 megawatts of electrical power during peak periods—only a portion of which could be recuperated during the subsequent downhill trip toward Lake Huron.

Together with magnitude, this is the main difference between the GRAND Canal project and NAWAPA. The NAWAPA plan is almost entirely a "downhill run" from high-elevation, northward-directed rivers, giving it an enormous net yield of hydroelectric surplus, in addition to the mammoth volumes of water.

It is not to be overlooked that the GRAND Canal plan was devised as a competing, alternative concept to NAWAPA when NAWAPA was being seriously considered by the U.S. Senate in the 1960s under the leadership of Sen. Frank Moss (D-Utah). Kierans, himself, was involved in debates against NAWAPA proponents in the United States at that time. His main arguments against NAWAPA were unsubstantial.

He opposed NAWAPA because, he said, it involved creating a huge reservoir out of the "Rocky Mountain trench" on the British Columbia-Alberta border where, he argued, "people wanted to live." He also claimed that NAWAPA violated "riparian law" by diverting water from its natural river flow, thus denying it to potential downstream users (although in the NAWAPA case, downstream is to the desolate north). On this point, he was contrasting British "riparian law" with U.S. law—which has always favored those who want to make use of water through development over those who might happen to live along the banks of its "natural" flow.

Therefore, Kierans favors his GRAND Canal plan over NAWAPA because it does not disrupt the natural flow of any existing rivers—but allows their flow to go into the sea before being "acted upon" by man. That is why he prefers to call his plan "recycling" rather than "diverting" of water.

But these arguments are all invalid. The GRAND Canal project should be examined on its merits as an engineering proposal—not because it appeases a British notion of "riparian law."

By this criterion, GRAND is inferior to NAWAPA both in scale and efficiency. Its only relative virtue is its lower construction cost and apparently growing institutional support. Neither of these factors, however, should be allowed to determine anything by themselves. Action is needed to tap the northern waters of the continent, and quickly, to avert any number of impending water shortage disasters that face us. All the environmentalist lobbies, including World Watch Institute with its recent anti-development water study, are prepared to block any and all such plans.

## GATT opens trade offensive for IMF

*Every nation is damned, unless they dump the world trade program along with the Fund.*

Over protests from Brazil, India, and other nations, the U.S. delegation to the General Agreement on Trade and Tariffs (GATT) forced through a decision the last week of August to hold preparatory talks for an international conference on "liberalizing trade in services." Under the plan, first offered by former Treasury Secretary Donald Regan in cooperation with the International Monetary Fund, all nations would have to open their borders to international banks, insurance, and shipping companies.

Since "trade in services," to use the GATT's double-talk, impinges on sectors which decisively effect the total national economy, and therefore bear on national sovereignty, the developing sector has bitterly opposed the new initiative. Nonetheless, the GATT—created in 1947 as a sister organization of the IMF—already bears principal responsibility for a system of world trade which has ruined the developing sector's economies. Although it lacks the enforcement powers of the IMF, its role has been just as destructive.

The GATT's low-profile bureaucrats have quietly, but steadily, twisted the arms of hard-pressed developing-sector governments. "We will institute a grand compromise," they tell governments which have been through the debt mill. "To pay your debts, you must export more to the industrial nations. We will try to prevent protectionism from shutting down your exports. But they, in return, demand the right to export 'services' to your economies."

A recent study by *EIR* provides a useful measure of the results of the GATT program: *EIR* compared the unit price of commodities exported to the United States by Ibero-American countries during the period 1981-84, and found that the price of most major items (excluding oil) had fallen by 30% to 40%.

In turn, perhaps 15% of all goods consumed in the United States are net imports, and roughly half of the net imports are from the developing sector. But the more Ibero-America exports to the United States, the less they earn; the supposed "improvement" in these countries' balance of payments is almost entirely due to import reduction, despite the huge increase in physical volume of exports.

Thus, the GATT, whose "free trade" system fits into the IMF's "conditionalities" program, has managed to impose a trading system which is in the interest of none of the world's nations. The only beneficiaries of the low-priced import flood are rentier financier interests, who meanwhile preside over the dismantling of America's own industrial base.

Whether the United States continues to purchase goods from Ibero-America at less than their cost of production, or whether it adopts protectionist measures to prevent these imports from replacing yet more domestic production, the GATT's policy will lead to roughly the same consequences. The threat of protectionist legislation in the industrial nations is employed to blackmail developing nations into accepting "free trade" terms.

However, the threat may well turn into reality at the point that the industrial nations' own economies suffer the aggravated consequences of the GATT-IMF system. Trade barriers which the United States recently enacted against Thai textile exports, which threaten about 40% of that country's industrial jobs, could represent such a turning point.

Meanwhile, Sen. Lloyd Bentson (D-Tex.) has introduced legislation, directed principally against Japan, which mandates a 25% import tariff against the goods of any country which exports to the United States more than 165% of what it imports. The U.S. Department of Agriculture in-house magazine demanded a revision of the entire postwar policy regarding farm exports, under which protection of internal agricultural markets has been accepted as a matter of course. In effect, this is a demand that bankrupt farmers dump their surplus on world markets at prices below cost of production, causing chaos in developing nations' markets.

When Treasury officials address the October GATT meeting in Geneva, they will cite these developments, insisting that unless developing nations sanction the wholesale buyout of their economies, they will be unable to contain the "protectionist wave in Congress."

With the national currencies of most developing nations undervalued by 40% to 60%, and with the prices of most raw materials in international trade at well below cost, the GATT's discussion of "free trade" is a disgusting charade. It should be abandoned along with the IMF. Instead, the industrial and developing nations should undertake concerted efforts to expand trade in capital goods, with special emphasis on "great projects" preparatory to the rapid industrialization of the developing world.

## The 'Brazilian connection'

*It is not known if Ibrahim Abi-Ackel will be charged with cultivating dope—but he did cultivate Edmund Safra.*

On Sept. 3 in Lexington, Kentucky, a grand jury was convened to investigate the smuggling of precious stones from Brazil to the United States, which activity functions as a mechanism for laundering dirty money from narcotics trafficking. Among those implicated in what is being called the "Brazilian connection," the name that sticks out is Ibrahim Abi-Ackel, an ex-minister of justice of Brazil.

As *EIR* documented in its book, *Dope, Inc.*, the world market in diamonds and other precious stones not only occupies a prominent place in conducting "hot money," given the ease of transport and difficulty of tracing the stones, but also, the trade in illegal drugs pegs the price of the drugs to the prices of gold and other metals.

At the same time that this scandal was reverberating through various Brazilian circles, it was revealed that the South African company, Anglo-American, has taken control of all industrial gold production in Brazil, according to the lawyer Alfredo Ruy Barbosa, legal counsel to the company Vale de Rio Doce.

It turns out that Anglo-American is the biggest gold producer in South Africa, and runs the Hong Kong side of laundering dirty money with diamonds. Its top director is Sir Harry Oppenheimer, of Oppenheimer-de Beers Corporation.

Investigations by Brazil's Federal Police into the activities of Abi-Ackel have yielded the following leads:

- Ibrahim Abi-Ackel is the lawyer

of Antonio Carlos Calvares, smuggler and boss of the Brazilian mining and export company EMBRAIME. According to press reports, Abi-Ackel is actually a partner in EMBRAIME. On March 29 the Miami Customs officials seized a number of diamonds from the "courier" of the firm, one Mark Lewis.

- U.S. Customs officials in charge of the investigation made it known that between May 23 and June 25, Ibrahim Abi-Ackel made two phone calls to the United States. Both were to the Bank of Boston at its agency on Fifth Avenue in New York. On Feb. 8, the Bank of Boston pleaded guilty to having illegally processed \$1.2 billion from known organized crime figures and transferred the funds to Swiss banks. In fact, the bank is a pivot of the world illegal-drug economy.

- The son of Ibrahim Abi-Ackel, Paulo, succeeded in obtaining, from the ministry of justice, the naturalization as a Brazilian citizen of the banker from the outlaw P-2 freemasonic lodge, Umberto Ortolani, who thus evaded being extradited to Italy in 1983. Ortolani, and his partner Licio Gelli—also a fugitive from justice—are part of the "board of directors" of Dope, Inc. Ortolani managed the "formalities" of naturalization papers through the mediation of Raymond Khazwal, an adviser to the former minister and believed to be also a fugitive today.

- Anacer Abi-Ackel, brother of the former justice minister, was a part-

ner until last year of the cocaine trafficker and precious-stones merchant José Luis Oliveira Neto. They were owners of the daily *Jornal da Semana*, headquartered in Campo Grande. The newspaper owned a small blue Cessna airplane which crashed in September 1984. All those on board died, and they all turned out to be drug traffickers connected to Bolivia.

- Antonio Calvares, "the client" of Abi-Ackel, is suspected of cocaine trafficking. He started his smuggling activities in the capital of illegal drugs, Hong Kong. His monetary transactions are carried out in Switzerland and Paraguay. He is tied to the evangelical society Assas del Socorro, which owns five aircraft. The police are investigating it for smuggling precious stones.

But what is making some financial circles in Brazil and abroad nervous, is not what has already come out on the "Brazilian connection," but what could potentially be revealed by Ibrahim Abi-Ackel himself. Perhaps the most nervous is Edmund Safra, whose family is part of the clan of old Jewish families of Aleppo, Syria, who control world-class organized crime operations. In the United States, Safra has been linked to the gold and diamond trafficking of the Israeli mafia.

Until recently he was the main shareholder in Shearson-American Express, naming Henry Kissinger to its board of directors. On April 3, the Financial Task Force of the U.S. government raided the Shearson-Lehman Bros. stock brokerage firm, in a probe of dirty-money-laundering operations.

It is not known whether Brazil's former minister of justice, Ibrahim Abi-Ackel, will be accused of participating in the cultivation and trafficking of drugs. What is known is that he did cultivate the friendship of Edmond Safra.

### Peronist leader Labaké in Peru

*Perhaps for the first time, a major political figure travels to promote Ibero-American integration.*

**I** am giving the impetus to an alliance for Latin American integration, formed by political and union leaders, managers, intellectuals and retired officers of the armed forces of each Latin American country," the Argentinian Peronist leader Juan Gabriel Labaké said on Sept. 4 during a press conference in Lima, Peru.

Labaké introduced his new book, *A Proposal for 30 Million*, to the press, and declared that his tour has two major objectives: "to create the conscience in the bases of our society toward integration and to produce concrete deeds that help our rulers to move towards the road of integration"; and "to render my complete support to President Alan García for the boldness and courage of his proposal; he needs and deserves a greater support from all the Latin American nations."

On Sept. 2, Labaké began a tour through Peru, Mexico, Venezuela, Colombia, and Ecuador. It is perhaps the first time that a major political figure has traveled specifically to organize and promote the objective of Ibero-American integration. An activist in the Justicialist Party, Labaké was named a member of the directing board of the Peronist Superior Command in 1984 by former President of Argentina, María Estela Martínez de Perón.

Regarding his book, Labaké stated that it is a fraternal proposal to promote the unity of all Latin America. "No nation," he stated, "can free itself from political dependence if it is not

through a subcontinental alliance that joins our 21 nations, which represent a force of 300 million."

In the book Labaké states that the foreign debt is a great obstacle and that a global restructuring is needed. In Argentina's case, Labaké proposes a maximum limit of 20% of export income for the payment of the debt (about \$2 billion a year). The rescheduling of the debt, he states, must be done on the basis of the development requirements of nations, and not on the basis of the recessive prescriptions of the International Monetary Fund.

In response to a question about the expected results of his tour, Labaké said that the productive sectors of the economies will be those which accomplish concrete results. Soon, many governments will join; we must defend the rights of our nations and fight together. "If in comparison we observe the great pool of 800 creditor banks and the great power they represent—since they control not only the credit but also the reserves—to fight alone is like fighting against windmills. Therefore, we must not leave President Alan García alone; his victory will be that of all Latin Americans."

"Peronist leader demands support for Peruvian thesis," was the headline on page 3 of the Peruvian government-owned *La Crónica* on Sept. 5, above a photo of Labaké. The article began, "Juan Gabriel Labaké demanded total Latin American support for President

Alan García's efforts on payment of foreign debt." It described Labaké's tour for Ibero-American unity, the press conference, and his book on how Argentina could become one of the world's top powers.

The staid *El Comercio* quoted Labaké's answer to a question about reprisals the International Monetary Fund might take: "Those are just threats, because the creditor banks would be the first to go under if there were a consensus of countries not to pay the debt." "A country can't go bankrupt." As an example of IMF viciousness, Labaké cited the announcement that Argentina's insulin supply would be cut off "if it resisted paying debt service."

Labaké told *El Comercio*, "Money, credit, taxes, etc. must be put to the service of production if you really want a country's economy to recover."

In Mexico City, the next stop on Labaké's tour, two dailies, *El Financiero* and *El Nacional*, ran an AP cable datelined Lima under the headlines: "Peronist leader calls for front of debtor countries" and "J.G. Labaké, Peronist leader, urges debtor unity." AP reported that Labaké said, "The triumph of the Peruvian President will be a victory for all Latin Americans in the difficult struggle on payment of the foreign debt which exhausts all the governments in this part of the continent."

Many will be reminded of the famous "Operation Juárez" proposal of U.S. economist Lyndon H. LaRouche, Jr. In fact, Mr. Labaké went to the United States in July to meet with LaRouche. He told the press in Buenos Aires at the time that he hoped to "bring back the technical information which we need to establish an institute dedicated specifically to studying the process of integral industrialization for the next decade."

## Assessing labor on Labor Day

*AFL-CIO head Lane Kirkland hailed a "resurgence of labor," but there won't be any unless U.S. labor fights his policies.*

**L**abor Day in the United States this year, on Sept. 2, was celebrated as usual with parades and picnics by organized labor in major cities around the nation. As on every Labor Day in recent memory, Lane Kirkland, the president of the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO), delivered a "traditional" message, in which he claimed that labor is in "resurgence" in America, even asserting that "morale is as high as it has ever been in my lifetime."

One wonders under what rock Kirkland has spent his lifetime. This liar to the contrary, morale in the U.S. labor movement is nearly dead—as dead as the organized labor movement itself, which in August officially decided that Kirkland should run unopposed for reelection at the biennial AFL-CIO convention in late October.

But a moribund labor movement is by no means in the national interest. Indeed, it was only through the mobilization of organized labor, carried out by President Franklin D. Roosevelt during the Great Depression, that America was able to arm for war in sufficient time to spell victory for the Allies.

This is the message brought by the Schiller Institute to what was probably the largest parade in America on Labor Day, in Detroit, Michigan. Marching behind a banner that read "Think Like Reuther, Open the Auto Plants to Defend America and Feed the World," 20 members and supporters of the Schiller Institute drew spontaneous rounds of applause and cheers from the estimated quarter-million

participants in the parade.

The banner refers to the proposal for a "Reuther Plan" to build 1,000 MX missiles per year in Detroit's now-closed auto factories, modeled on Walter Reuther's "500 Planes a Day" mobilization during World War II.

Typifying the attitude that is killing today's labor movement, was the remark by former United Auto Workers (UAW) president Doug Fraser, when confronted by one of the marchers for the Schiller Institute. "Mr. Fraser, what are you going to do to open the auto plants to build missiles?" he was asked. Fraser replied, "I'd rather open your head."

Kirkland, Fraser, and the other Trilateral Commission members and cronies who inhabit the upper echelons of the labor movement, serve as a conduit for economic and military policies which benefit only the Soviet Union. Kirkland openly embraces the communist left, most recently in a widely publicized bear hug with Revolutionary Communist Party leader Bob Anderson of Pittsburgh, at whose Rainbow Kitchen, Kirkland and Steel Workers president Lynn Williams supped late last month. Kirkland and Anderson are featured in friendly discussion on the front page of the *AFL-CIO News* Aug. 17, just days after Anderson was spotted hawking the latest issue of *The Worker* in a nearby neighborhood.

On Aug 21, Kirkland and the AFL-CIO Executive Council released a "Call to Action" for American labor, a 12-page document outlining the labor federation's economic, trade, and tax policies. The document is a call to

extend the very policies, created by fellow Trilateral Commission member and Federal Reserve Chairman Paul Volcker, which launched the current depression under Jimmy Carter's presidency.

Kirkland's principal scapegoat, throughout the document, is what he calls a "tidal wave of imports." Extending his racist metaphor, he blames a "flood of immigrants" to the United States for the collapse of domestic employment.

The reality of the matter was made clear by *EIR* contributing editor Lyndon LaRouche, in discussion with leaders of the Schiller Institute Trade Union Commission recently. The U.S. State Department, under former Trilateral Commissioner Henry Kissinger's influence, together with the International Monetary Fund, tells developing nations that they must pay their debts to the New York banking houses by selling to the U.S. cheap. As a result, LaRouche explained, America imports food from nations that are starving, and steel from nations with no houses.

Kirkland's "program" for solving what he calls the current "growth recession"—but which is a very real depression afflicting millions of Americans—would give "standby credit control authority" to the treasonous Federal Reserve. To implement what the AFL-CIO calls an "interest-rate policy aimed at achieving full employment," Kirkland would hand over total control of the economy to the same Paul Volcker whose interest-rate policy was consciously designed to smash industrial production in the U.S.

The "resurgence" of American labor, about which Kirkland can only fulminate, will occur when working men and women decide that the defense of their country is worth fighting Kirkland and his cronies for.

# Business Briefs

## *The Invisible Hand*

### **Eastern Airlines fined for cocaine**

The U.S. Customs Service fined Eastern Airlines \$1.3 million following the discovery and seizure of 1,722 pounds of cocaine aboard two airliners. Federal law requires a fine of \$50 per ounce of cocaine found aboard a common carrier.

Both of the Eastern Airlines flights originated in Colombia, where the narcotics were concealed in the cargo compartments of the airliners. Only airline employees have access to the plane's cargo areas.

On Aug. 11, Customs officials found 849 pounds of cocaine aboard a flight from Barranquilla. Then, on Aug. 24, another 873 pounds was discovered on a flight from Cali.

Eastern Airlines has suspended its flights to Colombia because of this repeated use of its carriers by narcotics smugglers.

In a related development, the Jamaican government dismissed 160 workers at its two international airports as part of an ostensible drive to shut down drug smuggling.

Pernell Charles, Minister of Transport for the Caribbean island, stated that among those dismissed were airport security guards and ramp handlers at Kingston's Manley Airport and the Donald Sangster Airport near Montego Bay. The government-owned airline, Air Jamaica, has been fined a total of \$13.2 million this year by U.S. authorities following discoveries of narcotics concealed in restricted access cargo areas on six separate occasions.

## **Banking**

### **Comptroller files suit against Bert Lance**

The U.S. Comptroller of the Currency filed a civil suit against Bert Lance and his Georgia-based Calhoun First National Bank, for repeated instances of check kiting and improper use of bank funds.

Lance was the head of the Office of

Management and Budget under the Carter administration and a close personal friend of the former President. He resigned his OMB post in disgrace and was unable to retain his Mondale appointment to chair the Democratic National Committee because of his reputedly illegal and shady financial dealings.

The suit, filed Aug. 29, cited 29 instances of check kiting and accuses Lance of 10 instances of improper lending practices. Lance was also charged with extending \$250,000 in loans to himself without clearance from the bank's board of directors, and of having directed the bank to issue \$3 million in loans to Tennessee banks to which Lance's companies are heavily indebted.

The suit is the result of an investigation that was initiated last October when Marvin L. Taylor, former president of Calhoun First National, and two other bank officers, reported irregularities to the Comptroller's Austin office. The Department of Justice may bring criminal charges.

## **Development**

### **Spanish premier seeks business in Asia**

Spanish Prime Minister Felipe González began an 11-day tour of Japan and China on Sept. 4, bringing with him some 32 industrialists and bankers to discuss potential cooperation on industrial projects in both countries. At least three contracts, worth some \$340 million, should be concluded on the trip. Projects will include an oil refinery for Fujian Province.

The deals will be financed in part by 30-year loans from Spain at 2% interest, the lowest Spain has ever granted to a foreign country. Spain is also interested in a \$150 million contract for the new Shanghai airport.

In Japan, Prime Minister González will present Spain as an entry-point for Japanese investors who want to break into European Community markets. Spain will join the EC on Jan. 1, 1986.

The Spanish government has been at-

tempting to build up an electronics industry with investment from overseas; some has already come from the Fujitsu company of Japan. Japanese investment, attracted by low wages, a relatively skilled workforce, and Spanish ties to both North Africa and Latin America, totaled \$100 million last year.

Spanish Foreign Minister Francisco Fernández Ordóñez and Miguel Boyer, the head of the Banco Exterior, are accompanying González.

## **Austerity**

### **McNamara: Let World Bank replace IMF**

Malthusian Robert McNamara acknowledged that the International Monetary Fund is "causing revolts" when he testified before the House Banking Committee on Sept. 4. The IMF's austerity policies have "brought the IMF into disrepute. . . . Its policies have led to great suffering," McNamara said. "That is why there are revolts in Bolivia and in Guatemala today. . . . And why Sadat was nearly overthrown."

McNamara added that he does not "disagree with the principle of austerity," but argued that the World Bank could better administer the programs that cause so much death and suffering.

Federal Reserve Board chairman Paul Volcker is being considered as the new World Bank president, *Washington Post* columnist Hobart Rowan reported on the same day.

## **Labor**

### **Panamanian workers, army say no to IMF**

At least 5,000 workers, demanding that Panama break with the International Monetary Fund, marched on Panama's Congress the evening of Sept. 4. The CONATO labor association's members marched right into Congress to demand that the assembly pronounce itself against all changes in the law

related to the letter-of-intent signed between the IMF and the government of President Nicolás Ardito Barletta, a former vice-president of the World Bank.

The extraordinary scene was of workers seated side by side with sympathetic congressmen chanting: "IMF, go home!" A CONATO representative took the podium to read the workers' demands. There followed a debate on the IMF austerity measures agreed to by the Ardito Barletta executive in its letter of intent. The workers yielded the floor only to those deputies whom they knew to be opposed to the measures. Some who pretended to be opposed but started supporting the IMF policies once on the podium were shouted down. The trembling deputies sneaked out of the hall, one by one.

The march had the at least implicit support of the Panamanian Defense Force, the nation's army. In its weekly Sunday television program on Sept. 1, the army warned the National Assembly not to approve any proposal that goes "against the interests of the people." It specifically mentioned the assault on labor, industry, and agriculture ordered by the World Bank as a condition for the Ardito Barletta government's receiving \$60-90 million in loans. Ardito Barletta later begrudgingly told the Assembly he was backing down on the most outrageous of the conditionalities.

At the same time, Defense Force strongman General Noriega left for Peru with a planeload of reporters, in a scene that made it appear that he, not Ardito Barletta, was the chief of state.

### Credit

## Philippines can't meet IMF targets

"If it is to avoid real damage to the economy," the Philippines will have to renegotiate the budget targets agreed on with the International Monetary Fund, Prime Minister Cesar Virata declared on Sept. 4.

Prime Minister Virata said he was still not certain whether the IMF executive board would approve further disbursement of a \$637 million loan to the Philippines at its

Sept. 25 meeting.

The IMF has insisted that the government restrict its budget deficit to 0.9% of GDP, leaving nothing for essential investments, Virata said. "We are not collecting taxes because business is so bad."

### The Debt Bomb

## Peru opens negotiation on debt without IMF

On Sept. 4, Peruvian government representatives began renegotiating the country's foreign debt in Lima without any representatives of the International Monetary Fund present. Economics minister Luis Alva Castro and staff met with Citibank's Peru desk officer and Lima branch manager.

The government of President Alan García has already declared a six-month debt moratorium, a ceiling on subsequent payments of 10% of foreign-exchange earnings, and a banishing of the IMF from any role in its financial and economic policy-making. García has also called for summit to resolve on collective renegotiation of Ibero-America's debt, in effect, a "debtors' cartel."

The Peruvians asked the Citibank representatives for a roll-over of all debts due between Sept. 16 and Jan. 31. Citibank said they would bring the request to the bankers' steering committee on the Peruvian debt, now headed by Citibank, and that its vice-president, William Rhodes, has plans to come to Lima for negotiations.

"If Peru imposes an IMF-type program and calls it something else, that's fine by us," a banker is quoted by Alan Riding in the same day's *New York Times*. "We're perfectly willing to listen to what Peru has in mind. All sorts of dialogues are possible. We're not too worried about precedent-setting. . . . On its own, Peru is not important. Most large banks could write off Peru without hurting much. But it would set off waves throughout the region. No one wants to rock the boat at the moment."

The *Times* article also quoted President García saying that the bankers were in Lima to discuss *his* method of handling the debt problem.

## Briefly

● **JIMMY CARTER** is a member of the core-group heading a Club of Rome "Program for Action in Africa for 1986-87." Others include Club of Rome co-founder and arch-racist Alexander King; Notre Dame University head and Trilateral Commission member Theodore Hesburgh; Tufts University President Jean Mayer; and Club of Rome General Secretary Bertram Schneider.

● **MARIO SCHIMBERNI**, an associate of Henry Kissinger and head of Montedison Corp. in Milan, is sponsoring a reception at the Guggenheim Museum in New York City in October of this year, to celebrate Montedison's expansion of activities around the world.

● **THE MONT PELERIN Society**, a feudalist economic think tank advocating "free enterprise" policies around the world, had a week-long meeting in Australia, during the second and third weeks of August.

● **EGYPTIAN DOCTORS** have reported an outbreak of plague in Libya, along the border with Egypt. Quarantine measures, to protect the Egyptian population, have been taken.

● **CHINA** published full balance-of-payment figures for the first time since 1949, in the Sept. 2 edition of the overseas *People's Daily*. The figures included trade, current account, capital account, and total reserves for three years up to 1984. They showed a current account surplus of \$2.03 billion for last year, as opposed to \$4.24 billion for 1983.

● **PRESIDENT REAGAN** vowed on Aug. 31 to veto any protectionist legislation. "Instead of protectionism, we should call it destructionism," he said in his regular Saturday radio broadcast. "It destroys jobs, weakens our industries, harms exports, costs billions of dollars to consumers and damages our overall economy. . . . The surest way to destroy jobs and throw Americans out of work is to start a trade war."

## Gorbachov orders science drive to upgrade war industry

by Rachel Douglas

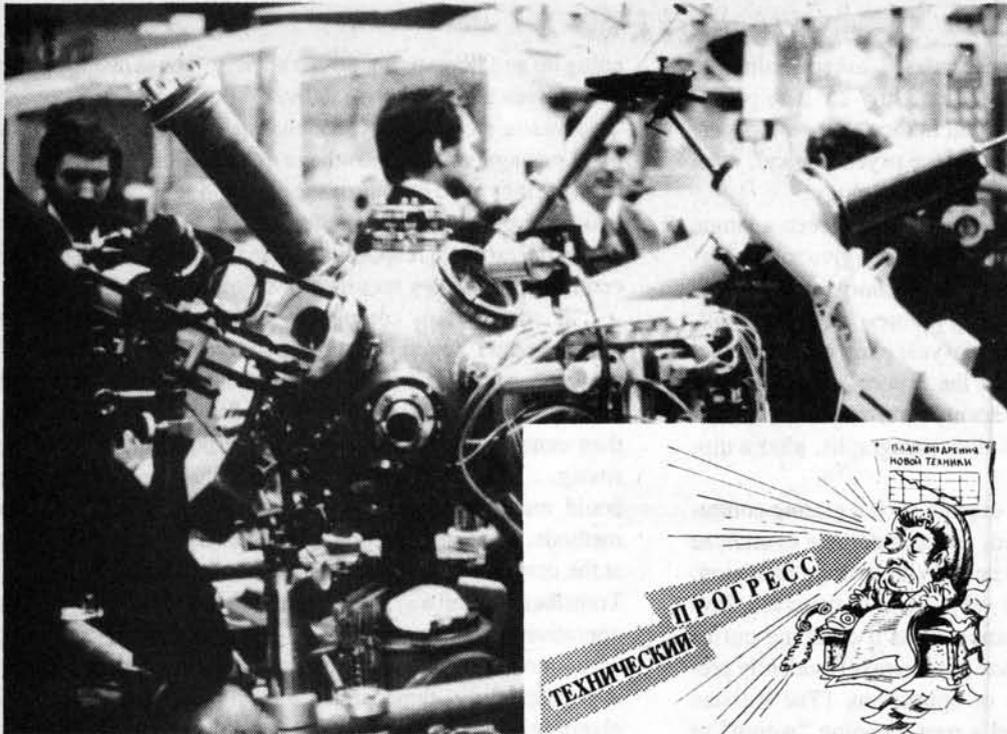
Soviet party boss Mikhail Gorbachov, when he returned from vacation in August, hurried to a meeting on the economy with government ministers and Communist Party Central Committee functionaries. For the second time in less than three months, Gorbachov threw the draft 12th Five-Year Plan (1986-90) back to the drawing board at Gosplan, the State Planning Commission, for further work.

That was the latest shock of the earthquake Gorbachov has triggered in the Soviet bureaucracy. His shake-up of the managerial layers on top of the civilian economy is assuming mammoth proportions, like nothing the Soviet Union has seen since Nikita Khrushchov fell. And this is just the beginning.

A Russian commentator described the process as "a replacement of ranking personnel in all components of the national economy." There will be more to come, during the lead-up to next year's 27th Congress of the Communist Party of the Soviet Union. Central Committee Secretary Yegor Ligachov told a July 26 session of party officials, "The interests of the cause require that the report and election campaign center on the fundamental problems of national economic management, scientific and technical progress, and quality of output. . . . Urgent cadre questions must be resolved, when necessary."

The Gorbachov team has been sacking government ministers at the rate of two per month, and provincial party bosses at about four per month, since March.

On top of the cumulative impact of that turnover, came a spectacular appointment, scarcely noted by Western press correspondents who are busy attending to every flutter of Gorbachov's eyelashes and nuance of his intonation, respecting the November summit with President Reagan. In July, first deputy chairman of the U.S.S.R. State Committee for Science and Technology Dzhermen Gvishiani was named one of five first deputy chairmen of Gosplan. Gvishiani, son of a Georgian KGB official and son-in-law of the late Prime Minister Aleksei Kosygin, is the globe-trotting official who helped create the anti-industry Club of Rome in the West, while in the Soviet Union, he built himself up as a whiz at the promotion of science and technology, especially by means of landing technical cooperation agreements with Western companies, from which the Soviet Union could benefit.



NSIPS



Under the impetus of the Soviet arms build-up, the demand for rapid introduction of advanced technology is coming to the fore. Shown are scientists at Moscow's Lebedev Institute, a center of laser and nuclear-energy research. The inset cartoon, which appeared recently in the Soviet press, shows a bureaucrat whose "plan for the introduction of new technology" graph is going down, as he is struck by the lightning of "technical progress."

The purges, Gvishiani's appointment, and Gorbachov's rough handling of the 12th Five-Year Plan drafts, mark a drive by Soviet party and military leaders, to force a surge in industrial production at higher levels of technology. This battle for "the introduction of the achievements of scientific and technological progress" has been the watchword of every principal pronouncement, resolution, intervention, and personnel shake-up of Gorbachov's regime since he came in last March.

It is an absolute requirement of the war economy doctrine, laid down by Marshal Nikolai Ogarkov and his predecessors in the Soviet high command.

### 'Plan B'

*EIR's* Special Report *Global Showdown*, released in July, pointed to a Soviet push to activate what we called the Kremlin economic strategists' "Plan B," which would bring "a virtual revolution in Soviet economic policy of practice." Plan B would be Moscow's response to the U.S. economic boom that could be unleashed by a change in monetary, economic, and budgetary policies for crash implementation of the Strategic Defense Initiative—a boom the Soviets could not hope to outstrip, in their former mode of economic performance.

Constituting a Soviet imitation of the "crash program" doctrine of economist Lyndon LaRouche, Plan B would be associated with a purge of the Soviet bureaucracy, an attempt to challenge the Soviet people's ingrained resistance to rapid technological progress, and a shift of managerial and investment policy to very high rates of technological progress. The

housecleaning launched by Gorbachov, Ligachov, et al. is of that nature.

More profound than the turnover of personnel at the top, is the challenge to the habits of managers at every level, and of the population at large. Here, too, everything points to the "Plan B" described in *Global Showdown*. The Soviet commanders are trying to address what has often been labeled the "peasant problem" in Soviet production, to pry Ivan's mouth open and ram technology down his throat, like it or not. They are chasing after the means to achieve "a cardinal turn from passive edification, to the introduction of effective forms of giving the entire population access to modern knowledge," as Politburo member Vitalii Vorotnikov said in June, speaking about the "objective necessity . . . [of] fundamental shifts in the economy, on the basis of the modern achievements of science and technology."

The ongoing anti-alcohol campaign, whose propaganda is backed up by arrests, fines, and control of prices, is one token of that effort. Liquor store hours were cut back in the spring. On Aug. 15, a 30% price cut on fruit juice went into effect, alongside a nearly 300% increase in the price of the yeast used to make *samogon*, the deadly Russian home brew.

### Assimilation of technology

As for technology in industry, the discussion in Soviet newspapers has become extremely frank. The official media is admitting, that the past two decades, particularly, of singing the praises of the "STR" ("Scientific and Technological Revolution") have yielded just about nothing.

"Why do we not assimilate our own most advanced

achievements, sometimes for decades?" asked economic commentator Otto Latsis in *Izvestia* of July 25. The partial answer came in a follow-up column in the same newspaper, on Aug. 15. Igor Karpenko took up the psychological, even the cultural, side of resistance to new technology:

"In the last quarter-century, there has not been a single five-year plan or annual plan, which failed to give technological progress its due. *But the surprising thing is, that in all those years, not once was the plan for new technology fulfilled* [emphasis added]. Not the five-year plan, not the annual plan, not the quarterly plan. In the reports of the Central Statistical Administration, the scanty information on this invariably winds up in the concluding paragraphs, after a diplomatic 'at the same time' . . .

"In search of an answer to explain such a glaring contradiction between word and deed, let us undertake to analyze the practice of *introducing* the new. With striking precision, our powerful language, by the very sound of the word, lays bare the essence of the phenomenon, as if combing out its inner meaning. This *introduction* [vnedreniye] evidently presumes somebody's resistance or opposition. [The Russian word has the prefix "into" and a root meaning "womb" or "inner depths"—ed.]

"For the last four five-year plans, *Izvestia* has unsuccessfully been trying to help the introduction of new extraordinarily important innovations for the economy—electron-ion technology and the automatic oil drill. . . . But no takers were found for the billions, which electron-ion technology would save the economy, and the drilling apparatus has not been 'introduced'—the people who were obliged to create it have stood there for twenty years, defending to the death their right to issue obsolete machinery."

### Strategic centralization

On Aug. 5, *Pravda* published a major party-government resolution on the economic "restructuring," as Gorbachov's management reforms are called. It gave the green light for greater "economic independence" and breadth of decision-making for Soviet economic enterprises in machine-building, consumer goods, and service sectors. Following the model of the recent "economic experiment" in five ministries, the increased autonomy of the companies is linked to a demand for improvements in labor productivity and the level of technology. On this, financial incentives depend: a 5% bonus on the price of a product if it meets certain standards, but a 5% cut if it does not. In a related decision, the regime decreed pay bonuses of up to 50% for scientists, technicians, or engineers who make a significant contribution toward modernizing industry.

From the Soviet discussions of this "restructuring," it is plain that the allocation of prerogatives to plant managers is far from the scheme of "decentralization," which scenario-writers in the West long supposed would be the key to loos-

ening up and liberalizing Soviet society. These managers are being given the freedom to deliver—or else.

*Izvestia's* Otto Latsis, concluding his discussion of how plant managers should now have more flexibility in shopping for what they need by way of supplies and semi-manufactured goods, stressed a point made also by Gorbachov: This is decentralization of responsibility, in the context of more tight centralization of key sectors of the Soviet economy:

"Is this system compatible with centralized, planned management? Yes, it is. And even more compatible than the present system. If we render unto the factory what is the factory's and render unto Gosplan what belongs to Gosplan, then centralized planning will not weaken, but grow more strong. . . . It would be naive to think, that the central organs could maintain proportionality only by means of indirect methods. In our huge economy, much has to be decided right at the center. The BAM [Baikal-Amur Mainline, the second Transiberian Railway—ed.] couldn't be built by some cooperative. To master the oil and gas deposits of West Siberia without national decisions and resources is unthinkable. But it is precisely in those areas, that the deficit of a coherent planning will be particularly felt. And the problems that have arisen here are from pseudo-centralism of the institutional sort and from a lack of centralism in planning. Nor can we do without centralized decisions in the allocation of expenditures for basic science and the determination of the strategy of scientific and technological progress."

Accordingly, the party Central Committee's weekly *Ekonomicheskaya Gazeta* constantly draws attention to the importance of national technical programs and the pilot projects of special Science-Production Associations. Its recent features include articles on the industrial laser program launched by the Academy of Sciences and the State Committee for Science and Technology, and on the "Kriogenmash" association, which works closely with factories of the chemicals industry, to test and put to work technologies of the super-cold.

On Aug. 22, the Armed Forces daily, *Krasnaya Zvezda* (*Red Star*), wrote that when it comes to progress in science and technology, "we are talking about replacing evolutionary processes with revolutionary changes, about an acceleration such as to permit a new technical restructuring of our national economy, to shift it to a qualitatively new technical and technological level, and to qualitatively transform the material-technical basis of society."

*Krasnaya Zvezda* author V. Kulikov reiterated the fundamental purpose of the entire endeavor:

"The necessity of accelerating socio-economic development also arises from the need to ensure complete technical and technological independence from the capitalist countries, above all in strategically important areas. This acceleration is dictated, finally, by the interests of strengthening the defense might of our state."

---

## Gorbachov's Purges

---

# A clean sweep of party and government

Since Mikhail Gorbachov took over in March 1985, a purge has swept the Soviet bureaucracy. It picked up where Gorbachov's patron and predecessor but one, ex-KGB head Yuri Andropov, left off. The changes chiefly affect the leadership of the economy and of the party's "organizational" apparatus—the people who carry out the purge.

### Government ministries

**Ministry of Power and Electrification** (March 23). A.I. Maiorets replaced Pyotr Neporozhnyi, who was forced into retirement after 23 years in charge of the industry.

**Ministry of the Electrical Equipment Industry** (May 7). Maiorets was succeeded by his deputy, Gennadi Voronovskii, formerly an official at the Elektrosila power equipment plant in Leningrad.

**Ministry of Transport Construction** (May 7). Vladimir Brezhnev, 53, replaced 76-year-old Ivan Sosnov.

**Ministry of Foreign Affairs** (July 1). Eduard Shevardnadze succeeded Andrei Gromyko.

**Ministry of Ferrous Metallurgy** (July 5). Serafim Kolkov replaced Ivan Kazanets, who had survived 20 years in office, despite numerous criticisms.

**Ministry of Light Industry** (July 6). Vladimir Klyuyev, a party official from Ivanovo, northwest of Moscow, replaced another 20-year man, Nikolai Tarasov.

**Ministry of the Construction Materials Industry** (July 15). Sergei Voenushkin took over from Aleksei Yashin, who was heavily attacked in the press.

**Ministry of Industrial Construction** (July 15). A.N. Shchepetilnikov, formerly a construction official in the Ukraine, relieved Aleksandr Tokarev, who held this post for 18 years. The ministry builds facilities for the chemical and petroleum industries.

**Ministry of Higher and Secondary Specialized Education** (July 16). Gennadi Yagodin, rector of the Mendeleev Chemical-Technical Institute, relieved V.P. Yelyutin, who had presided over the ministry since 1954.

**Ministry of Construction, Road and Municipal Machine-Building** (Aug. 2). Yevgenii Varnachev, head of the Sverdlovsk machine-tool plant, Uralmash, replaced Vitalii Chudin, who retired at the age of 56.

### New Politburo members (4 of total 13)

**Yegor K. Ligachov** (April 23). Central Committee secretary for party organizational matters—Gorbachov's chief hatchet-man. Ligachov was an engineer in the aircraft industry, before a party career in Siberia.

**Nikolai I. Ryzhkov** (April 23). Central Committee secretary for economic matters, Ryzhkov hails from Sverdlovsk in the Urals. He was formerly First Deputy Minister of Heavy and Transport Machine Building and deputy chairman of the State Planning Commission (Gosplan).

**Viktor M. Chebrikov** (April 23). Chairman of the KGB.

**Eduard Shevardnadze** (July 1). A police official and then party chief in Soviet Georgia, his economic experiments there featured party-led coordinating councils on science and technology, and streamlining of the bureaucracy.

### New Central Committee secretaries

**Viktor P. Nikonov** (April 23). Gorbachov's appointee for agriculture.

**Boris N. Yeltsin** (July 1). A former construction engineer, Yeltsin came to Moscow in April 1985, from Ryzhkov's home town of Sverdlovsk, to take over the Central Committee Construction Department.

**Lev N. Zaikov** (July 1). Before rising in the Leningrad party organization, Zaikov was the director of a defense-related electronics firm.

### New Central Committee department chiefs

**Construction Department** (April). B.N. Yeltsin.

**Machine Building Department** (May). A.I. Volskii replaced Vasilii Frolov, who ran the section for 26 years.

**Organizational Party Work** (June). Georgii P. Razumovskii came to Moscow from Krasnodar to take over this section, when its prior chief, Ligachov, joined the Politburo.

**Propaganda Department** (July). Aleksandr N. Yakovlev is the new chief. As ambassador to Canada and head of the foreign policy think tank IMEMO, his pronouncements on geopolitics already earned him a reputation as a "Russian Kissinger."

**Trade and Consumer Services** (July). Nikolai A. Stashenkov replaced 20-year department chief Yakov Kabkov.

### Regional party committees

Since March, there are new first secretaries in 23 of the 158 provincial (*obkom*) and territorial (*kraikom*) committees: in the Russian Republic—Amur, Ivanovo, Kalinin, Kemerovo, Kirov, Krasnodar, Kurgan, Leningrad, Orel, Saratov, Sverdlovsk, Tambov, Tula, Vologda; in Byelorussia—Gomel, Minsk; in Kazakhstan—Chimkent; in Kirghizia—Issyk-Kul; in Latvia—Riga; in Turkmenistan—Mary; in Uzbekistan—Andizhan, Dzhizak, Surkhan-Darya. That is not to mention a dozen other ranking party officials replaced, at the Union Republic level.

# Siberian economist: Investment policy is the vehicle for new technologies

by Rachel Douglas

At a special Central Committee conference on science, technology, and the economy, convened in Moscow on June 11, defense industry representatives and leading lights of the new Gorbachov team in the Communist Party leadership demanded an all-out drive for what Gosplan official L.A. Voronin called "the creation and widespread utilization of fundamentally new technologies—laser, plasma, radiation, membrane, biotechnical, and others."

Another speaker at that meeting was A.G. Aganbegyan, director of the Institute of the Economy and Organization of Industrial Production—the institute at the Novosibirsk-based Siberian Division of the Academy of Sciences, where, during Yuri Andropov's tenure, economists circulated a controversial call for the overhaul of planning and elimination of the middle layer of the bureaucracy. Since then, economists from Novosibirsk are ubiquitous in the Soviet deliberations on how to force new technologies into use.

The significance of their prominence is that Novosibirsk, headquarters of the Siberian Division established in 1957, has served as a command center for Soviet science programs central to the defense build-up, carried out on a "crash program" basis. This includes aspects of the Soviet directed-energy beam technology program.

Moreover, the Novosibirsk economists have coordinated the development of Siberia as a chain of nearly autonomous Territorial Production Complexes (TPCs), industrial concentrations which may be centered on certain raw materials deposits, but include all the branches of basic industry required for an economy to function. This planning of Siberia's economic development for possible autonomy dovetails with the reorganization of the Soviet Armed Forces. The first of the new wartime commands to be established beginning in the late 1970s, High Command Far East, was designed so that its headquarters in Chita, East Siberia, could function with a high degree of independence, if cut off from Moscow.

The military provided more confirmation of its endorsement of the Novosibirsk scientists' work, by printing an article by Aganbegyan in a June issue of the journal *Kommunist Vooruzhennykh Sil* (*Communist of the Armed Forces*).

## Capital investments

In July, a Siberian economist was granted space in the Communist Party of the Soviet Union's journal *Kommunist*, for an article that signaled that Soviet investment policy, too, is going in the direction of the "Plan B" described in *EIR's Global Showdown* report (see page 21). Indeed, he and other Soviet economists who were already relatively more oriented to a "crash program," have insisted more than once, that national investment policy must be the vehicle for new technologies.

K.K. Val'tukh, of Aganbegyan's Institute of Economics and Organization of Industrial Production, had already published criticisms of the Soviet economic system. In 1982, he wrote that investment in obsolete technologies was crippling Soviet industry, and that huge investment in new technology in industry was the only solution. His assertion, that "hitherto unused reserves cannot serve as the basis for solving the strategic tasks of economic development," was a slap at the economists and party hacks, who wrote in *Pravda* on discipline, saving resources, and other superficial measures to achieve "intensification."

Val'tukh added that there had been "an absolute decrease in the volume of capital investments in real terms." That is, official statistics were lying.

In *Kommunist*, Val'tukh outlined his ideas again—but this time, with the undoubted blessing of General Secretary Gorbachov. The conclusion of his article, "Technical Progress and the Development of the Investment Complex," fits the demands of Marshal Nikolai Ogarkov's doctrine on the war-economy, and Gorbachov's drive to implement it: He calls for top-priority direction of investment in basic industry, above all, steel, at improved technology levels.

Val'tukh declares, "Today, the main element that will make it possible to achieve a decisive breakthrough in the intensification of the economy, the increase in the rates of economic and social development of the country, is the substantial acceleration of scientific and technological progress."

The key part of the economy is what Val'tukh calls the

"investment complex"—ferrous and non-ferrous metallurgy, machine-building sectors that feed the investment process, production of building materials, design and construction organizations, and scientific research organizations that develop new technologies.

Investment here, he recalls, determines what happens in the economy as a whole. "Economic history shows: Rates of growth of national income are high, when there are high rates of growth of productive capital investments, carried out in a technologically progressive form; they decline, with a decline in the rates of growth of investments and their technical level. . . . One can point to many real examples, when a change of technology makes possible—other things remaining the same—a growth in labor productivity several times over, even tens of times over, together with a reduction in capital expenditures. . . ."

But he polemicizes against an absolute decrease in capital investment: "It would be a mistake to suppose, that the possibility of raising the per unit efficiency of productive capital investments can somehow justify a reduction in their volume. In reality, the connection between volume and efficiency is exactly the opposite: In order to carry out the truly most progressive technological transformations of production, there must be adequately large resources, or else the main part of the investments will inevitably be used simply to maintain and preserve existing technologies."

At present, Val'tukh estimates, 30-40% of new equipment is gobbled up by covering for machinery that is still on the books, but in reality is broken down or obsolete. The average annual retirement of fixed productive capital in the U.S.S.R. (shown as percentage of fixed capital stock existing at beginning of year) has declined in recent years:

1967-73	2.4%
1974-77	1.8%
1978-80	1.5%
1983	1.3%

Without a shift toward "the development of fundamentally new technologies" and their massive introduction, huge losses of raw materials will continue (like grain, due to poor transport and storage), along with a disproportionately high amount of manual labor—one-third of workers in industry. The rate of equipment retirement should be raised, he argues, from 2-4% of the total each year, to about 7-8%, and at least half the replacement equipment should be at a new level of technology.

Only through such a transformation of basic industry, Val'tukh says, can any other needs of the Soviet economy be met:

"Under current conditions, any effective strategy for further economic growth excludes any reduction in the expenditure of labor on productive capital investments. In particular,

a redistribution of workers employed in this sector, in favor of sectors producing consumer goods, cannot in any way whatsoever substantially increase the volume of consumer goods produced, but it can very rapidly undermine the source of growth of productivity of labor, and therefore the growth of prosperity. The work force employed in productive machine-building, ferrous metallurgy, construction, and other branches of the investment complex must be kept there. . . ."

At the same time, Val'tukh demands a major push to improve the basis of steel production, by appropriate direction of investments:

"The reconstruction of many ferrous metallurgy factories has been put off for several years. The production of metallurgical equipment is lagging behind what is required. In our

---

---

*The prominence accorded to Siberian economist K. K. Val'tukh in the journal of the Soviet Communist Party, signals that national investment policy is going in the direction the Novosibirsk scientists have demanded. Novosibirsk serves as a command center for Soviet science programs central to the defense build-up, carried out on a "crash program" basis. This includes aspects of the Soviet directed-energy beam technology program.*

---

---

opinion, it is necessary as soon as possible to build a new, major factory for metallurgical machine-building. Without this, new difficulties will constantly arise in the development of literally every branch of the national economy (from the lack of machines and of other implements of labor, made of metal). Until such a plant is built, it is advisable to substantially increase the production of metallurgical equipment, at existing heavy machine-building plants."

He proposes raising the portion of investments in the "investment complex," from 10-11% of total, to at least 15-17%.

Published in the party journal, these recommendations have been added to the principles the Gosplan economists are referring to, as they labor over a 12th Five-Year Plan draft that Gorbachov won't throw back at them.

## 'Guns for Khomeini': the Mossad connection

by Our Special Correspondent

On July 31, federal authorities in Orlando, Florida closed in on a gun-running ring that planned to illegally obtain and ship more than \$75 million worth of sophisticated U.S. weapons to the terrorist regime of Iran's Ayatollah Khomeini. Among the six conspirators arrested in the third major case of illicit arms-smuggling to Iran to be broken this summer, were an active-duty U.S. Army officer attached to the Pentagon, a high-ranking Iranian government arms procurement official, and a suspected contract agent of the Israeli intelligence service, the Mossad.

The arrest of **Paul Sjeklocha** (aka **Paul S. Cutter**), leader of the gun-running ring that also involved U.S. Army Missile Command officer **Lt.-Col. Wayne G. Gillespie** and Iranian official **Hossein M. Azar** (aka **Amir Hosseini**), brings to light a vast network of Mossad stringers in the U.S. Department of Defense and opens the question of the extent of Israeli intelligence penetration of the U.S. military establishment.

Sjeklocha may have been acting as an agent of the Israeli Mossad since no later than 1982, when he visited Israel and met personally with then-Defense Minister **Ariel Sharon**, under the auspices of the Jewish Institute for National Security Affairs. JINSA, a 12,000-member non-profit group, was set up in 1976 during the Carter administration, supposedly to improve the American Jewish community's understanding of U.S. defense policy. But JINSA has long been suspect as a Mossad front specializing in luring Pentagon influentials into the Israel Lobby orbit. Sjeklocha returned from his two-month visit to Israel a full board member of JINSA, and a gun-runner to Iran.

Sjeklocha's involvement in illegal weapons sales to the Khomeini regime directly implicates sections of the U.S. Department of Defense, particularly DoD official **Dr. Stephen Bryen**, one-time director of JINSA and a board member, together with Assistant Secretary of Defense **Richard Perle**; **Joseph Churba**, former Mideast desk chief for Air Force intelligence and a personal friend of Jewish Defense League founder **Meir Kahane**; and Georgetown University's **Michael Ledeen**, another DoD and National Security Council consultant. Stephen Bryen handed directorship of JINSA to his wife, **Shoshona Bryen**, in 1981, when he became assistant secretary of defense in charge, among other things, of blocking the flow of U.S. defense technology to unfriendly nations.

Stephen Bryen was investigated in the late 1970s by the FBI and Justice Department as a suspected agent of the Mossad. Then a staff member of the Senate Foreign Relations Committee, Bryen was accused of offering top-secret Pentagon documents to Israeli intelligence officials, after he was overheard, in the coffee shop of the Madison Hotel in Washington, D.C., on March 9, 1978, offering to show a group of Israeli officials Defense Department documents regarding the defense systems of Mideastern countries. Although the investigation of Bryen was cut off short of being sent to a federal grand jury for indictment, and the file was quietly "buried," he was forced to resign from the Senate staff. The issue of his role in feeding classified information to Israel was raised again during the 1981 confirmation hearings for his appointment as assistant secretary of defense.

The crackdown on the Sjeklocha ring, which could reveal

a vast network of Mossad stringers in the Defense Department, is viewed as one indication that the current administration has decided to break the arrangement established under the Carter administration, that allowed massive illegal arms shipments to the fanatical Iranian regime of Ayatollah Khomeini, estimated at over \$1 billion a year. According to highly reliable sources, Carter's intelligence and national security advisers had arranged to allow illegal arms deals with Khomeini to go on undisturbed, in return for Khomeini's agreement to keep the American hostages in Teheran alive during the

1980 election campaign. The American end of this deal was to be kept even if Carter were not reelected, and even after the hostages were released in January 1981.

Eight Iran gun-running rings have been broken up by U.S. federal authorities so far this year, two of which involved active-duty U.S. military personnel. It is not known whether the Sjeklocha ring was connected to the vast ring busted in San Diego, Calif., which had tapped into U.S. Navy computers to steal and ship U.S. military equipment to Iran for at least three years. U.S. authorities have also moved

## Merrill Lynch subsidiary funded guns for Khomeini

A subsidiary of Merrill Lynch & Co., the giant financial house formerly headed by current White House Chief of Staff Donald Regan, extended over \$500,000 to a company headed by Iranian gun-runner Cyrus Hashemi, according to court documents.

Merrill Lynch Futures opened a line of credit in 1982 with Hashemi's Yorkhouse Trading Company. In 1984, both Yorkhouse and Hashemi were indicted for illegal arms shipments to Iran. Fugitive Hashemi is currently included on the U.S. Customs Service's "Ten Most Wanted" list of arms smugglers to Iran.

Court papers show that Merrill Lynch Futures, formerly known as Merrill Lynch Commodities, was approached in Switzerland by Hashemi and asked to open a line of credit for Yorkhouse Trading. A \$200,000 line of credit was readily provided.

Hashemi then asked Merrill Lynch to provide additional credit for Grosvenor Credit, the Panama corporation which owns Yorkhouse. Hashemi provided a letter of reference from First Gulf Bank and Trust, a Caribbean shell he also ran, which was widely reported to have conduited over \$5 million into the United States during 1980 to finance pro-Khomeini protests and terrorism. First Gulf was also subsequently indicted for arms smuggling.

The Yorkhouse and Grosvenor accounts at Merrill Lynch were liquidated after a few months, and later, probably aware that Hashemi was going to be indicted, Merrill Lynch sued Hashemi and Yorkhouse. The case was thrown out by a federal judge in New York.

In the summer of 1984, a long-awaited indictment of Hashemi was issued by a federal grand jury in New York. Yorkhouse Trading Company and First Gulf Bank and

Trust Company were named as co-defendants. An undicted co-conspirator was J. Stanley Pottinger, former Assistant Attorney General in the Justice Department in the Nixon and Ford administrations, and also a former director of Yorkhouse Trading. According to press accounts, Pottinger escaped indictment only because the FBI "lost" tapes of conversations in which he advised Hashemi how to use dummy corporations to circumvent the U.S. arms embargo during the hostage crisis.

The indictment charges, *inter alia*:

"It was part and object of said conspiracy that defendant Cyrus Hashemi, acting on behalf of and at the request of the government of the Islamic Republic of Iran, would procure and cause others to procure defense and defense-related items for export from the United States to Iran.

"It was further part and object of said conspiracy that defendants Cyrus Hashemi, . . . First Gulf and Yorkhouse . . . would, during the period October 1980, through January 19, 1981, when United States citizens were being held hostage in the Islamic Republic of Iran and all exports from the United States to Iran were barred . . . purchase and export goods or cause such goods to be exported from the United States to Iran."

Typical of the listing of "overt acts" carried out as part of the conspiracy is the following:

"On or about December 10, 1980, defendant Cyrus Hashemi, and Reza Hashemi and John Stanley Pottinger met at the offices of defendant First Gulf and discussed, among other things, requests for goods that had been received from defendant Cyrus Davari, and how such transactions with Cyrus Davari could be entered into without the identity of the parties involved and the true destination of the goods becoming known. John Stanley Pottinger stated at this meeting that the name of defendant Yorkhouse should not appear on sales to defendant Cyrus Davari, and that such sales should appear to be made instead by Brixham Trading Corp., a Netherlands Antilles corporation, to a Swiss company."

to shut down the Iranian arms smuggling base of operations in Great Britain.

Great Britain is an invariant in most, if not all, of the major Iran gun-smuggling cases uncovered in the United States. Iranian arms procurement of illegal weapons from the United States, is run out of the London office of the Islamic Republic of Iran Air Force Logistical Center for Europe, housed on the sixth floor of the National Iran Oil Company offices at Victoria Street 4, London. This building also houses the chief resident agent for Iran's Savama intelligence bureau, identified as a Mr. Salaveti. A second arms procurement office is believed to exist at 15 Haig House in London.

In many cases, smuggled arms have been shipped through Britain on their way to Iran. In late June-early July, former Iranian Chief of Staff **Colonel Shirazi** visited London to provide "technical advice" on the quality of arms being smuggled to Iran. Shirazi was trained in the late 1960s at Ft. Bragg. Israeli gun-runner to Iran **Jacob Nimrodi** was in London at the same time.

The Justice Department in August finally moved to demand the extradition from London of **Cyrus Hashemi**, "god-father" of the Iran gun-running operations, while the U.S. government delivered an official protest to the British for allowing the Iran military procurement office to operate openly in London. Cyrus Hashemi, indicted in summer of 1984, was aided in his arms-smuggling by former Justice Department official **J. Stanley Pottinger**, named as an unindicted co-conspirator. Pottinger escaped indictment after the FBI "lost" tapes on which he was overheard advising Hashemi on how to circumvent U.S. export laws prohibiting arms sales to Iran (see box).

### Missiles for Khomeini

According to the criminal complaint filed in U.S. District Court in Orlando, Fla. on July 31, Sjeklocha's ring attempted, between April and July, to acquire and ship TOW missiles, Exocet missiles, F-4 jet engines, Sidewinder missiles, and other military equipment to Iran. This was a period of intense Iranian-sponsored terrorist operations against the United States, including the hijacking of TWA flight 847 and murder of passenger Robert Stethem, an active-duty Navy SEAL.

Those indicted in the case, which grew out of an FBI undercover "sting" operation, were **Charles St. Clair**; **Paul Sjeklocha (aka Prof. Paul S. Cutter)**; **Fadel N. Fadel**; **Farhin Sanai**; **Lt.-Col. Wayne G. Gillespie**; **Hossein M. Azar, aka Amir Hossen**; and **George Neranchi**. They face a maximum prison term of five years and fine of \$10,000 if convicted.

The ring operated, according to statements by Sjeklocha, on behalf of the Iranian Minister of Procurements, **Hussein Zohrei**, through the Islamic Republic of Iran Air Force Logistics Support Office in London. **Hossein M. Azar**, described in the indictment as a "high-ranking Iranian govern-

ment official," maintained contact with the U.S.-based ring through an Iranian woman, **Farhin Sanai**, and her Lebanese husband **Fadel N. Fadel**, of Calabassas, Calif. Lebanese sources have identified him as a graduate of the Quaker Friends' School in Broumana, Lebanon, and as a suspected regional leader of the Lebanese Communist Party. Other intelligence sources have linked Fadel to the Syrian Socialist National Party (SSNP), the group responsible for many of the car-bombings in Lebanon attributed to Shi'ite terrorists.

Lieutenant-Colonel Gillespie's role was to inspect the merchandise prior to shipment to Iran. Gillespie, assigned to the Office of the Deputy Chief of Staff for International Programs at the Materiel Command since 1982, serves as an R&D coordinator. He had top security clearance, and represented the Materiel Command in discussions with NATO allies. According to Sjeklocha, Gillespie had inspected weapons for him previously in France and West Germany.

Sjeklocha told an FBI undercover agent that he had been involved in arms deals with Khomeini for two years, during which time he smuggled U.S., South Korean, and Red Chinese equipment to Teheran at a personal profit of \$6-8 million. He claimed to work directly for the Iranian minister for arms procurement. Sjeklocha is a Yugoslav-born and Moscow-trained former employee of the U.S. Information Agency in Moscow, who claims to have worked for the CIA since the 1960s. According to Sjeklocha, he was shot and arrested in the late '60s for spying on a Soviet missile installation, and was released only after negotiations involving President Richard Nixon and Henry Kissinger. Sjeklocha was jailed briefly in Yugoslavia in 1976 for smuggling hunting rifles into that country. He was jailed again in Yugoslavia from 1977 to 1981; U.S. court records say he was convicted for defrauding the Yugoslav airlines, but Sjeklocha maintains he was caught on an intelligence assignment. In 1983, Sjeklocha, with co-defendant **George Neranchi**, founded EDA publishers of Santa Clara, Calif., which published glossy military-electronics journals including *Military Science and Technology* and *C4I/Countermeasures*.

Early in 1982, by special request of the Israeli embassy in Washington, he was included in a delegation of "retired U.S. military personnel" who visited Israel at the invitation of JINSA. Sjeklocha stayed on in Israel for an additional two months, reportedly as the result of meetings with Sharon. He also met with **Lt.-Gen. Amos Gilboa**, deputy director of Israeli military intelligence. The meetings coincided with implementation of the Meridor Memorandum, which elaborated secret clauses of the Carter-Brzezinski Camp David accord, authorizing Israel to act as "proxy arms merchant" for the United States.

Sjeklocha returned to the United States and was put on the board of JINSA, at which point, according to his own testimony, his gun-running enterprise began. Sjeklocha told colleagues that he had been asked, in Israel, to be an agent to sell weapons captured in the invasion of Lebanon in 1982,

photographs of which equipment he was given. Sjeklocha indicated that he had agreed to the offer, but provided no further details. Israeli officials in the United States have refused comment, while admitting that "it is our policy not to disclose our arms deals . . . we don't confirm, we don't deny."

Sjeklocha's magazine *Military Electronics/Countermeasures* ran articles in early 1983, defending Israel's invasion of Lebanon, at the point that Ariel Sharon was coming under fire for both the invasion and his alleged role in the Phalangist massacre of civilians in Palestinian refugee camps in Beirut.

That the Mossad would actively recruit Americans to smuggle guns for Iran is not surprising. Israel is one of the largest arms suppliers to Khomeini's Iran. The ostensible motivation is Israel's desire to see Iran and Iraq destroy each other in a bloody war of attrition; Iran badly needs weapons to keep the war going, so Israel provides them. What Iran needs most are spare parts to maintain the billions of dollars worth of U.S. military hardware sold to Iran before the 1979 Islamic fundamentalist revolution. Israel, as a top market for U.S. military equipment, is in a perfect position to supply Iran the replacement parts needed to keep that U.S. hardware running.

The U.S. State Department confirmed in 1982 that Israel had sold at least \$27 million in military hardware to Iran,

including \$300,000 worth of tires for F-4 fighters and an unknown amount of other F-4 spare parts. Israel has also sold to Iran weapons seized during Israel's 1982 invasion and occupation of Lebanon. The enterprise of individual Israeli international weapons-dealers like Jacob Nimrodi, is doubtless sanctioned by Tel Aviv. Formerly Israel's military attaché in Teheran, Nimrodi went from selling arms to the Shah of Iran to selling arms to the fanatical, anti-Semitic Khomeini regime.

An estimated 60 active Mossad operatives function freely in the United States, under the auspices of the counter-terrorist coordinating body IACTEX (Inter-Agency Counter-Terror Executive). According to one report, Mossad agents are attached to the U.S. Army Special Forces training center at Fort Bragg, N.C., and answer to two senior Mossad officials based in New York and Los Angeles.

According to several informed sources, Iran gun-runner **Bernard Loewy (aka Brian Lewy)**, who operates out of Washington, D.C., is a top Mossad operative. Loewy formerly ran one of the major Israeli shipping concessions in West Germany, and now works out of a similar corporate front in Washington. He has reportedly carried out his illegal gun-smuggling business from the Rosslyn, Va. office of State Department intelligence, using high-security "clean" phones to guarantee security for his illegal transactions.

**A  
COMBAT  
MANUAL  
for the  
WAR  
ON  
DRUGS**

*"We must have a formal declaration of war, against narco-terrorism as an entity, and fight it as necessary by the methods of war. It's a war we could fairly easily win, or at least establish major victories in the Caribbean area."*

**—Lyndon H. LaRouche**

**EIR's Special Report, "Soviet Unconventional Warfare: The Case of Guatemala,"** shows who is trying to turn Guatemala into the newest wholly-owned plantation of the international drug mafia—and how to stop them. The dope pushers have a six-month timetable for smashing the resistance of the Guatemalan military. Yet the U.S. State Department has maintained the Carter administration's boycott of aid for the Guatemalan anti-drug effort, on grounds of "human rights violations."

Also available are a slide show and a 25-minute videotape, including on-the-scene action shots, and interviews with military officials in the United States and Guatemala.

- Special Report. *Soviet Unconventional Warfare: The Case of Guatemala*. Order #85016. **\$150.**
- Complete package on Guatemala's war on drugs: Special Report, slide show, and videotape. **\$500.**
- Two Special Reports for antidrug fighters, at a discount price: *Soviet Unconventional Warfare: The Case of Guatemala* and *Narco-terrorism in Ibero-America*. The latter report, issued in 1984, exposes the drug-pushers of Colombia and Peru, with a ground-breaking analysis of the role of gnostic cults in narco-terrorism. **Two for \$250.**

Order from your regional EIR representative or from: EIR News Service, P.O. Box 17390, Washington, D.C. 20041-0390.

## Continent's navies vow 'war of no return' against drugs

by Ana María Mendoza

The First Inter-American Naval Conference Against Drugs, held Aug. 26-30 in Caracas, Venezuela, represented a historic moment for the continent. It signaled the beginning of unified military action between the United States and Ibero-America against the drug trade which threatens them both. The military spokesmen who attended the conference each and all emphasized the necessity for addressing the problem as an undeclared war, the same premise elaborated last March by *EIR* founder Lyndon H. LaRouche in a document presented to a continent-wide anti-drug conference held in Mexico City.

José Manzo González, Venezuelan justice minister, gave the keynote address to the anti-drug conference: "This war can have no armistice, no moment of peace. This war will not end with a treaty. It is a war of no return. This war can end in nothing but victory, our victory; the victory of the nationalist democratic forces of the continent, against an enemy more dangerous than Nazism. This is a war we cannot avoid."

Before 36 representatives of the continent's naval forces, Manzo González declared his commitment to a fight to the death against the drug trade. And he emphasized the importance of the current economic situation in that regard: "Our countries are burdened with immense debts, and if one adds to that misery the drug factor, the mixture becomes truly explosive and dangerous." He added: "The foreign debt, hunger, misery, crime, and the drug trade are an extraordinarily explosive combination."

At the beginning of his speech, Manzo González referred to a meeting that Venezuelan President Jaime Lusinchi had held with the directors of the country's newspapers, stressing

the importance of their role in the campaign against drugs. Manzo insisted that the owners of the communications media had the responsibility "to create an awareness in, and not dishearten, the population." It was this type of awareness that made possible the defeat of Nazism, he stated. He also emphasized the need to use the scientific and technological advances of our era to defeat the drug trade, just as the United States made use of such advances during the Second World War to defeat Nazism.

### Paying the debt with drugs?

Bayardo Ramírez Monagas, president of Venezuela's Commission Against Drug Abuse, intervened dramatically to question the attitudes of some military and political figures on the continent: "Why not use our navies and armies against this common enemy? Why not attack it in the Caribbean with our ships, with our equipment, and with our armies if it really is the enemy. . . . What do they want? For us to pay the foreign debt with the drug trade?"

He had hit the problem on the nose. The International Monetary Fund and its leading defenders on the Ibero-American continent have been saying that this would be an ideal solution for the debt problem, despite the fact that it would mean the destruction of the productive economies and populations of both the developing and advanced sectors.

Later, Ramírez Monagas noted: "The drug trade is not only a plague, but is run and organized by the giant multinational and transnational organized-crime organizations. Therefore, one must fight it with organization."

Asked to comment on the anti-drug efforts of Peruvian President Alan García, Ramírez Monagas responded: "It is

very important that Alan García, as a democratic President, is trying to resolve the problem, because a very serious conflict has exploded in that country with the discovery of the complicity of numerous officials. . . . This is what it means to take responsibility, which is what I maintain Latin America must assume: responsibility to take on the drug trade."

Bayardo Ramírez, who has been fiercely attacked by the protectors of the drug trade in Venezuela, mentioned in his speech a telephone conversation he had with U.S. Attorney-General Edwin Meese, and indicated that he was very pleased with Meese's attitude by quoting the him: "We cannot be neutral on the question of the drug trade; it must be attacked before we all fall into what we [in the United States] have already fallen into."

### **The IMF is no friend**

Toward the end of Bayardo Ramírez's address, Panamanian Navy Lieutenant Torrero asked about the influence of the International Monetary Fund on the cultivation, production, and trafficking of drugs, to which Bayardo Ramírez answered: "I think that the IMF at this moment is not Latin America's best friend, but I do think that an economic formula must be found for resolving the debt-payment problem. Not to pay the debt means to collapse the world's economies, and to pay it as the IMF is asking is to drive our countries into a worse economic crisis. Because we are simply not prepared to be able to pay even the service on the debt. I think that the IMF, and above all the private banks, must revise the foreign debt payments to be able to save the situation. . . . It is a world crisis that has never before existed, and all of it is intimately connected to the oil problem and to the drug trade."

Several representatives of the delegations in attendance expressed their acknowledgment and support for President Alan García's war on drugs. The Venezuelan Justice Minister asserted that the actions taken by President García were very positive, and made special mention of his dismantling of illegal airports in that country.

The Peruvian representatives, Navy Capt. Guillermo Tirado Villena and Frigate Capt. Víctor Cavero Leal, the latter also the head of the Peruvian Coast Guard, expressed his total support for President García and also hailed the efforts of the Colombian police, who made possible the success of García's anti-drug Operation Condor.

David Morales Bello, currently a representative of Venezuela's Democratic Action party and possible presidential candidate, honed in on the banks, without which the drug trade would be nothing.

Said Morales Bello: "Those who have these immense quantities of money, must be managing immense quantities of cash, because the daily quotation is paid in dollar bills. . . ."

He then noted the obvious participation of the banks in the laundering of the drug trade's "dirty" money, noting specifically certain U.S. banks which have been investigated by the U.S. government but which have yet to receive the

punishment warranted. "Recently," he said, "the U.S. government fined Chase Manhattan Bank, Manufacturers Hanover Trust, Irving Trust, and Chemical Bank. Why were they fined? Because in the United States, there is a law called the Banking Secrecy Act, which was used to initiate the case of Sunshine State Bank . . . but it is now no less than Chase Manhattan Bank and, even more, Manufacturers Hannover Trust. It was discovered that they were not abiding by this law. The fines represent an unprecedented punishment, but it is insufficient, because those accounts are opened under calculated risk and represent a minimal portion of the profits involved. And at whose cost? Of the drug traffickers? No! At the cost of the lives and health of the consumers."

### **A Nazi fifth column**

In his speech, Manzo González reported that "President Reagan feels that all the efforts of his nation, all these efforts of the greatest industrial power in the world, should be oriented and channeled to eradicating this menace, which not only threatens the health of Americans, but its own democratic institutions and way of life as well."

Manzo emphasized the need for Ibero-America to be able to count on the economic, technological, and military backing of the United States in this war. "You will remember in the last war what was called the fifth column, that is, those nationals of the country who acted on the side of the Nazis to undermine, weaken, and question the institutions of that country, as the stage before invasion. . . . Well, the drug trade, with the specific characteristics of its management and its activities and for the damage it causes, serves the same purpose as the Nazi fifth column in the last world war."

"That is why the armed forces of our different countries, and the navy as one of its most important branches, must act in the vanguard of the fight against the drug trade, because from a constitutional viewpoint, the armed forces make up the foundation and the vanguard of the national defense, and must be the foundation and vanguard against any such direct threat against our institutions. It would be inconceivable in a country where its armed forces have the duty to defend its territorial integrity, its sovereignty, and the functioning of its democratic institutions, for [the military] to be marginalized from such an important, vital, and essential battle."

To conclude his intervention, the Venezuelan justice minister emphasized: "Not to act in mutual cooperation would be virtually a crime, when we are faced with figures of such magnitude. We all know that the victory over Nazism was the result of the combined action of the Allied powers, and that in that fight the United States, placing its industrial capacity at the service of war production, was able to guarantee that indispensable weaponry arrived at the theater of battle. If it were not for that circumstance, it is possible that the bravery of the armies would have been dismantled, because in war it is not sufficient to have valor alone, but the materials of war as well."

## Meese: 'No neutrals in the war on drugs'

*Attorney-General Edwin Meese discussed the perspectives of the U.S. War on Drugs with reporters from Ibero-America in a press conference in Washington, D.C., broadcast live by Worldnet television on Aug. 27. Here are excerpts:*

**Meese:** We have been focusing on a number of facets of the battle against narcotics, in this country and throughout the world. . . . A rather new approach to narcotic enforcement has been an attempt to take the profits out of narcotics trafficking, and in this regard particularly, we have been working on the forfeiture of the property of the narcotics traffickers after they've been convicted. This has been particularly successful.

In addition to this, of course, we have a major eradication campaign going on. . . .

Finally, we've been making major efforts against money laundering, the subsidiary financial transactions that accompany narcotics trafficking, both to take the profit out of it, as I mentioned earlier, and to put in jail those people who participate with the traffickers, through the laundering of the money that they receive through their illicit activities. . . .

One of the things that we're looking towards in future months here will be a stepped up campaign of financial investigations and against money laundering, both within the United States and on an international basis. . . .

We think that the cooperation that has recently existed, for example, with Colombia and with Peru in some joint exercises, has been an example of how nations can work together and, at the present time, for example, we are expanding a communications network involving six countries, including Colombia, which will enable us together to track suspected narcotics smugglers, whether they're in boats or operating out of planes or whatever their means of transportation may be. . . .

**Edgardo Ramirez, President of the National Commission against the Illicit Use of Narcotics, Venezuela:** After the Quito Pact [Aug. 10, 1984], we consider that all crimes related to drug trafficking and consumption are international crimes, that go beyond crimes against public health, because they threaten the sovereignty and the integrity of the American peoples. Has the United States thought of holding a

conference with the armed forces of our Latin American countries, to be able to combat drugs with the armed forces, both in the Caribbean area as well as in the rivers of our territories?

**Meese:** You have made a very good suggestion, and I think it would be a natural follow-on to the conference that was held on narcotic activities. I think, perhaps, the next step might be another meeting of the attorneys general, or ministers of justice, the people primarily responsible for police activity against narcotic trafficking, and then perhaps either at that meeting or at a subsequent series of meetings within the countries, the ways in which the military might help out in this effort could be explored.

Because the military relationship, the relationship between the military and police, is so different from country to country, I think it would take a little more study before saying that a conference of military leaders themselves would be a good idea. . . .

**Walter Martinez, journalist from Venezuela:** As we have spoken of the military, I would like to say that in Caracas a meeting is now ending of the 15 navies of the continent. . . . This conference is trying to see how to coordinate the actions of the navies in the fight against drug trafficking. It is obvious this crime is more and more technical. Now the drug traffickers even have jet planes. . . .

**Meese:** Well, without going into secret military information, let me say that this is a problem on which we are now working with the military authorities, the Department of Defense, in our own country. One of the problems is that often these small planes are able to fly at altitudes and in a manner that eludes radar that we have protecting the boundaries of our country. But we are now working with plans for additional radar, additional surveillance planes, some airborne radar, and some balloon-mounted radar, so that we can improve the capabilities of detecting these low-flying aircraft within the boundaries of the United States. . . .

**Q:** As drug trafficking is managed by powerful international organizations, which is beyond the capacity of some countries to stop, are you confident that positive results can be obtained from the discussion of the subject in international fora?

**Meese:** Yes. I think, just as you suggest, that because of the power of some of these narcotic trafficking groups and the fact that they do operate throughout several nations and between nations, it is important that the countries operate together. . . . But, most of all, it means that the societies within our countries, the people in our countries, have got to exert the will to battle against the narcotic traffickers. This has to be an overall campaign. It can't just be waged by government alone. People have to become involved. Citizens have to become involved. We have to realize that in the war against drugs, there are no neutrals. . . .

# Colombia's new labor minister vows national drive for 'great projects'

by Valerie Rush

Colombia's new labor minister, veteran trade union leader Jorge Carrillo Rojas, took his oath of office Sept. 2 with the presidential palace surrounded by thousands of jubilant workers. The outpouring of enthusiasm for Carrillo's appointment occurred not only because he is the first labor leader to occupy that cabinet post, but also because Carrillo is known as a man who believes that "thinking big" is the only way to run a country. He is known as an advocate of great development projects like the construction of an Atlantic-to-Pacific sea-level canal, a multi-billion-dollar project which would allow a vast expansion of world trade.

In his swearing-in address, the new minister declared: "The nation's sovereignty must be supported by great infrastructure projects—such as railroads, highways, ports, hydroelectric plants, and the Atrato-Truandó interoceanic canal—works which we Colombians will have to build. . . .

"The effectiveness of such methods in achieving development, in increasing the power of labor, has already been conclusively proven by other nations. . . . To go ahead with implementation of these great projects will guarantee fulfillment of Article 17 of our Constitution: 'Work is a social obligation, and shall enjoy the State's special protection.'"

Carrillo pledged, "The ministry of labor will give special attention to learning and training programs. We must prepare ourselves for great projects."

Carrillo's appointment to the cabinet of President Belisario Betancur in this, the President's last year in office, was well considered. Betancur entered the presidency in 1982 with great plans for bringing his country out of Third World backwardness and into the 21st century. And yet, under the combined blackmail of the international banks and the drug mafia, he has been forced to retreat from these projects and accept instead a murderous austerity program dictated by the International Monetary Fund (IMF).

Now faced with the possibility of having to hand his country back in 1986 to the entrenched oligarchy which seeks, along with the IMF, to convert Colombia into a semi-feudal drug plantation that would guarantee debt repayment, Betancur has apparently determined to make his stand. His speech at Carrillo's swearing-in ceremony (see *Documentation*), in which he dubs the labor leader his "agent of social justice" in "a sea of urgent necessities," suggests that his last year in office may be one of confrontation with the IMF and its domestic agents.

Labor Minister Carrillo, one of Colombia's fiercest op-

ponents of the International Monetary Fund program that has ravaged workers' living standards, triggered outraged demands for his resignation even before his swearing-in, because of his "untimely" attacks on the IMF at precisely the moment that Finance Minister Roberto Junguito is conducting negotiations with the Fund and the international creditor banks for several billion dollars in new loans.

In fact, destabilizing rumors that Junguito had resigned his post in protest against Carrillo's anti-IMF stance spread throughout the nation's press on the eve of Carrillo's taking office, in the apparent hope that Betancur would sacrifice Carrillo in exchange for the confidence of Colombia's creditors. Betancur, however, appears to have called his enemies' bluff, for Junguito was highly visible at Carrillo's swearing-in, and attended a mass offered in Carrillo's honor by the UTC labor federation.

While Junguito has not resigned—yet—it is nonetheless expected that clashes between the two ministers, representing diametrically opposed viewpoints, are inevitable. And, as numerous commentaries on Carrillo have accurately noted, President Betancur is well aware of that fact.

"It appears that the presidential announcement that it is time to loosen up the [IMF] adjustment policy noted by Carrillo corresponds to a concerted strategy," wrote Senator William Jaramillo Gómez in the Sept. 1 issue of *El Espectador*. "The undisguised concord between the President of the republic and the minister-worker must appear to the minister of finance as an abrupt alteration of his plan of economic stabilization and, to all intents and purposes, the demotion of his ministry."

Declared the irate head of the Latin American Banking Federation (Felaban), Fernando Londoño Hoyos, in the newspaper *La República* of Sept. 3, "It is unimaginable that citizen Carrillo Rojas has said all this [against the IMF—ed.] without an audience with and the previous agreement of the President of the Republic, because otherwise the crowded swearing-in ceremony today would never have occurred."

Columnist Fernando Cepeda Ulloa commented in his weekly newspaper column of Sept. 5, "Carrillo arrives at the labor ministry for what he has said and done . . . [which] goes against the adjustment scheme of the administration he has just entered. . . . Jorge Carrillo is not, then, just another minister, one more on the list. For various reasons, this is the hour of social works. The president has already announced it. Carrillo was the man called for this mission."

## Inaugural speech by Jorge Carrillo Rojas

*At his swearing-in ceremony on Sept. 2, Colombia's new labor minister, Jorge Carrillo Rojas, addressed nearly 1,000 guests and supporters, including Colombian President Belisario Betancur, while 5,000 trade unionists, representing nearly every labor federation in the country, gathered in solidarity outside the presidential palace where the ceremony took place.*

*Before his nomination, Carrillo was vice-president of the Colombian Workers Union (UTC) and president of the Workers Union of Bogota and Cundinamarca, UTRABOC.*

*We reprint the full text of Carrillo's speech.*

Mr. President:

For the first time in the history of our country, a worker is charged with the Ministry of Labor and Social Security, by the will of a great man such as yourself, Mr. President.

Your special affection for the people has moved you to give me this opportunity to serve my nation from a position of great responsibility. Since you have constantly proven that what is usually considered impossible, can indeed be done, no one should be surprised that you, Mr. President, vindicate Colombian labor and workers by including me in the list of your collaborators.

As labor minister, I represent all those who wish to work; all those who want to build the nation—that is, all Colombians of good will: those who have some decent occupation, as well as the underemployed and the unemployed.

There are those who say we cannot accomplish great things because ours is a poor country and we live in an equally poor neighborhood. Others ask themselves, what can the labor ministry do, with its limited resources? I grant that we do have many deficiencies, in fact, at the present moment. However, all we need for our development can be built, if we but utilize the potential for wealth which our unemployed represent.

This ministry will definitely give priority to fostering the creation of productive jobs. All Colombians have the right to a decent job. None of our countrymen needs suffer the penalty of having to sell foreign cigarettes on Seventh Avenue in order to survive.

The nation's sovereignty must be supported by great infrastructure projects—such as railroads, highways, ports,

hydroelectric plants, and the Atrato-Truandó interoceanic canal—works which we Colombians will have to build.

The efficiency of these methods to achieve development, to increase the power of labor, has already been conclusively proven by other nations. In the midst of the worst economic depression that ever afflicted the world, in the 1930s, the United States forged its present industrial base, through the construction of great projects.

To go ahead with the implementation of these great projects will guarantee fulfillment of Article 17 of our Constitution: "Work is a social obligation, and shall enjoy the State's special protection."

The Ministry of Labor will give special attention to learning and training programs. We must prepare ourselves for great projects.

Only in the minds of a very few can a deadly confrontation between capital and labor be conceived. Neither the workers nor this ministry see an enemy in capital invested to create jobs in our country. The only enemy of labor is speculation, which destroys labor while it makes productive capital investment impossible.

---

---

*There are those who say we cannot accomplish great things because ours is a poor country. . . . However, all we need for our development can be built, if we but utilize the potential for wealth which our unemployed represent.*

---

---

According to Article 30 of the National Constitution, under which "property is a social function that implies obligations," I urge the business community to present concrete proposals for the creation of new jobs. The country is eager to hear of these initiatives.

I shall be inflexible in the application of laws which protect workers and their union organizations; likewise, I shall continue the policy of morally upgrading the labor ministry.

As Pope John Paul II wisely expresses it in his encyclical on human labor: "Work is a good for man, is a good for humanity, because through work man not only transforms nature, adapting it to his own needs, but he realizes himself as a man; what's more, in a certain sense he becomes more of a man."

Because of this, our debt is with the workers, with the unemployed, with all generations of Colombians; not just the present, but also the preceding ones and those to come.

This debt, I promise, we shall honor."

## President Betancur swears in Carrillo

*At the inauguration of new Labor Minister Jorge Carrillo Rojas, Colombian President Belisario Betancur addressed his new collaborator and the hundreds of guests and supporters gathered to witness the ceremony, on the significance of his choice of a trade unionist for the ministerial post.*

*Excerpts of President Betancur's speech follow:*

### 1) The common good

This government sets a precedent and moves ahead on its democratic course, as we name Jorge Carrillo labor minister, in recognition of his long and embattled crusade in the service of workers, of his professional responsibility, of his good sense, of his realism, and above all of his idea of how to democratically, positively, harmonize the supreme interest of the country with the various strata which give life and progress to that country.

The ministerial cabinet is a forum in which experts on the country's problems, with different backgrounds and different viewpoints, place themselves above legitimate but limited interests in the face of national necessities, in order to find formulas for governing which, if not always perfect, at least respect the idea of the public good that must reign in a democratic state.

### 2) Popular emphasis

This is so because the government is not the hunting preserve of anyone in particular . . . since we are delegates representing one hundred percent of our compatriots and not a greater or lesser percentage of them, and because everyone has equal access to their leaders under the constitution. . . .

### 3) Affection of the people

. . . A contemporary U.S. politician, asked about his passion for the support of the political machines versus those who seek more direct contact with the people, responded rather derisively: "The politician who has the people with him, has nothing." And his career appears to have proven him right. At the end of his life, and having already been President, he was dealt the hard blow of having to give up his reelection bid, because the people informed him that they no longer wanted him as their representative. He then found out

that he who lacks the affection and respect of his people, truly has nothing. . . .

### 5) A sea of necessity

In this period of our history, the President of Colombia proceeds with the awareness that what most abounds amongst us are our wants, in the midst of a sea of urgent necessities.

And he remains an optimist, in spite of bad international situations, since he knows that such situations are not only felt by himself, but by the entire nation; when the President feels the sting of necessity, he cannot indulge in paralyzing self-pity. No, the President must continue thinking about solutions and not about lamentations.

That is what we continue to do, with greater enthusiasm every day that goes by. And that is one of the purposes of this ceremony. . . .

### 8) A beautiful challenge

Labor Minister Mr. Jorge Carrillo:

Accustomed as you are by occupation to making decisions in which the moment cannot be separated from history, you bring with you your valuable experience, as you become an agent of social justice in the management of worker-employer relations and the general well-being of the community. I have seen you fight to defend the workers: not just their wages and services, but their productivity, fostering the conviction that to receive more you must create more; you must improve qualifications, reduce expenses, and maintain competitive conditions in the face of the coldness and rigidity of international trade.

For many years I've been acquainted with your labor crusade; I know of your clean, transparent militancy in behalf of labor; I've been very close to your activism. Furthermore, together with you and other labor leaders, I have executed tasks aimed at asserting the rights of workers, and I know of the responsibility of many of these leaders—a responsibility and enlightenment which many Colombians don't understand so fully, perhaps, as to understand the seriousness of their actions and the plain, unencumbered rigor of their decisions. And understand that the coarse trade-unionism of years past is but a memory of the labor struggle, expressed today by leaders with a profound view of the national interest, who know the economy, and study and guide it, digest and analyze it.

What a difficult and beautiful challenge before you! Surrounded by the affection and respect of your comrades—emulators, even—likewise surrounded by the expectant admiration of businessmen, I know that as your term comes to an end, this affection and respect shall be even greater, because you shall have won them by your intelligence, your patriotism, your wisdom, your love of justice, and the conviction that no problem is unsolvable; that there is no confrontation which cannot be settled when we know how to read the compass of the supreme interests of People and Country.

# Germany's spy scandals: a script for the Kohl government's overthrow

by Rainer Apel

The so-called spy scandals in West Germany have begun to unfold after the fashion of America's famous Watergate affair. The first round of public revelations, reaching their high point in the German parliament's debate of Sept. 3, displayed nothing so much as the short-sightedness of Chancellor Helmut Kohl's Christian Democrats (CDU/CSU). Like the setup Richard Nixon, they have chosen the path of cover-up and down-playing in their confrontation with the opposition Social Democrats—a game that must lead to defeat, because the dimensions of the scandals are simply too big to be contained.

Those dimensions are as follows: With the defection of the West German counterespionage chief, Hans-Joachim Tiedge, to East Germany on Aug. 19, most, if not all of the Federal Republic's "human intelligence" and informant apparatus in the East can be considered "burnt." Many of these people happen to be agents of the East who have been "turned." Should even most of them somehow escape arrest, they must now be considered of dubious reliability. It is impossible to base any sensitive intelligence evaluation on sources whose cover is most likely blown, and whose moves are under tight observation.

For West Germany, brutally exposed to the heart of the Warsaw Pact's military might in Europe, the loss of "human intelligence" input at a time that 400,000 Soviet troops stationed in East Germany are undergoing drastic command restructuring and maneuvers, is potentially lethal.

No effort to play the affair down in official Bonn can conceal this reality, because the Tiedge case has had serious repercussions among the allies of the Federal Republic. A Christian Democratic member of the parliamentary defense committee commented: "The damage caused by the Tiedge defection is much larger than officially admitted—it is catastrophic! Leave aside the loss of our own agents in the East. What also has to be taken into account is the reaction among our allies. There are people who have a good pretext now to say that the German agencies are too unreliable to be given any secrets. We are virtually cut off from the intelligence flow among our own allies, and we, the most important ally of the U.S.A. in Europe, are probably getting less secret

information now than the least reliable ally, the Greeks. If this situation cannot be repaired during the coming weeks, it means the end for us. We are decoupled on the intelligence level—a catastrophe."

## The State Department's gain

That the Germans can no longer be trusted has been the battle-cry of all the pro-"decoupling" media in the United States and Western Europe, from the *Washington Post* to the *Frankfurter Allgemeine Zeitung*. Their line is essentially: "They've given our secrets to the Russians, so let's give them to the Russians."

The loss of remaining West German intelligence channels into the East also comes as a welcome introduction for Richard Burt, the new U.S. ambassador to Bonn, who took office at the beginning of September and represents those who favor American military desertion of Europe ("decoupling"). The less professional the intelligence available on the East, the more Burt and his cohorts, like John Kornblum, will be able to run the "back channel" to the East, without fear that their "situation reports" will ever be cross-checked by non-traitors. The U.S. State Department will take these reports, and those of "Social Democratic sources," as a basis for its foreign-policy recommendations concerning Eastern Europe and the U.S.S.R.—another catastrophe.

Then, there is the case of Mrs. Margarete Hoeke, the secretary who worked for 21 years in the offices of the German State President. In her function as chief secretary for the Department of Presidential Affairs, which gave her access to top-secret communications, the protocols of the German National Security Council passed over her desk, as well as all the coded dispatches and wireless situation reports sent to Bonn from German embassies abroad. She also had access to classified biographical data on the chief personnel in the presidential office, and took part in several of the "Wintex" staff-exercises of NATO.

The "Wintex" maneuver series rehearses the functioning and cooperation of the various government staffs during states of emergency and armed conflict. Mrs. Hoeke even had occasion to gather intelligence from the inside of the radiation-

proof government bunker in Ahrweiler. There is no doubt that her reports were of extreme value for East German and Soviet secret intelligence. Unlike Tiedge, Mrs. Hoeke was arrested before she could defect, and has already admitted to having worked for Eastern agencies for at least 15 years.

### **The role of the Free Democrats**

How was it possible that these two, and others, were able to make it to the very top of the Bonn administration? Weren't there any security checks for government personnel at the higher levels? Even if official explanations that "no one could have known they worked for the East" are considered credible, the question remains: Why weren't there any routine security checks?

Here one comes across some very striking facts: Continuously, from the late 1960s on, security procedures in Bonn have become more and more lax. From 1969 on, the access of intelligence agencies and the police to data banks and other files on German citizens was restricted by special legislation. The main impulse for this "liberalization" came from the Free Democrats, who also occupied the interior ministry in every government between 1969 and 1983—Hans-Dietrich Genscher (1969-74) was followed by Hans Maihofer (1974-78), and Gerhard Baum (1978-83). It was under Baum that most of the security breaches developed which made it easy for spies to move up the administrative ladder.

Besides Tiedge and Hoeke, there may be 10, or 50, or even more top spies inside the governmental apparatus now. Most of them would have been promoted during the past 5 to 10 years, and each promotion should have been occasion for another thorough security check. Thus, most of the falsified biographical data the spies filed with the administrative records should have been discovered long ago. Because of the Free Democrats' "data protection," it was not.

Yet, now, even after the Tiedge and Hoeke affairs, no such general biographical check will occur in Bonn; it won't occur, because the Free Democrats continue to block it under the pretext of "data protection." They have threatened to bring down the Kohl government if anyone tries to reverse the "liberalization" responsible for the breaches of security procedures. Interior Minister Friedrich Zimmermann, a conservative Christian Social Union member who took office in October 1982, became the target of harsh FDP attacks, whenever he tried to turn back the tide of liberalization.

To give the Free Democrats the power to make their threat of bringing down the Kohl government real, the Social Democrats launched a vote-of-no-confidence in the parliamentary debate on the spy scandals on Sept. 3. Everyone held his breath: Would the FDP pull out of the government coalition?

No. They backed Zimmermann, and blatantly advertised what the terms of the "deal" were: Free Democrats actually praised Zimmermann for having "continued the policy begun under your predecessor, Mr. Baum." Christian Democrats,

of course, then refrained from any criticism of the policy of the three FDP interior ministers of the period 1969-83.

In short, the FDP, which obviously has a lot to fear from a public debate of the spy scandals, successfully struck a deal whereby its CDU/CSU coalition partners would not bring up the sins of the past, and would not insist on tightening security, and the FDP would protect Zimmermann from SPD attacks.

The situation becomes even more delicate with the fact that the Christian Social Union (CSU) has made Zimmermann's remaining in the interior ministry a condition for the CSU staying in the coalition. It has been from the CSU that most of the attacks against the FDP's domestic security policy of the period 1969-83 originated; but in the parliamentary debate on Sept. 3, the CSU, too, refrained from criticism of the FDP.

Even worse: CSU chairman Franz-Josef Strauss declared that the spy cases were no obstacle to his scheduled meeting with East German leader Erich Honecker on Sept. 1, and he even added the cryptic comment that "90% of all intelligence produced by our agencies isn't worth a penny anyway."

The fact that Zimmermann's hands are tied by the coalition-blackmail, and that the CSU is not attacking the liberal foundations of the policy of "open door for Eastern spies," provides additional leverage to the opposition SPD. The SPD has already announced that it considers the dismissal of Tiedge's former superior, Heribert Hellenbroich, who had just taken over the presidency of the German Foreign Intelligence Agency (BND) on Aug. 1 and was fired on Aug. 27, to be "just the first of the personal consequences to be drawn from the scandals." Minister Zimmermann and his under-secretary, Carl-Dieter Spranger (CSU), may be the next heads to roll.

With the Christian Democrats blackmailed into a defensive and passive posture by the FDP, the SPD will have an easy target in Zimmermann and Spranger. Spranger, more than Zimmermann, has been the key opponent of the FDP's policy, and he has also kept an eye on Soviet infiltration of the terrorist scene in Germany. The first target of the SPD may be to force sufficient pressure on Zimmermann to make him fire Spranger, and then target Zimmermann himself for overthrow. The main instrument for this may be the parliamentary investigative committee the SPD is now demanding.

With Zimmerman may go the government. His dismissal will almost certainly create a government crisis.

Thus, the spy scandals are turning into a soap-opera script for the overthrow of Kohl, whose government is the chief target of the Kremlin, the U.S. and European decouplers, and the pro-Soviet SPD opposition in Bonn.

Might this not be behind that cryptic remark Richard Burt made in his Aug. 16 interview with West German journalists? "The American administration could also get along with a Bonn government led by the Social Democrats."

# Burt linked to Soviet spy ring

by Criton Zoakos

On Sept. 5, three days prior to his arrival in Bonn, the new U.S. ambassador to the Federal Republic of Germany, Richard Burt, was ordered by the State Department to remain silent on questions about his involvement with Soviet and East German spies now identified in the growing "espionage scandal" in West Germany.

In the course of a pre-trial deposition of Ambassador Burt held at the State Department office of John Kornblum, Richard Burt was questioned by attorney James Lesar on his relation with Reinhard Liebetanz, an official of the counter-intelligence section of the West German Bundesverfassungsschutz, the Federal Office for Defense of the Constitution. Reinhard Liebetanz is currently under investigation for being a spy for the Soviet Union. Liebetanz is known to have worked in the past both with Richard Burt as undersecretary of State for European and Canadian Affairs, and with other State Department subordinates of Burt.

When questioned about these relations, during his Sept. 5, 1985 pre-trial deposition, State Department attorney John Burch instructed Ambassador Burt to "not answer the question." The State Department attorney further instructed Burt, who was testifying under oath, to not answer a whole series of other questions by the deposing attorney which were relevant to numerous past Burt associations with Soviet intelligence activities.

Richard Burt's deposition was part of the pre-trial procedures of the *Ogden vs. Powell* lawsuit which will be tried in court later this year. Mr. Ogden, the plaintiff, is seeking \$20,000 in damages he suffered as a result of a violent physical assault by Mr. Powell, a fervent admirer of Richard Burt who, in the course of a public speech by Burt, objected violently to Mr. Ogden's characterization of Burt as a traitor to the United States. Ambassador Burt's involvement in the trial is twofold: He was a principal witness to the assault suffered by Mr. Ogden and his reputation was, obviously, the assailant's bone of contention.

## Burt and the Soviet spies

The State Department's instruction to Burt to not answer questions about his relations and past cooperation with the now exposed East German and Soviet espionage network in Bonn will raise more questions than it lays to rest. From

publicly available, unclassified information, the following facts are known about these of Burt's relations:

Reinhard Liebetanz, a spy for the Soviets rather than the East Germans, was in charge of surveilling "right-wing extremist" political organizations in West Germany. In this capacity, Liebetanz was in regular communication with Burt's European Affairs Section of the State Department, and with the Office of Special Investigations of the Justice Department, the DOJ's so-called "Nazi-hunting unit." Liebetanz would receive fake documents, doctored up by his KGB controllers, pertaining to the political past of persons living in the West for whom the KGB wished to create problems for one reason or another. Liebetanz would subsequently pass these documents on to Burt's section of the U.S. State Department if the documents were about persons living in the United States. Burt's section would then pass the KGB doctored documents to the Office of Special Investigations which would initiate action against the individuals targeted by the Soviet KGB.

One well-known such case was that of the NASA physicist Dr. Arthur Rudolph. Dr. Rudolph was one of the German scientists who, during the war, had worked at the Peenemünde ballistics center. After the war, he came to the United States, joined the American rocket program and made major scientific contributions to NASA. After President Reagan announced his Strategic Defense Initiative in 1983, Dr. Rudolph moved to offer his contributions to our ballistic missile defense program.

At that point, the Soviet KGB, through Liebetanz, passed on to the State Department forged documents for the purpose of manufacturing a fake argument about Rudolph's "Nazi past," which subsequently gave rise to a campaign from Richard Burt's office, to have Dr. Rudolph stripped of his U.S. citizenship. The matter ended sadly when Dr. Rudolph, rather than undergo the indignities of an OSI witchhunt, voluntarily gave up his U.S. citizenship and went back to Germany.

Another area of concern is Richard Burt's probable collaboration with Hans Joachim Tiedge, the head of West Germany's counterespionage section dealing with East Germany who defected to East Germany on Aug. 19. It will be recalled that Richard Burt on June 11, 1985, in his capacity as undersecretary of state for European affairs and nominee for U.S. ambassador to West Germany, presided, in an ostentatious manner, over a spectacular "spy exchange" over Berlin's Glienicke Bridge where all East-West spy exchanges take place. During the night of the exchange, where four East German spies imprisoned in West Germany were exchanged for 24 Westerners in East German prisons, Burt was presented on German television as the man who had, for months, masterminded the exchange. For this, his cooperation with the defector, Hans Joachim Tiedge, the counterespionage chief, should have been extensive indeed.

# Role of Lloyd Cutler exposes aims of Trilaterals in 'Greenpeace' affair

by an EIR Investigative Team

*What follows are edited portions of an EIR dossier exposing the international conspiracy behind the promotion of the "Greenpeace Affair," which was released at a well-attended press conference in Paris on Sept. 4.*

With the announcement by "Greenpeace" leader David McTaggart on Aug. 29 that Washington lawyer Lloyd Cutler had agreed, free of charge, to be Greenpeace's attorney in its prospective suit against the government of France for its alleged involvement in blowing up the Greenpeace ship, "Rainbow Warrior," in July, we have irrefutable evidence of the nature of the deal being arranged by high-level Trilateral Commission officials with the Soviet Union, for bringing Europe into the Soviet sphere of influence over the years to come.

The Trilateral Commission has chosen to make France its playground for destabilization activities over the months ahead. From Oct. 25 to 27, the European branch of the Trilateral Commission will be meeting in Paris.

Whatever the intricacies of the Greenpeace affair itself, the Trilateral Commission has found this to be a most convenient vehicle for carrying out its strategic objective, in the months before the planned Reagan-Gorbachov summit, of undermining U.S.-European strategic cooperation, particularly on the Strategic Defense Initiative.

As *EIR* has been reporting, summer 1985 has seen a crescendo of propaganda from the Trilateral Commission—the supranational think tank formed by the Rockefeller family in the early 1970s of individuals from the United States, Western Europe, and Japan—on behalf of withdrawing U.S. troops from Europe and massively scaling down American commitment to the Western alliance. The explosion of the Greenpeace affair in France and the Tiedge spy scandal in West Germany, where an East German intelligence agent defected from a high post in the West German intelligence service, have fueled new Trilateral demands for dumping the European allies as allegedly "unreliable." Henry Kissinger and Zbigniew Brzezinski, who took turns serving in the U.S. cabinet and then as director of the Trilateral Commission

when out of government, have been the most prominent spokesmen for this policy.

## The case of Lloyd Cutler

- Lloyd Cutler has been an active member, from the years of its inception to the most recent period, of the Trilateral Commission.

- Lloyd Cutler represents the "inside" of the Jimmy Carter White house. He was Carter's "special counsel," and played an important role in some of the most scandalous of the Carter administration's international policies, including the protracted Iran-hostage negotiations with the Khomeini regime, and the so-called Billygate affair, involving influence-peddling of Carter's brother Billy with Libya's Colonel Qaddafi. He is one of many figures whose activities during the latter 1970s caused the Carter administration to be known as the Trilateral administration.

- Lloyd Cutler, according to reliable information provided by influentials in both Europe and the United States, plays an important "consultancy," or private advisory role to the State Department, especially to that division headed until recently by the new American ambassador to Bonn, Richard R. Burt. Cutler reportedly has had a substantial impact in shaping U.S. policy toward Europe, the Middle East, and the U.S. Strategic Defense Initiative, especially in conjunction with his former law partner and former North American chairman of the Trilateral Commission, Gerard C. Smith.

He is also a collaborator of a private "old boys" group known as "The Live Oak," committed to undermining the Strategic Defense Initiative; easing Western Europe into the Soviet sphere of influence; and destabilizing those Western nations and institutions which might be mobilized, to stop Soviet plans for creating a "Third Roman Empire" based in Moscow.

## 'Old boys' from Cravath, Swaine, Moore

The key to Lloyd Cutler's pedigree is his former employment, through around 1962, in the prestigious New York law firm of Cravath, Swaine, and Moore.

Law firms like Cravath, et al. function as "special operations" centers for powerful families and Wall Street financial houses. The firm was formed in 1819, specializing in railroad securities, through which activity it later became closely associated with the financial interests centered around the Kuhn, Loeb houses, and its senior partners, Jacob Schiff and Otto Kahn. The firm has had a special legal-advisory role to the Standard Oil Company, and, through this, to the Rockefeller financial interests. Many of the senior partners have served as board members to Chase Manhattan and other leading banks.

One senior partner in recent years, for example, has been Roswell Gilpatric, member of the Rockefeller Study Group, and longtime personal lawyer to the late Nelson Rockefeller.

One of the firm's powerhouses earlier in this century, Paul D. Cravath, was founding secretary of the New York Council on Foreign Relations, offshoot of Great Britain's "Round Table" group and of the Royal Institute of International Affairs. From 1924 to 1946, another senior partner at Cravath, Swaine was John J. McCloy, Sr., the architect of the postwar occupation policy in West Germany, and the senior "old boy" adviser of the Rockefeller-New York Council on Foreign Relations group. Still active in policy formulation, McCloy was a chief participant in the "East-West Project" of the Aspen Institute, a step-by-step manual for appeasing the Soviet Union, and for reaching a "New Yalta" deal.

A former partner of Cravath, Swaine, W. Struve Hensel, later became a senior partner at the firm of Coudert Brothers, recently discovered to have been one of the funders of the Amis de la Terre (Friends of the Earth), an organization that collaborates closely with Greenpeace in the international environmentalist movement.

Cravath, Swaine, and Moore played the "inside" role in some of the worst wrecking operations against governments and intelligence services in the post-1973 period, including the Lockheed scandal in Japan and Italy, and the "Church Committee" hearings in the United States, which effectively decapitated the Central Intelligence Agency. Cravath, Swaine wrote and provided counsel for the Church Committee Report and actually ran the investigations into the CIA. Sen. Frank Church was merely a figurehead; the firm provided the intelligence reports for the Committee.

The Lockheed scandal, the central purpose of which was the political destruction of certain entrenched pro-industrial interests in Europe, Japan, and the United States, was coordinated by Senator Church's Committee on Multinational Corporations, which was staffed by Cravath, Swaine, and Moore personnel.

After training as a partner in the Cravath firm, Lloyd Cutler, in 1962, formed Wilmer, Cutler, and Pickering as the Washington, D.C. office of Cravath, Swaine, and Moore. Among the clients that it has procured since its inception,

are: the *Washington Post*, Kaiser Industries, J.P. Morgan, American Express, and CBS-TV.

Like its parent, Wilmer, Cutler, and Pickering specializes in destabilizations of governments and national intelligence services, and, in the judgment of U.S. insiders, operates as part of the broader Cravath, Swaine, and Moore intelligence apparatus. One of Cutler's more noted suits, was conducted on behalf of the KGB-linked Common Cause organization of John Gardner, to reform "election abuses" uncovered during the "Watergate" affair in the United States. In the estimation of intelligence and security experts in the United States who are reviewing the relevant files, Lloyd Cutler played an important behind-the-scenes role in the Watergate affair, frequently communicating with the *New York Times'* James Reston and the *Washington Post's* editor Ben Bradlee, to keep up the drumbeat of propaganda against the Nixon administration.

Following the urban riots and wave of political assassinations of the mid-to-late 1960s, Lloyd Cutler was named to head the Presidential Commission on Violence and Civil Disorders, created by President Lyndon B. Johnson. In the Commission's report, all evidence that the murders of figures like Robert Kennedy and Martin Luther King were part of a broader operation to undermine political institutions in the United States, was suppressed by Cutler and his task forces, and the "national character" of the United States was blamed for the events.

### **The anti-SDI campaign**

Among Lloyd Cutler's closest Trilateral Commission associates, are those waging the Eastern Liberal Establishment's war against the U.S. Strategic Defense Initiative program, and, in particular, against the conception of transatlantic cooperation to achieve the SDI.

From the early years of Wilmer, Cutler, Pickering's existence, Cutler's chief co-partner was Gerard C. Smith, today the head of the National Coalition to Save the ABM Treaty, an organization formed in the 1983-84 period for the express purpose, of stopping the U.S. Strategic Defense Initiative. Smith, former head of the Arms Control and Disarmament Agency, is, like Cutler, a member of the Trilateral Commission; for much of the 1970s, he was North American chairman of the commission.

Smith has, in recent years, gone on to form a consultancy firm, Consultants International. According to a reliable West German source, Cutler and Smith have been, through the 1980s, important private channels of communication between the Foreign Ministry of Hans-Dietrich Genscher and Washington, in policies pertaining to the SDI, European-American relations, and the Middle East. Said one source close to Genscher, in a 1983 discussion: "It actually matters little to us, who the secretary of state is, at any given moment in the United States. For us, continuity is guaranteed, through

private consultancy channels, through people like Lloyd Cutler and Gerard C. Smith." In one referenced case, during the early months of 1984, the source emphasized that Lloyd Cutler was intervening in U.S. policymaking in the Middle East, arguing for a greater emphasis on Syria in the region.

During 1983, a special West German investigator discovered that Cutler and Smith were working with leading Trilateral Commission figures, particularly Carter administration arms negotiator Paul Warnke, in efforts to stop the SDI. Warnke advised the investigator to consult Cutler and Smith, in preference to himself, since they had "more access to the government."

Smith, one of the "old boys" in the U.S. antinuclear movement, at the level of the East Coast Establishment figures behind this movement, is a member of the so-called Gang of Four, which stands in opposition to the SDI. Other members include: McGeorge Bundy, former U.S. National Security Adviser, and nominal "head" of the U.S. Eastern Liberal Establishment; Robert Strange McNamara, former U.S. secretary of defense and former president of the World Bank; and George Kennan, former U.S. ambassador to Moscow.

In testimony before a U.S. congressional committee earlier this year, Smith proclaimed that the "folk sense" of the populations of Europe would provide a powerful continent-wide anti-SDI force across Europe.

Smith boasts about being one of the progenitors of the "nuclear nonproliferation" movement worldwide. He admits that the term "nonproliferation" originated with the late Soviet Foreign Minister Molotov, and was made fashionable in Western policymaking circles by the late U.S. Secretary of State John Foster Dulles, for whom Smith served, for a time, as an adviser.

Smith and Cutler are part of a circle of "insiders" on both sides of the Atlantic, who form an institution known as "The Live Oak." Formed during the Berlin and Cuban Missile Crises, its members include Henry Kissinger and Harvard University Trilateral Commission member Robert Bowie. It functions as a behind-the-scenes "crisis-management" channel to Moscow, with the primary purpose, today, of maintaining the strategic hegemony of the Mutual Assured Destruction doctrine, against President Reagan's new doctrine of Mutual Assured Survival, and of destabilizing any faction, or government, which is trying to mobilize the West to counter the growing Soviet threat to launch and win a third world war.

Smith's firm, Consultants International, brings together a nest of appeasers who are behind the decoupling and anti-SDI policies. One of Consultants International's chief figures is Henry Owen, responsible for economic policy at the Brookings Institution, and a member of the Trilateral Commission. One of Owen's Brookings Institution cohorts, Trilateral Commission member Helmut Sonnenfeldt, is the Kis-

singer-linked former U.S. State Department official who is a chief mentor of Richard R. Burt. Sonnenfeldt and Kissinger put together the core of the U.S. State Department's European Affairs division, including most of Burt's prime assistants in recent years, including R. Mark Palmer, Mark Dobbins, and Robert Blackwell. Dobbins has now become the chief Embassy assistant to Richard Burt in Bonn, while Blackwell is the new U.S. ambassador to the Mutual Balanced Force Reduction (MBFR) talks in Vienna.

### The anti-Constitution lobby

One further insight into the kind of treatment Cutler and his Trilateral friends are preparing for France, could be gleaned from the history of Cutler's efforts to overturn the U.S. Constitution, and to replace it with the kind of British political system against which the American Revolution was fought.

In the fall 1980 issue of the New York Council on Foreign Relations' *Foreign Affairs* magazine, Cutler authored an article entitled, "To Form a Government," which urged "changes in our Constitution."

He wrote: "A particular shortcoming in need of remedy is the structural inability of our government to propose, legislate and administer a balanced program for governing. In parliamentary terms, one might say that under the U.S. Constitution it is not now feasible to 'form a government.' The separation of powers between the legislative and executive branches, whatever its merits in 1793, has become a structure that almost guarantees stalemate today."

The constitutional system is outmoded, he insisted, because "government is now constantly required to make a different kind of choice than usual in the past, a kind for which it is difficult to obtain a broad consensus. . . . There may have been a time when we could simultaneously pursue all of [our national] goals to the utmost. But even in a country as rich as this one, that time is now past. One of the central tasks of modern government is to make wise balancing choices among courses of action that pursue one or more of our many conflicting objectives. . . ."

"For balancing choices like these, a kind of political triage, it is almost impossible to achieve a broad consensus." What would be needed, he claimed, was a system in which the executive and legislative branches of government would be more integrated and thus capable of dictating policy more readily, without the interference of constituency politics.

He proposed the establishment of a "bipartisan presidential commission—perhaps an offshoot of President Carter's first-class Commission on the Eighties to analyze the issues, compare how other constitutions work, hold public hearings, and make a full report."

Within two years, in association with Trilateralists like Robert Strange McNamara, Cutler had formed a Committee on the Constitutional System, to implement these policy recommendations.

# Background briefing: a short history of the Cyprus issue

by Phocion

With the reorganization of the Greek Armed Forces, since last December, under the Moscow-controlled Socialist Prime Minister Andreas Papandreu, the likelihood of a Greek-Turkish shooting war has increased. Mr. Papandreu is known to have committed himself, by means of a series of secret agreements with Bulgaria and Syria, to the perspective of a three-pronged military conflict with Turkey, involving the deployment of Greek, Bulgarian, and Syrian forces, with Soviet blessing, against Turkey. Developments in the region in recent weeks, especially the exacerbation of the perennial Cyprus Crisis, indicate that the likelihood of such a war will keep growing in the next six months.

The following report is offered in anticipation of what these next six months are about to produce. It should be noted that the principal power manipulating the local actors for a period of 108 years to date has been British diplomacy.

## The history

Cyprus, the third largest island in the Mediterranean, has a population of approximately 650,000 people. The population is ethnically divided as follows: Greek 80%; Turkish 18%; the remaining 2% are Armenians, Maronites, Arabs, Jews, British, and transient foreigners.

Cyprus's population had been almost completely Greek from approximately 1800 B.C. to about 1660 A.D. Its speech has been the Arcadian dialect of Greek, found only in Cyprus and in Arcadia, Greece.

Cyprus was conquered by the Ottomans in 1571. Partial settlement of Turkish people began the following century. In 1878, as a result of the Congress of Berlin, the Ottoman Sultan sold Cyprus to the British in exchange for partial debt write-off and for a pledge of British military protection against Russian threats. From 1878 to November 1914, Cyprus, though administered by Britain, was formally under Ottoman suzerainty, in an arrangement similar to that under which Lord Cromer was administering Egypt, also, then, under Ottoman suzerainty.

On November 5, 1914, Britain unilaterally annexed Cyprus following Turkey's participation in World War I against Britain. In October 1915, Britain offered the island to the Kingdom of Greece, on condition that Greece enter the war on the side of Britain and help neighboring Serbia. King

Constantine of Greece, a cousin of Kaiser Wilhelm, rejected the offer and refused to enter the war.

The Greek officers' corps in its majority abandoned the King and, for the duration of the First World War, the Greek state was split between a Royalist government, based in Athens, and controlling the south of the country, which maintained a pro-German neutrality, and a rival, anti-monarchical, republican government, under Venizelos, which, based in Thessalonica and controlling the north, participated in the war on the side of the Allies. After the war, the King was expelled and the entire country was reunified under a republican constitution, but by then it was too late for Britain to cede Cyprus to Greece.

On March 10, 1925, Cyprus was declared a Crown Colony.

Almost immediately, a mass movement emerged in Cyprus, advocating union with Greece, called *Enosis*. From 1931 onward, large-scale violence against British occupation began which, after the burning of the governor's residence, forced the British to proclaim a state of emergency, banish large numbers of local personalities and dignitaries, and enforce police rule for a decade until 1940, the height of the Second World War. As Greece and Britain became allies in the war, Cypriots began volunteering for service in the British Army. The British thus ended police emergency rule and, in 1941, they authorized the establishment of the first political party in Cyprus, the communist party which goes by the name AKEL ("Reform Party of the Working People").

During the war, Winston Churchill pledged to the Greek government in exile that Cyprus would be ceded to Greece, after Greece's eventual liberation from German occupation troops.

The matter remained moot so long as the Greek civil war lasted, until 1949. In January 1950, a plebiscite was held in Cyprus in which, of the 224,747 eligible voters of that time, 215,108 voted in favor of *Enosis*, union with Greece.

Between 1950 and 1955, Greece regularly raised the "Cyprus issue" at the United Nations, seeking to obtain a General Assembly vote for self-determination of Cyprus. Greece failed to obtain such vote. As a result, on April 1, 1955, Gen. George Grivas, a Greek Army officer of Cypriot descent, launched a guerrilla armed struggle against the British. Gri-

was had extensive guerrilla warfare experience, having been the leading commander of the Greek nationalist anti-Nazi resistance during the German occupation, and having subsequently ably commanded special units against the Communist insurrection.

Britain declared a state of emergency on Nov. 27, 1955. Four years of large-scale repression ensued, involving population relocations, exiles, curfews, executions, and widespread torture. Grivas's guerrilla movement held its own effectively through all this.

From March 1956 to March 1957, Archbishop Makarios, the head of the Cypriot church, was exiled to the Seychelles Islands in the Indian Ocean and, by a combination of blackmail and seduction, agreed to work for the Foreign Office.

Foreign Office policy, hammered out during the summer months of 1955, was to develop the option of a separate, independent state of Cyprus, in order to prevent union with Greece. Until that time, the Foreign Office's problem was that it could find no Greek-Cypriot leader willing to fight for anything other than union with Greece. The blackmailed Archbishop Makarios agreed to assume this role.

Turkey and Turkish-Cypriots first became involved in the Cyprus issue in 1957, at the instigation of British diplomacy. In 1957, Turkey demanded partition of Cyprus between Greece and Turkey and counterposed this demand to Greece's demand for union. The Foreign Office, from that point on, insisted that no talks on Cyprus could be held without Turkey being a party. Thus, Britain and Makarios raised the option of a separate Cypriot state as the alternative to Turkey's demand for partition and Greece's demand for union.

Talks in Zurich and London between Great Britain, Greece and Turkey during 1959 produced a compromise solution which produced an independent republic of Cyprus under a Greek President and a Turkish Vice-President. Britain was to retain two military bases at Akrotiri and Dhekelia, comprising 10% of the island's territory. In December 1959, elections for the presidency were held and Makarios won. Six months later, elections for the Turkish Vice-President resulted in victory for Dr F. Kucuk. On Aug. 16, 1960, Cyprus received independence and a British-crafted constitution.

On August 17, 1960, the following treaties were signed, from which the Republic of Cyprus derives its legal status:

1) **Treaty of Establishment** between Britain, Greece, Turkey, and Cyprus, defining the territory of the two bases remaining under British control.

2) **Treaty of Guarantee** between the same parties whereby Cyprus undertook to safeguard its independence and to refrain from political or economic union with any state, while the remaining signatories recognized and guaranteed the independence, territorial integrity, and security of Cyprus.

3) **Treaty of Alliance** for cooperation in mutual defense, between the Republic of Cyprus, Greece, and Turkey, providing for a tripartite central command to be established in

Cyprus with Greece and Turkey maintaining contingents of 950 and 650 soldiers, respectively. This was unilaterally repealed by Makarios in April 1964.

The chief law-enforcement official of the new state, Attorney-General Criton Tornarites, was the same person who was the Attorney-General of the Crown Colony and who had administered colonial justice during the state of emergency. He also happened to be the same person who carried out the blackmail operation in the Seychelles Islands which successfully turned Archbishop Makarios into an agent of the Foreign Office.

Immediately after independence, the British-authored constitution began to break down. After a series of crises, Makarios proposed a revision of the constitution in November of 1963. Violence broke out in December 1963 and again in February 1964. The United Nations sent a peacekeeping contingent in March 1964. In April, Makarios annulled the Treaty of Alliance on grounds that Greece, Turkey, and Britain were NATO members and he wished to be "non-aligned." In June, 1964, Turkey threatened to invade Cyprus on grounds of the continuing constitutional crisis there. President Johnson warned Turkey that if Turkey were to attack, the U.S.A. would not assist Turkey in the event of Soviet intervention.

During the same period, the United States came forward with the Acheson Plan, which called for 1) union of Cyprus with Greece, mediated through NATO; 2) establishment of a strong NATO presence on the projected Greek island of Cyprus; and 3) establishment of a Turkish military base on Cyprus in the same context which would also provide for the protection of Turkish-Cypriot interests.

The United States also deployed the Sixth Fleet between Turkey and Cyprus for the purpose of thwarting a possible Turkish invasion.

The Acheson Plan, the only reasonable solution to the Cyprus issue, failed because it was opposed by the then Prime Minister of Greece, George Papandreou, the father of Andreas. Andreas Papandreou, a cabinet minister himself at the time, was leading a faction of about 30 members of Parliament who were leading the opposition to the Acheson plan. This faction had also created a conspiracy of Greek Army officers stationed in Cyprus and codenamed ASPIDA which were agitating against the Acheson Plan and in favor of a "non-aligned" Cyprus and a "non-aligned" Greece.

The conspiracy was discovered and brought to trial, Papandreou's defense minister was forced to resign, and King Constantine, as was his constitutional right, demanded that the next defense minister be approved by him personally. Prime Minister Papandreou and the King clashed over the selection of the next defense minister, and Papandreou resigned. Two years of political chaos ensued which ultimately led to the colonels' coup d'etat on April 21, 1967.

*(Next week, Part Two: "The Cyprus issue since the colonels' coup and U.S. policy options today.")*

# GLOBAL SHOWDOWN

## The Russian Imperial War Plan for 1988



What the director of the CIA does not know . . .  
What the President's National Security Adviser is incapable  
of understanding . . .  
What many conservatives lack the guts to read . . .

The only comprehensive documentation of the current Soviet strategic threat available publicly in any language. This 368-page Special Report has been compiled by an international team of *EIR* experts. Includes 34 maps, plus tables, graphs, index, and extensive documentation.

### Contents

#### Part 1:

### The Soviets Have Already Declared War on the U.S.A.

- 1.1 The Two Qualitative Facets Of Soviet Strategic Mobilization Under the Operational Ogarkov Plan
- 1.2 Soviet Doctrine on the War-Economy
- 1.3 Soviet Conclusions from World War II
- 1.4 The 'Maximum Option' of the Ogarkov Plan: Winning Thermonuclear War
- 1.5 The Soviet Military Command for World War III

#### Part 2:

### Soviet Imperial Motives

- 2.1 Soviet Imperial World-Domination by the 1990s?
- 2.2 The History of the Soviet Imperial Tradition
- 2.3 Imperial Soviet Russia and the Chaldean-Byzantine Model of Empire
- 2.4 The Andropov Dynasty: 'Stalin's Children'

#### Part 3:

### Soviet Imperial Objectives

- 3.1 Redrawing the Political Map of the World
- 3.2 The Northern Flank
- 3.3 The Imminent Knockout of NATO's Southern Flank
- 3.4 Germany—the Key to Europe
- 3.5 The Socialist International-Comintern 'Popular Front'
- 3.6 Syria and Israel Within the Soviet Strategic Sphere
- 3.7 China vs. Japan and Vietnam, Under Soviet Strategic Hegemony
- 3.8 The Anglo-American Liberal Establishment and Its Penetration by Soviet Intelligence

#### Part 4:

### The Build-Up of Soviet Absolute Superiority

- 4.1 The Soviet Military Build-Up's Two-Fold Role
- 4.2 Active Defense: The Soviet 'Star Wars' Program
- 4.3 Passive Defense: Survival After War
- 4.4 The Build-Up of the Soviet War Economy
- 4.5 The U.S. and Soviet Economies Since MAD
- 4.6 What Are 'Acceptable Losses' for the Russian Command in a Global Nuclear War?
- 4.7 The Religious Factor: Call to Arms for 'Holy War'

#### Part 5:

### Soviet Strategic Sabotage and Assassination Programs

- 5.1 Andropov's Rise in the KGB: Warsaw Pact Enters International Drugs-and-Terrorism Business
- 5.2 Soviet Surrogates Provide 48 Months of Prewar Assassination and Sabotage

#### Part 6:

### The Soviet Plan of Attack

#### Part 7:

### Keys to U.S.A. and NATO Counter-Strategy

Price: \$250

Order from: **EIR News Service**, P.O. Box 17390 Washington, D.C. 20041-0390  
Order #85006

---

## Argentina

---

# Workers rally against 'international usury'

by Cynthia Rush

One day after the Alfonsín government signed its final agreement with the International Monetary Fund (IMF), Argentina's Peronist-run General Confederation of Labor (CGT) staged an 11-hour strike and mass demonstration to demand a five-year moratorium on debt-service payments, and an end to the "international usury" represented by the government's official anti-inflationary program, known as the Austral Plan.

On Aug. 29, approximately 350,000 workers marched along Buenos Aires's main 9th of July Avenue, carrying banners denouncing the IMF and pulling in additional workers from factories along the way. Observers estimate that the march was larger and more volatile than the one held last May, also organized by the CGT. The economic depression has deepened since May, as a result of the Austral Plan; hundreds of factories have been shut down, and tens of thousands of industrial workers thrown on the unemployment lines.

The Austral Plan was imposed in June at the IMF's behest, as a condition for refinancing Argentina's foreign debt. The program has been portrayed in an unprecedented publicity campaign as a "patriotic" way of combatting inflation: It set wage and price controls, restricted credit, fixed punishingly high monthly interest rates of between 5% and 10%, and created a new currency—the Austral—linked to existing dollar reserves.

The Aug. 28 agreement signed in New York, in which the IMF and Argentina's creditor banks refinanced \$14 billion in foreign debt and granted \$4.2 billion in new credits, is Alfonsín's reward for having imposed the draconian austerity program, and having "disciplined" his population. If pursued to the fullest, the program will restructure the Argentine economy, replacing heavy industry and the skilled labor with agricultural and raw materials production for export. The plan especially proposes opening up Argentina's oil industry for foreign investment, altering existing legislation to attract large foreign oil firms.

### International support

Even more than in previous demonstrations, the Aug. 29 march targeted the IMF as the nation's primary enemy. For the first time publicly, CGT organizers read aloud telegrams

of support sent by labor leaders from around the continent, including from founding members of the Schiller Institute's Trade Union Commission.

Messages were read from Pedro Rubio, a leader of Colombia's UTRABOC; Juan Rebaza of Peru's Fishermen's Union; Guillermo Pedraza of the Colombian Workers' Confederation (CTC), and from other leaders in the United States and Panama. The crowd roared with approval at mention of Peruvian President Alan García's rejection of IMF policies and his war on drugs.

In the United States, such Eastern Establishment mouthpieces as the *New York Times* lied on Aug. 30 that the CGT demonstration had won "only partial backing" from the work force, thereby handing Raul Alfonsín a "political victory." The "poor" turnout, which the *Times* said was no more than 60,000, showed that Argentines really support the government's anti-inflationary program, the *Times* insisted.

Reality proves otherwise. "Only by breaking the ties with international usury and the International Monetary Fund, can we achieve our economic independence and political sovereignty," said Saul Ubaldini, CGT co-secretary general, who addressed the workers. "Today, the eroded word 'democracy' sounds more like authoritarianism. Do we have to put our demands in English before the government will listen to them?"

A CGT document issued a few days before the demonstration asserted, "It will not be the recessive recipes of the IMF and international monopolies, that will direct the country on the path of prosperity. On the contrary, cutting in a single blow the Gordian knot of the debt—in large part illegitimate, contracted with the international creditor banks—and imposing on them a moratorium, will permit Argentines to work and produce in peace."

Argentine workers are enraged at government policy, which since June 14 has caused the layoffs of tens of thousands of workers in the steel, metallurgy, auto, capital goods, and construction industries. One participant described the march atmosphere as "a powderkeg. . . . It's a good thing no one has a match." "If the IMF wants our money, let them go out and work for it," read one banner. President Alfonsín was the object of numerous insults.

In the week preceding the march, CGT organizers plastered metropolitan Buenos Aires and the surrounding areas with 30,000 posters, and distributed tens of thousands of leaflets. One poster demanded that "the government pay its debt to the people, opening the closed factories, as promised prior to October 30 [1983, the date of Alfonsín's election—ed.], and not closing new factories to pay off the debts of Martínez de Hoz's partners, to international usury."

Martínez de Hoz is Henry Kissinger's associate. As finance minister under the 1976-83 military junta, he quadrupled the country's foreign debt and gutted its industrial capacity.

## **Battle for stability in Punjab**

*The terrorists are escalating in a desperate bid to prevent elections, but so far their efforts have backfired.*

**T**he terrorist effort to break the momentum for political stability in Punjab has been disappointed so far. Two weeks after the murder of Sant Harchand Singh Longowal, the moderate leader of the Akali Dal party in Punjab with whom Prime Minister Rajiv Gandhi had negotiated a historic agreement for social peace and new elections on July 24, the moderate Sikhs and the New Delhi government have set the stage to bring back parliamentary democracy in that troubled state.

The leading political parties, the Congress (I) and the Akali Dal, have submitted their lists of candidates to contest for 117 state assembly and 13 parliamentary seats on Sept. 25. It has been nearly two years since the elected government was dismissed and Punjab was put under direct rule from New Delhi.

But fanatic Sikh secessionists have pulled out all the stops to sabotage these developments, starting with the assassination of Sant Longowal on Aug. 20. The radical United Akali Dal, a breakaway group under the control of fundamentalist Sikhs and a Maoist faction, simultaneously called for a boycott of the elections.

Contrary to terrorist calculations, however, Sant Longowal's murder alienated the majority of Sikhs and generated a wave of support for a moderate path. On Sept. 1, the funeral of Sant Longowal brought almost a million Sikhs, Hindus, and Muslims into the small village in Punjab where the Sant was born, to pay homage to a man who had had the courage to stand

up against the terror in an effort to find a constitutional settlement to the crisis.

Comparing the fallen leader to Mohandas Gandhi, the leader of India's independence movement and fearless opponent of sectarian violence, who also fell victim to an assassin's bullet, Surjit Singh Barnala, the new leader of the Akali Dal, told the mourners, "Sant Harchand Singh Longowal became an apostle of peace and love, and a second Gandhi of the 20th century."

In a personal message, Prime Minister Rajiv Gandhi said that it is "our responsibility" to carry out the unfinished work that Sant Longowal had set out to accomplish. The prime minister has repeatedly stressed that his government will not bow down to terror.

It is this determination which the terrorists hope to break. At this writing, they have escalated their deadly campaign with the assassination on Sept. 4 of Arjun Das, a young Congress (I) member of the Metropolitan Council of New Delhi and close associate of the prime minister.

Das, like the youthful Congress politician and trade union leader Lalit Maken, gunned down in late July, had been targeted by a "civil rights" cabal in New Delhi presided over by one Rajni Kothari, a liberal academic and a darling of the international "human rights" mafia. Kothari and Co. published a "hit list" of 16 politicians whom they accused of inciting violence against Sikhs during the riots

that followed Mrs. Gandhi's assassination.

The prime minister, surrounded by armed guards, led thousands of mourners at the funeral as police arrested hundreds of extremists in Punjab, and new security measures were drawn up to protect candidates during the poll.

There is no doubt that Gandhi is out to conduct a major cleanup. Three years of political chaos and the rise of the secessionist forces within Punjab had corrupted and destroyed the political process in the state. The Congress (I) was affected no less than the Akali Dal.

In fact, the corrupt factioneering of the Congress (I) leadership was crucial in repeatedly frustrating the efforts of Mrs. Indira Gandhi (who was gunned down by Sikh extremists in October 1984) to reach a negotiated settlement with Akali leaders. It is widely known that the Punjab police had also fallen victim to the rot. In recent months, evidence mounted that many Congress (I) leaders were collaborating with the secessionists, wittingly or unwittingly.

In a bid to usher in a new generation of politicians, nearly 70% of the Congress Party's candidates are new and under 45 years of age, according to Secretary General Srikant Verma. Among the notables dropped is former Punjab Chief Minister Darbara Singh and several of his ministers. Darbara Singh's recent affiliation with the pro-Soviet faction within the Congress (I) party, and his outspoken opposition to Rajiv's decision to hold the elections, may have had something to do with his downfall.

Indian officials are also acting to preempt potential disruption of the elections by separatists who have fled to Pakistan. The Army took over responsibility for securing the border with Pakistan on Sept. 1.

## Shakeup in security and intelligence

*The President gave orders to deepen the probe into DEA agent Camarena's death—and heads are rolling.*

**I**n the coming weeks, the government of the Mexican Republic will announce the creation of a new national agency for intelligence and national security which will have the name of Investigations and National Security Directorate. It will combine the functions previously fulfilled by the Federal Security Directorate and the Political and Social Investigations Directorate, which were both under the Interior Department (Gobernación).

The idea behind setting up this new agency is to correct the manifest failings of the previous security and information agencies, and to develop an efficient and modern entity capable of giving the government solid estimates and evaluations at times of international and regional crisis.

Although various names of important persons in Mexican national life have been mentioned, the majority of informed sources indicate that the head of the new administration will be a politician, and not a military man. But the name of the director is still a matter of speculation.

The reorganization is being carried out in the aftermath of the world-notorious political and police scandals that wracked the Federal Security Directorate (DFS) and Political and Social Investigations, after it was discovered that several important directors of these agencies were involved in protecting top-ranking drug bosses such as Ernesto Fonseca Carrillo, Rafael Caro Quintero, Miguel Felix Galardo, and the Colombian-Honduran,

Matta Ballesteros.

The scandal led to the fall of the director of DFS, Antonio Zorrilla Pérez, and to the forced or voluntary resignations of 400 agents of the agency as well as the hasty exit of the main national directors and state directors, some of whom fled to the United States, where they are apparently basking in the sun, on "vacation."

The scandal arose due to investigations into the assassination of the U.S. Drug Enforcement Administration agent, Enrique Camarena Salazar, and his Mexican colleague Alfredo Zavala Avelar, at the hands of the aforementioned mafia bosses. The investigations led to the discovery of collaboration of elements of the police in protecting the dope mobsters.

Mexican President Miguel de la Madrid intervened personally to ensure that the investigations into the participation of police elements in organized crime would go deeper, and would lead to a reorganization of the police agencies involved.

As for the Political and Social Investigations Directorate, known in Mexico as IPS, it had fallen to the lowest level since its creation when Oscar de Lasse became its director.

De Lasse is a political scientist with no experience in either intelligence or security, who brought in with him a series of Jesuit-oriented, technocratic "whiz kids," utterly inexperienced in the field.

As a result, IPS's evaluations were tossed into the trash basket when they

arrived at the desks of the federal government's decision makers. It was widely known that the reports written in IPS were sold to the highest bidder, including to the opposition National Action Party (PAN), a Nazi-communist formation which is an asset of foreign forces, from the Soviet KGB to the moneyed European oligarchical families.

The reorganization which the government is now carrying out has had a special emphasis on the Mexican Attorney General's office, which is responsible by law for fighting drug-trafficking. Since the assassination of DEA agent Camarena, dozens of agents and ex-agents of the Federal Judicial Police under the Attorney General's office have been arrested for having been implicated in drug-trafficking.

Although it was for other reasons, three weeks ago the chief of the Federal Judicial Police Manuel Ibarra and the national coordinator of the campaign against narcotics trafficking, Antonio Sam López, both left their jobs. Earlier, the top assistant attorney general, Fernando Baeza, had resigned from his position. He was a crony of Oscar Flores Sánchez, who was attorney general in the last six-year presidential administration.

Both Baeza and Flores Sánchez are originally from Chihuahua (a northern state bordering the United States), where on Nov. 10, 1984, federal security forces detected and raided the biggest marijuana plantation ever discovered in the history of drug trafficking in Mexico, and probably in the world.

Chihuahua is also one of the strongholds of the treasonous National Action Party (PAN), and various voices have accused former Attorney General Flores Sánchez of having promoted the rise of the PAN in that state.

### The nation goes with the SDI

*A visit by the SDI chief found that the government had already created a commission, and industry had created consortia.*

On Monday, Aug. 26, Lt.-Gen. James Abrahamson, head of the U.S. Office of the Strategic Defense Initiative (SDI), the so-called "Star Wars" program announced by President Reagan in March 1983, arrived in Rome for three days of meetings with Italian government and industry representatives. The meetings' purpose was to concretize Italian participation in the SDI.

Italy's role in the SDI was first discussed during a meeting in Washington between Prime Minister Bettino Craxi and President Ronald Reagan in March 1985. Since then, the Italian government has formed a defense-industry commission, led by the premier, and composed of relevant ministers (defense, industry, foreign affairs, scientific research, and state industries). The commission has interviewed representatives of high-technology industries in Italy to learn what the nature of their contributions to SDI development might be.

Italian industries, both private and public, have responded enthusiastically. The Turin automobile giant FIAT issued a memorandum on the subject, announcing the participation of six companies linked to FIAT: Borletti, Comau, SNIA-BPD, Fiat Aviazione, Sepa, and Telettra. The public industries giant IRI and its holding company, EFIM, mobilized their specialty sector, including Aeritalia (which has produced satellite systems for NASA), Selenia, Telespazio,

Agusta, Oto Melara, and Breda. Industrial consortia have already been created in order to avoid duplication and coordinate efforts in the research program.

Many of these industries, particularly Elettronica Spa, SNIA BPD, and Aeritalia, already have contracts with the Pentagon and NASA, and could make important contributions in the fields of infrared sensors, lasers, electronic and satellite components, and computers.

On Sept. 4, the details of Italian participation in the SDI were discussed with a top-level American technical-scientific delegation which began its European tour in Rome. As Industry Minister Renato Altissimo declared in an interview with *La Repubblica* afterwards:

"For Italy to participate in the SDI project is essential in order to reduce the technological gap with the United States. The SDI is a train on which we have to jump. It is obvious that if an agreement can not be reached directly with the government, the American authorities will deal directly with the interested Italian industries. But it would be more useful if these negotiations were preceded by an agreement between the two governments."

According to Altissimo, "The committee of the five ministers will immediately create a series of consortia, like the one already formed by Agusta and the EFIM companies, in order to identify the various areas of

expertise."

In an interview with *Corriere della Sera* on Aug. 27, Abrahamson specified again that "many European industries could take the lead in the project." He gave the example of Aeritalia, which proposed to NASA its tethered satellite system project. General Abrahamson also took the occasion to polemicize against SDI opponents in the United States, who are also the main spokesmen for strategic "decoupling" of Europe and the United States—the established euphemism for American military desertion of Europe to Soviet domination.

In particular, Abrahamson singled out Carter Defense Secretary Harold Brown, Carter National Security Adviser Zbigniew Brzezinski, and former Secretary of State Henry Kissinger.

"What Harold Brown has in mind is totally different from the SDI," he said. "It is similar to the ABM defense system which the Soviets already have or to the terminal phase of the layered SDI system. But with this method, we would never get out of the vicious circle of the arms race."

As for Brzezinski's proposal for "mixing" nuclear weapons and the SDI, Abrahamson declared that this proposal would not change the incompetent MAD doctrine, and does not reflect the true intentions of the SDI program. "The final aim, I emphasize, is to make nuclear missiles obsolete."

To a question on the "window of vulnerability" which would be opened, according to Henry Kissinger, by an SDI system which is not totally impenetrable, Abrahamson answered:

"I am sure there would be no such window of vulnerability. We have to convince the Soviets to follow our road and give more and more importance to defense, in our mutual interest. If we can manage that, we will free both from nuclear missiles."

## **Qaddafi threatened by coup**

*Ordered to invade neighboring Tunisia, part of the air force tried to bomb the Libyan dictator's residence instead.*

**L**ibyan plans to invade one of the United States' closest allies in Africa, Tunisia, received a setback on Aug. 31, when Libyan officers refused to accept orders to start reconnaissance flights over Tunisia.

*Al Ahram*, the Egyptian newspaper, reported on Sept. 2 that a serious mutiny in the Libyan air force took place at dawn on Saturday, Aug. 31, led by Col. Mohammed el-Barghash, commander of the El Wabia air base near the Tunisian border, and Col. Khalifa Khedr.

The officers were reported to have attempted to bomb Qaddafi's residence rather than prepare to invade Tunisia.

Sources have confirmed that the mutiny was a "serious threat" to Qaddafi, and reported that several of the 43 officers arrested had been trained in Tunisia. One source said that the Libyan army is "furious" about the way Qaddafi is building up his so-called Revolutionary Committees, as a power-base against the army. Qaddafi is reported to have described the army as a "traditionally stupid institution," in a statement at the end of August.

Qaddafi's campaign to destabilize and/or crush Tunisia militarily includes the expulsion of over 20,000 Tunisian workers from Libya, his threat of invasion which saw 25,000 Libyan troops mass on the border on Aug. 22, and assorted terrorist actions inside Tunisia.

On Sept. 4, Tunisian Prime Minister Mzali, speaking at a rally in support of the expelled workers, respond-

ed by announcing the recall of all Tunisian workers from Libya. There are still over 60,000 Tunisian workers there. Mzali announced that all commercial relations with Libya were being broken.

He revealed in the course of his speech that a group of Libyan terrorists armed with explosives had been captured, and would shortly be displayed on Tunisian television.

Following two weeks of virtual silence from Tunisia's allies, support is now being publicly expressed from various quarters. Algerian President Chadli Benjedid personally paid a surprise visit to the Tunisian town of Monastir for a meeting with President Bourgiba on Sept. 2. He assured Bourgiba that his country "would always stand at Tunisia's side, in all circumstances," according to the Tunisian news agency. A Tunisian military delegation, led by the head of the army chiefs of staff, visited Algiers the same day for talks with their Algerian counterparts.

The Algerian President chose to visit Tunisia less than 24 hours after Qaddafi's threats to "unite the Arab world" by force if necessary, in a speech on the 16th anniversary of his coup. Qaddafi was thus clearly warned that Algeria would not remain passive were Tunisia attacked.

Yasser Arafat's number-two in the PLO, Abu Iyad, also announced support for Tunisia in a statement on Sept. 2 in Tunis. The PLO, he declared, "stands at Tunisia's side" in the conflict with Libya. He criticised Libya's

expulsion of foreign workers.

The United States sent its naval chief of staff to Tunisia at the head of a delegation which was received by Bourgiba on Sept. 4. No communiqué has yet been issued, and it is not clear whether the "even-handed" position that the United States has so far adopted has been changed. To date, the State Department has only said that the United States respects the "territorial integrity" of both Libya and Tunisia.

By his choice of where to give his 16th anniversary speech on Sept. 1, Qaddafi made clear his intentions to broach the "territorial integrity" of several nations. The speech was made, not as usual in Tripoli with a military parade, but in Sebha, the desert town where Qaddafi grew up, and a key crossroads of the Sahara. The desert tracks which lead west to Niger and Mali have become known as the "Qaddafi trail," and lead also to Tindouf in Algeria. To the south, tracks lead to Tibesti and Chad. Sebha, according to *Le Figaro*, is the "departure point for the colonel's Saharan ambitions." The surprisingly modern airport is crowded with MiG-25s, Il-ouchine-76s, and Marchetti SF-260s. It was the base for Libyan air penetration of Chad.

Qaddafi called for the strengthening of the Revolutionary Committees, for the extension of their activities abroad, for the Arab world to unite "by force if necessary," and for Syria to annex Lebanon. The foreign dignitaries present at the event were equally indicative of his ambitions. In the place of honor, at Qaddafi's right, was his candidate for President of Chad, Goukouni Oueddei. Also present were George Habash of the PFLP, Ahmed Jibril of the PFLP-GC, anti-Arafat PLO leader Abou Moussa, Sudanese Muslim Brotherhood leader Sadeq el Mahdi, and Sudanese Information Minister Bechir Hasnid.

# International Intelligence

## Colombia, Venezuela sign drug extradition treaty

The foreign ministers of Colombia and Venezuela have signed an extradition treaty aimed at persons suspected of drug-related crimes. The treaty, which had been proposed in June, was formalized on Aug. 25 in Cartagena, Colombia.

The treaty requires that in the event one of the signators denies an extradition request, it must inform the other signator of the suspect's trial outcome. It also provides for a strengthening of joint controls at the border.

## Ivan may be forced to go cold turkey

The Soviet Union's campaign against drunkenness has achieved another victory: Now, Moscow drug stores have agreed not to sell any eau-de-cologne before 2:00 p.m. Russian alcoholics are apparently big consumers of cologne, gulping it down as they walk out of the drug store. Hair tonic is another special favorite, apparently, but there are alternatives: A journalist for the union newspaper *Trud* recommends Kara Noova perfume at 66 kopecks a bottle. The perfume Carmen, however, should be avoided at all costs. It apparently "makes the drinker feel like his throat has been cut."

Russians have been made particularly nervous by the rumors sweeping Moscow that the entire month of December will be declared a dry month. Already, almost 650 factories have switched from producing alcohol to soft drinks, and the price of vodka will go up by 1.5 rubles soon. However, in the Russian village, little has changed, according to reports, and home-made vodka still flows freely.

The Soviet Union is rumored to have more alcoholics than the rest of the world combined. It is apparent that the Soviet state's campaign against alcoholism, which was launched at the same time as the Russians' most recent phase of economic mo-

bilization for confrontation with the West, is based on the theory that drunkards don't win wars.

## Colombia tests coca herbicide

Colombia appears to be well on its way to mass application of the herbicide, known as Garlon, which has proven very effective against the coca plant without damaging the surrounding environment.

Large-scale spraying of Garlon may begin as early as November or as late as the middle of next year. The herbicide and the helicopters for the spraying have been provided by the United States.

Colombian Justice Minister, Enrique Parejo told UPI on Aug. 30: "I believe the consequence, if we have success in the application of herbicides to the coca crop, is of enormous importance to the entire world. . . . It would be an historic step."

U.S. officials believe that a full-fledged eradication program could wipe out the illicit crop within three years.

## Soviet Union threatens Japan

On what he described as the "40th anniversary of defeat of militarist Japan," Soviet Defense Minister Marshal Sergei Sokolov accused the Nakasone government of "revanchist" aspirations. Writing in the military paper *Krasnaya Zvezda (Red Star)* on Sept. 3, Sokolov emphasized the "danger" represented by "the militarist alliance of Washington-Seoul-Tokyo."

In the same paper on Sept. 1, the former commander-in-chief of the Far East High Command, First Deputy Defense Minister Marshal Petrov, hinted that pre-emptive Soviet action might be required:

"The Soviet people cannot ignore the increasing attempts to turn Japan into an American nuclear base and to increase her military role in the alliance system with the

U.S.A. . . . Obviously, not everybody drew the proper conclusions from the lessons of the Second World War and the nuclear bombardments of Hiroshima and Nagasaki. . . .

"The danger of the current course of events in the Far East demands high vigilance from the peoples and active joint actions against the military preparations of the U.S.A." Petrov quotes General Secretary Mikhail Gorbachov: "Not to permit the expansion of the militarist preparations of the U.S.A. and Japan, and to stop the aggressor in time, is the most important duty of all peaceloving countries."

In the same vein, a new Soviet book on the Japanese armed forces claims that Japan is actively working to set up a Pacific military alliance, according to a review in *Izvestia* on Aug. 28. The authors of the book, entitled *The Armed Forces of Japan: History and the Modern Day*, write:

"In the Pacific Basin, Japanese military and political circles are working vigorously to penetrate . . . the ANZUS [Australia-New Zealand-U.S.] bloc and expand it to a scale comparable to that of NATO. In the event of a world military conflict . . . Japan plans to assume the position of the leading military power in that military alliance."

## García gets tough on terrorists

Peruvian President Alan García used a press conference in Cuzco the evening of Sept. 3 to reject any and all proposals that captured members of Peru's savage Sendero Luminoso (Shining Path) terrorists be given special treatment as "political prisoners."

Abroad, Amnesty International and similar organizations, and at home, a faction inside García's own APRA party, including its secretary general, Armando Villanueva, and its senate leader, Javier Silva Riestra, have been pressing for the "political prisoner" approach to Sendero Luminoso.

The terrorist commits an act of violence, which "for me and for the Constitution is a common crime," García declared. He specified that a peace commission he vowed to establish on the terrorist problem "could

study the prisoners' conditions and also put out feelers for a dialogue leading those who are wrong who have chosen the path of death and violence to rectify their errors."

Meanwhile, two more corrupt judges were thrown out of their positions in the García government's drive to clean up government in connection with its war on drugs. Numerous judicial secretaries and other officials have also been ousted, the justice ministry revealed Sept. 3. Their dismissal was ordered by the 18 judges of the Supreme Court. The Supreme Court's president declared that "the cleanup campaign won't slacken until the judiciary recovers its seriousness and its impartiality in the administration of justice."

---

## ***Pentagon denies N-bomb deployment plan***

Spokesmen for the Pentagon on Sept. 4 denied a West German television report that the United States plans to station neutron weapons in Western Europe.

On Sept. 3, West German television reported that 380 neutron warheads had already been produced in the United States, and could be launched by Lance battlefield missiles, while 400 more could be fired by 203-mm artillery. The report quoted NATO Commander-in-Chief Gen. Bernard Rogers as saying that although public opinion in Europe would not accept neutron weapons at this time, they should eventually be deployed.

Pentagon spokesman Maj. Richard Ziegler responded to the West German reports by stating that any decision to send the ammunition overseas "would have to be cleared first with the host country."

---

## ***Secret service sees new Italian terrorism***

A new wave of terrorism will hit Italy in the near future, according to a report of the Italian secret service (SISDE) quoted in the *Es-*

*presso*. The report says that the Red Brigades are training and reorganizing themselves and are ready to strike, probably in Turin, the FIAT town.

Many Red Brigadiers have entered Turin in the recent period to build a logistical network. Another terrorist group, Azione Rivoluzionaria (Revolutionary Action), is reorganizing itself, and has been making contacts with weapon smugglers in Rome.

The SISDE report also speaks of a regroupment of the right-wing factions "organized by the fugitive fascist killer Stefano Delle Chiaie (who might have recently been in France) together with Francoist friends in Spain. . . ."

On Nov. 30, a new law will go into effect, freeing prisoners of more than six years whose trials have not been completed. This could include a number of terrorists.

---

## ***Pol Pot steps down as rebel chief?***

Kampuchean Khmer Rouge leader Pol Pot has "retired" from leadership of the Khmer Rouge guerrillas, the Khmer Rouge radio, "Voice of Democratic Kampuchea," claimed on Sept. 1. Son Sen, a decades-long associate of Pol Pot, had been "nominated president of the office in command of the army," and Pol Pot has "taken on the functions of president of the office of high-level studies for national defense. . . ."

According to a Khmer Rouge decree, dated Aug. 24, the supreme military committee of Kampuchea, the Khmer Rouge guerrilla command based in Thailand, has ceased its activities, and all civilian and military members over 60-years-old were "invited to retire."

The Thai government has warmly greeted the news. "At last we see some light at the end of the tunnel," Thai Foreign Minister Siddhi Savetsila said of the reports. Vietnam has been left without an excuse for continuing its military presence in Kampuchea, he said, and Pol Pot's removal removes a serious obstacle to peace talks.

Hanoi's only response to the announcement to date has been: "No comment."

# Briefly

● **ROGER WYBOT**, former French counterintelligence chief, has accused the British MI-6 intelligence service of collaborating with the Soviet Union to undermine French intelligence.

● **RIIA**, the Royal Institute for International Affairs in London has established a task force to study the future of Germany. This is one of several such task forces being set up on the soil of the United Kingdom.

● **35 JESUITS** based in Europe met outside Belgium, during the week of Aug. 26, to discuss "questions of morality and theology," according to a European source.

● **CARDINAL KOENIG** of Austria arrived in Rome the week of Aug. 26 to attend a private meeting of anthropologists, Austrian sources report. As a professional anthropologist in his earlier years, Koenig had carried out intensive studies on the Cult of Mithra.

● **BRUNO KREISKY**, the former Austrian chancellor, stayed in Palma di Majorca, Spain, during the last two weeks of August, where he held meetings with top-level members of the European Trilateral Commission, to discuss creation of a "Pan-Mediterranean Pact," which would include Libya.

● **RABBI MEIR KAHANE** is "the greatest danger" to Israeli democracy, Premier Shimon Peres told a group of educators. He never imagined that something so "anti-Jewish . . . in such contradiction to our historical heritage" would arise in Israel. "We will . . . defend the values of Israel, not only the land of Israel." A *Ma'ariv* newspaper poll published Aug. 27 said that Kahane's Kach Party would win 11 parliamentary seats were elections held today.

## The Kremlin talks, and the media and Congress grovel

by Kathleen Klenetsky

The Kremlin's battle to bend the Reagan administration to its will and force concessions on the Strategic Defense Initiative (SDI), entered a significantly more aggressive phase in early September, with the open connivance and support of the U.S. media and key members of Congress.

*Time* magazine, edited by longstanding Council on Foreign Relations (CFR) member Henry Grunwald, provided free publicity to the Kremlin's anti-Reagan hate campaign, when it published an interview with Mikhail Gorbachov in its Sept. 9 issue, tailored to convince Americans that Moscow wants nothing more than to ease tensions between the two superpowers.

Gorbachov used the opportunity to issue new threats against the West—charging that Washington's "shortage of responsibility" has caused superpower relations to become "explosive," and "the warthreat is not subsiding." But *Time*'s writers went overboard to portray the Gucci-shod barbarian as a man of sweet reason.

Gorbachov "conveys an image of robust health and naturally controlled energy. . . . He laughs easily. He dominates a meeting with three extraordinary tools: eyes, hands and voice." His voice is also "extraordinary," "deep but also soft." He arrives "resplendent in a well-tailored blue pinstripe suit," and offers his guests "sweet pirozki . . . mineral water, lemon soda, and cut-glass vases filled with colored pencils."

Not since Andropov crony Fyodor Burlatskii indulged in fantasies about Walter Mondale's lips in the pages of *Literaturnaya Gazeta* last year, has political writing about U.S.-Soviet relations so closely approached the quality of a cheap romantic novel.

By painting Gorbachov in this light, *Time* deliberately tried to convey the idea that he and his policies are eminently reasonable. That specifically applies to Gorbachov's statements about the SDI. The Soviet chief used the interview to float the idea that Moscow would be willing to permit the United States a limited amount of research on the SDI; in

exchange, the Soviets would reduce their offensive nuclear weapons.

This is precisely the rotten deal which the U.S. State Department and its collaborators in the CFR and the Trilateral Commission, have been trying to convince Reagan to accept. *Time* was quick to claim that Gorbachov was "significantly more flexible on the issue of defensive research than his negotiators have been."

Gorbachov backed up his new "offer" with abundant threats that made it quite clear to less starry-eyed readers that the Soviet proposal is pure P.R. The SDI is "very dangerous," Gorbachov asserted. "This project will no doubt whip up the arms race in all areas, which means that the threat of war will increase. We are prepared to negotiate, but not about space weapons or about what specific types of space weapons could be deployed into space. Research is something we regard as part of the overall program for the development of space weapons."

Furthermore, insisted Gorbachov, without an agreement by the United States to abandon the SDI, "it will not be possible to reach an agreement on the limitation and reduction of nuclear weapons, either."

### Senators fall for Gorbachov

Gorbachov repeated his carrot-and-stick approach on the SDI during his three-and-a-half hour meeting with a Senate delegation Sept. 3. According to TASS, Gorbachov scolded the group, led by Senate Minority Leader Robert Byrd (D-W. Va.), for failing to oppose the SDI. "The American side repeated well-known arguments which boil down to justification of the U.S. administration's course of whipping up the arms race, including in space," said TASS. "Mikhail Gorbachov stressed in this context the need for a responsible and serious approach from statesmen, including parliamentarians, to questions of vital importance. . . ."

But almost to a man, the Senators emerged from the meeting acting like smitten schoolgirls—and conveying the

clear message that it is the Reagan administration, not Moscow, which is being stubborn and inflexible.

Byrd asserted that he is now "optimistic" about the summit, since Gorbachov "showed movement. We didn't get the stonewalling that unless you banned [nuclear testing], agree to ban SDI research, we're not having a meeting," he said, adding that while Gorbachov had "attacked Star Wars as some sort of first strike weapon, I think he's ready . . . once we can reach some kind of understanding about Star Wars, to propose radical proposals for reductions in strategic systems."

Sen. Claiborne Pell (D-R.I.) called Gorbachov "a man we can do business with," while Sen. John Warner (R-Va.) gushed that he believes "it's going to be give and take" at the summit. Gorbachov is "going to give, and he's going to take, as long as he's accepted as an equal."

But what did Gorbachov actually give? According to Byrd, he said only that he will table proposals for cuts in offensive nuclear missiles "the day after" the U.S. agrees to discuss steps "to limit the militarization of space." That violates the conditions for negotiation agreed upon by the Soviet and American government last January, namely, that there would be no preconditions for discussions on either defensive or offensive weapons.

Gorbachov further stipulated that anything outside a laboratory, or "pure research," was a violation of the 1972 ABM treaty and forbidden. Even Sen. Sam Nunn (D-Ga.), no friend of the SDI, pointed out that this definition of "research" was extremely "narrow" and would limit the SDI to "essentially what you do in a lab . . . we will allow you to think, but not much more."

In effect, Gorbachov's wonderful new proposal would simply institutionalize Soviet superiority in strategic defense, depriving the West of the one military system which could deter a Soviet nuclear attack.

Yet, that proposal is getting wide backing from Western circles, not least from the Council on Foreign Relations. On Sept. 1, the day *Time's* interview with Gorbachov appeared, William Hyland, editor of the CFR's journal, *Foreign Affairs*, went on national television to deliver the CFR's line for the Geneva summit: Reagan must accept sharp restraints on the SDI—or else accept responsibility for the collapse of U.S.-Soviet relations.

A U.S.-Soviet agreement "would have to include something on Star Wars," said Hyland, appearing on ABC-TV. "I don't think we'd give up *all* Star Wars research. I don't think Gorbachov is so unrealistic as to think he can get Reagan to give up the SDI *completely*. But I also don't think Gorbachov would have agreed to a summit, if he wasn't prepared to compromise."

The same day, *Foreign Affairs* published a piece by Richard Nixon advising Reagan to "agree to limit our deployment of defensive weapons . . . if the Soviets significantly reduce and limit their offensive weapons." This would be the only way to "prevent otherwise inevitable Soviet [nuclear] supe-

riority," wrote Nixon.

To bring further pressure on the President, a high-level Soviet delegation, headed by Georgii Arbatov, head of the U.S.A. and Canada Institute, arrived in the United States Sept. 2 for a 20-day tour aimed at gearing up the anti-SDI campaign. Co-sponsored by the Institute for Policy Studies and the Soviet Academy of Sciences, the tour will be highlighted by a four-day closed-door conference in San Francisco devoted to the SDI, and another private meeting in Philadelphia, sponsored by the Foreign Policy Research Institute.

## ASAT threats

Nixon's wishful thinking to the contrary, Russia's rulers don't give a hoot about incentives. They are committed to ruling the world, and will gladly feed Western fantasies about Soviet "flexibility" if that brings them closer to their ultimate goal. Anyone not in a totally deluded state would have discerned that fact of life Sept. 4, when TASS issued a Politburo-ordered release threatening to deploy Soviet ASATs, should the U.S. even test its ASAT capability.

"TASS is authorized to state," said the dispatch, "that if the U.S. holds tests of anti-satellite weapons against a target in outer space, the Soviet Union will consider itself free of its unilateral commitment not to place anti-satellite weapons in space. The entire responsibility for the further development of events rests entirely on the American side."

Coming as it did on the very day that the Air Force had planned to conduct the first test of a U.S. ASAT in space, the timing of the TASS release raises grave questions about possible Congressional collusion with the Kremlin. Did a member of the Senate delegation to Moscow—Senator Pell, perhaps, a rabid foe of both the ASAT and SDI programs—suggest to Gorbachov that the threat be issued in order to derail the ASAT test?

We may never know. But we do know that the threat was immediately seized upon by Moscow's admirers on Capitol Hill to try to throw the ASAT program into jeopardy. Rep. Les Aspin (D-Wisc.), chairman of the House Armed Services Committee, among others, hinted they might try a last-minute effort to delay the ASAT test indefinitely. Indeed, the test, originally scheduled for late on Sept. 4, was postponed at the last minute on the advice of Air Force lawyers who feared Congress might not have been properly informed.

President Reagan is so far sticking to his guns. In response to the *Time* interview, the White House issued a statement saying that the SDI will not be a bargaining chip. The Pentagon announced that, despite Soviet threats, the ASAT test will occur later this month, pointing out, "The Soviets already have an operational, land-based ASAT system and have had it since 1977."

But well-placed sources report that the State Department is about to launch a full-fledged offensive to con Reagan into accepting Gorbachov's bogus offer at the summit. If it succeeds, Americans will soon be seeing a lot more of the "charming" Gorbachov's true character.

# U.S. disease crisis acknowledged; first emergency actions under way

by Warren J. Hamerman

Since the July 1 release of *EIR's* Special Report entitled *Economic Breakdown and the Threat of Global Pandemics*, which documented that the U.S. vulnerability to uncontrolled epidemics constituted a national security threat, two initial actions have been taken by government authorities. These preliminary moves parallel a portion of *EIR's* recommendations, and reject the protests of self-proclaimed civil libertarians, on the grounds of national security.

In late August, Dr. William Mayer, Assistant Secretary of Defense for Health Affairs, announced that all recruits entering the Armed Forces starting Oct. 1 will be given a new AIDS blood test, and will be rejected if they appear to have been exposed to the virus. Furthermore, a Special Army Board may recommend that the tests be extended to all 2.1 million men and women currently in the Armed Forces, despite protests from civil libertarian and homosexual activist groups. The policy being considered would ensure that all members of the military confirmed, after two different tests, to be suffering from AIDS, would be given full medical care and an honorable discharge. Mayer reported that to date there have been 100 confirmed cases of AIDS in the Armed Forces.

The new policy of screening potential recruits, subsequently adopted by the West German military as well, will work as follows: The tests will screen the approximately 25,000 men who apply for service each month, or about 300,000 per year, at an annual cost of \$1 million. The initial \$3 blood test will be followed by a second, more expensive test; if the second test is positive, the would-be recruit will not be inducted.

The second government move was the release of the conclusions of a two-year-long study by the Institute of Medicine of the National Academy of Sciences, first announced in a press release on July 31. The report recommended the creation of a congressionally chartered, federally funded National Vaccine Commission. The committee of experts called the supply of vaccine in the United States "precarious" and "a threat to the public's health." Their report, entitled *Vaccine Supply and Innovation*, calls for action "urgently" to be

taken to assure that vaccine supply, stockpiles, production, and development remain adequate to meet the nation's needs. Over the past two decades, the number of manufacturers of vaccines in the United States has steadily declined, and "during the 1970s and early 1980s, the proportion of the total pharmaceutical industry R&D investment in biologics also declined," according to the report.

The study analyzes the current crisis in vaccine production: "Twelve commercial manufacturers (five of which only produce vaccines abroad), two state laboratories, and one university are licensed to produce one or more vaccines for use in the United States. Vaccines against 20 different infectious diseases are marketed, several in various combinations. Three are licensed for use in the military only. Seven vaccines (pertussis, poliomyelitis viruses 1, 2, and 3; measles virus; mumps virus; rubella virus; and the diphtheria and tetanus toxoids) are recommended for routine administration to all children. The other vaccines are intended primarily for use in groups of individuals who are at special risk because of circumstances of age, exposure, life-style, or underlying health problems."

The committee was chaired by Jay P. Stanford, dean of the School of Medicine at Uniformed Services University of Health Sciences.

## The national security issue

*EIR* had begun, months before, to raise the issue of the crisis caused by the dismantling of U.S. vaccination programs. Our Special Report of July 1 presented the following conclusion:

"The Soviet Union is known to be currently intensively involved in biological warfare research and experimental 'pilot projects' at a rapidly accelerating rate. The highest level of military evaluation confirms that over the recent period the Soviets have massively upgraded vaccination and other disease prophylactic programs at the very same time that the United States, in pursuit of suicidal economic policies, has drastically curtailed our own inoculation and disease

prevention programs among school children and other segments of the population. In fact, the economic policies of the United States could not have been better designed to create the 'most favorable conditions' for pandemic devastation vulnerability. The two most vulnerable segments of the population are the very segments of the population who have suffered drastic reductions in nutrition, health care, sanitation, and other basic aspects of their standard of living—namely, the elderly and the young.”

The Institute of Medicine Report was issued in the face of two years of fulminating against vaccinations by radical civil libertarians, who organized a national campaign to block the routine use of vaccines on America's children, claiming that the vaccines themselves pose a danger. The American Civil Liberties Union won a number of lawsuits, particularly on the East Coast, for the so-called right of children not to be vaccinated.

### **The case of DPT shots**

The most dramatic case in point is that of DPT shots (for diphtheria, pertussis or whooping cough, and tetanus). DPT is—or was—routinely administered to infants at 2, 4, 6, and 18 months, and again at 4 to 6 years. Perhaps one in 100,000 has a serious reaction. But those reactions have been used to organize a national lobby, Dissatisfied Parents Together (DPT), which filed such huge lawsuits against doctors and the three U.S. companies that manufactured the serum, that two of the three commercial firms which marketed DTP at the beginning of the Institute of Medicine's study in May 1983 (Lederle Laboratories, Squibb-Connaught, and Wyeth Laboratories), had ceased distribution by 1984. Wyeth Laboratories announced on June 13, 1984, that it intended to discontinue the sale and distribution of pertussis vaccine, because of extreme liability exposure, the high cost of litigation, and the difficulty of obtaining adequate insurance. In June 1984, Squibb-Connaught Laboratories informed the Center for Disease Control (CDC) that it would fill only existing contracts.

The Institute of Medicine report states: “These events demonstrate that the United States is precariously dependent on an extremely small number of companies for the major pediatric vaccines. (Polio, measles, mumps, and rubella vaccines are supplied by only a single manufacturer.)”

The curtailment of vaccine distribution had its effects. Children over a year old were refused DPT booster shots, due to the shortage.

As a result, whooping cough is on the rise. It reappeared this year in south Texas—128 cases in eight months—in 21 counties on the Mexican border. There were only 60 cases in all of Texas last year. Whooping cough is a very dangerous disease for an infant or young child. In Britain, where DPT shots were stopped a decade ago on the same radical liberal grounds, whooping cough had returned to epidemic levels by

1984, taking the lives of hundreds of infants and children.

The Institute of Medicine recommended that a National Vaccine Commission “monitor all aspects of the immunization efforts in the U.S. One of its primary responsibilities would be early identification of potential problems affecting vaccine supply. . . . Recent advances in all aspects of biotechnology, and particularly gene manipulation . . . have opened a new era in vaccine development. Effective vaccines for meningitis, diarrheal diseases, malaria, and other parasitic diseases (responsible for enormous morbidity and mortality) may be technically feasible within a decade.”

The U.S. vaccine industry is going to pieces: “The number of manufacturers has declined steadily. During the 1970s and early 1980s, the proportion of the total pharmaceutical industry research and development investment in biologics also declined.” The committee attributed much of that decline to the increasing “risk of litigation” and “limited sales.”

### **Manufacturer of last resort**

Drawing on the DPT experience, the committee also recommended that the Vaccine Commission set up plans for the federal government to become directly involved in vaccine production, as a manufacturer of last resort, should no commercial manufacturer find continued manufacture of a major vaccine a viable option.

To deal with the legal liability which vaccine manufacturers face from infrequent cases of vaccine-related injury, the committee recommended that Congress choose one of 10 options for shifting some of the burden for vaccine-related injury from the manufacturers to the national government. These include: supplementary nonexclusive national compensation system; vaccine supply public insurance program; promotion of no-fault insurance for vaccine-related injury; and federal assumption of liability for all vaccine-related injury. Because vaccination is clearly in the public interest, Congress should ensure that it occurs.

Tasks of the National Vaccine Commission would include: working out problems related to vaccine supply; developing vaccines for rare, serious illnesses that do not affect enough people to make the vaccine profitable for commercial manufacturers; setting priorities for establishing new and improved vaccines; disseminating data on advanced biotechnologies that could speed the production of new vaccines; educating medical personnel on possible reactions to specific vaccines; and encouraging greater use of immunization, especially for neglected groups like the elderly.

The committee noted that, although the U.S. Armed Forces Epidemiological Board oversees efforts to develop vaccines for pathogens encountered in tropical areas or from potential biological warfare agents, the availability of these vaccines still depends upon the willingness of a commercial manufacturer to produce them. Hence, the U.S. population, the committee acknowledges, faces risk from imported pan-

demics and potential biological warfare—as *EIR* had documented earlier.

The two policy moves by the government are welcome, but by no means adequate, for various reasons:

1) The AIDS screen only begins in October and will only cover 25,000 new recruits per month. Even were the entire military eventually to be covered, the civilian population would remain unprotected. Therefore, we need the type of emergency action outlined in the National Democratic Policy Committee's proposed AIDS Program, the text of which follows.

2) The Institute of Medicine Report recommends actions which rely upon congressional legislation, a process which could well drag on too long to prevent the early outbreak of an epidemic tragedy among children or other segments of the population.

3) Both the initial steps taken fail to identify the cause of the threat of generalized pandemic outbreak. *EIR*'s Special Report proved that there is a direct causal relationship between the malthusian policies of the International Monetary Fund (IMF), the World Bank, and their principal U.S. agent, Paul Volcker's Federal Reserve, and the outbreak of disease. Furthermore, a War on Disease can not be fought merely on a national basis, because the breakdown of the world economy has generated the conditions for the outbreak of global pandemics.

The worst diseases threatening the United States are originating in the hell-holes of economic devastation created by the IMF in Africa and other tropical zones. Only a global War on Disease, which begins by dismantling the policy authority of the IMF and World Bank, would create the preconditions for success. The point is simple: Healthy people live in healthy economies.

---

## Documentation

---

### Memorial bill to stop AIDS

*The following memorial bill for emergency measures to deal with the growing AIDS epidemic, was released by the National Democratic Policy Committee for adoption by state legislatures and local governments. The memorial bill, issued the day after the Pentagon announced that all potential recruits to the U.S. Armed Forces will undergo blood testing to determine whether they have been exposed to AIDS, calls for similar measures to be extended to members of the civilian population who work as food handlers, service workers, and elementary and secondary school teachers.*

WHEREAS, AIDS (Acquired Immune Deficiency Syndrome) is rapidly becoming the Black Death of the 20th century; and

WHEREAS, more than 12,000 cases of AIDS have been reported in the United States, and between 500,000 and 1 million Americans have been infected, according to Dr. James Curran of the Atlanta Center for Disease Control; and

WHEREAS, many AIDS researchers report that the actual number of AIDS cases is 10 times the amount of officially reported cases, thereby placing the number of AIDS victims at more than 100,000; and

WHEREAS, The doubling rate of the disease is now at six months, making the disease potentially worse than the bubonic plague; and

WHEREAS, no known AIDS victim has lived more than a few years with the disease; currently, there are no cures or treatments for the disease; and

WHEREAS, AIDS was the number one killer of New York City men between the ages of 30 and 34, one of the top five causes of death in New York City for men between the ages of 20 and 50, and the second leading cause of death for women between the ages of 30 and 34; and

WHEREAS, AIDS is no longer a disease that only affects homosexuals, intravenous drug users, and hemophiliacs. More than 30% of all new AIDS cases in the United States are among heterosexuals. In Africa, nine countries—Zaire, Rwanda, Burundi, Uganda, Congo, Kenya, Zambia, and Tanzania—are currently experiencing epidemics, primarily among heterosexual populations. It is believed that AIDS originally spread from Zaire and Kenya, in 1973, to Belgium, Haiti, and finally the United States; and

WHEREAS, AIDS is a communicable disease, presently incurable, and occurring on a global scale, we now face a public health hazard that threatens this country and the entirety of Western Civilization; and

WHEREAS, AIDS, in posing threats to the safety of our national blood supply, and other areas of health, constitutes such a national security danger that the Department of Defense has announced screening methods for all new recruits to the Armed Forces. As of Oct. 1, 1985 all new Armed Forces recruits will be given the new AIDS blood test, and rejected for admission into the military if results show that they have been exposed to the virus; and

WHEREAS, methods of isolation and cure for treatable and incurable diseases, such as typhus, tuberculosis, and hepatitis, have been effective in the past.

NOW, THEREFORE, be it resolved that the following emergency measures be taken immediately:

### 1) General screening and detection:

AIDS is communicated through bodily fluids. The virus is found in blood, semen, saliva, is probably present in tears, and may be present in sweat. The disease is known to spread through blood and possibly also through fecal contamination, in a manner similar to hepatitis.

Those who are AIDS carriers, therefore, cannot be permitted to work as food handlers, in service occupations (barbers, eye doctors), and as elementary and secondary school teachers.

There is a rapidly administered, inexpensive blood test available to test for AIDS antibodies. The presence of AIDS antibodies indicates that a person has been exposed to the disease, although he may still not be a carrier of the virus.

If this first test is positive, a second test will be administered to determine if the individual has the antigen. T-cell abnormality tests exist to determine whether an individual has the disease or is carrying the virus.

---

---

*The National Democratic Policy Committee is circulating legislation calling for an Apollo-style crash program to be initiated, using a range of conventional and unconventional methods to determine the nature of the AIDS virus, along with its prevention, treatment, and cure.*

---

---

AIDS is a virulent disease, with no known cure, therefore it is important to locate every potential carrier of the virus. Positive tests will be followed up by personal interviews, as in the cases of venereal diseases, to determine if the disease has been communicated, and to isolate these cases.

If both tests prove to be positive, an individual cannot work in the aforementioned occupations. Minimally, those who work or intend to work in these occupations will undergo screening.

### 2) Treatment and isolation:

A series of AIDS research institutes will be set up throughout the country, where patients can be brought and treated in isolation. Many of the country's long-term hospitals are tuberculosis sanitariums that have excellent facilities and are currently underutilized. These AIDS research institutes are not hospices. In contrast to the hospice "death with dignity" ideology, patients will not be put there to die, but will be

given every available medical treatment.

Patients can admit themselves voluntarily to these facilities, unless public health officials determine, at some future time, that more compulsory quarantine measures are needed.

### 3) Research:

A crash program must be initiated, using conventional and unconventional methods to determine the nature of the AIDS virus, along with its prevention, treatment, and cure.

Our nation needs an Apollo-style medical research program in the areas of degenerative diseases associated with the aging of tissue (cancer and heart disease). This will be the broad rubric within which AIDS research will fall. Medical research facilities must be staffed and funded to meet the needs of this top-priority program with the same kind of commitment that was made to put a man on the Moon.

The AIDS research task force will be an independent task force, however, unattached to existing federal and state agencies, but cooperating and coordinating efforts with these and all concerned institutions.

### 4) Preventive economic measures:

As this and other diseases break out of control and reach into the streets and homes of America's cities, one can blame the high-interest-rate programs of Federal Reserve Chairman Paul Volcker and the International Monetary Fund for perpetrating austerity programs on a global scale, that have destroyed not only the economic infrastructure of this country, but of the entire world.

International Monetary Fund "conditionality policies" and World Bank programs have facilitated the creation of austerity conditions throughout the underdeveloped sector, resulting in malnutrition and disease, exemplified by the current outbreak of global pandemics. While AIDS is the most virulent, cholera epidemics are now ravaging 22 African countries. There is a growth of tuberculosis cases, worldwide, reaching an estimated 20 million, and malaria has already spread to an estimated 200 million, internationally. These are just a few of the diseases that are breaking out of control.

The usurious interest rate policies of Federal Reserve Chairman Paul Volcker, coupled with the "Big MAC"-style austerity programs, have ravaged the sanitation and medical infrastructure of urban America, making the nation vulnerable to these kinds of epidemics.

It is absolutely critical, therefore, that the policies associated with Paul Volcker and the IMF be reversed. Once the fetters of usury are removed from American agriculture, for example, a vast increase in U.S. food production can go a long way toward reversing global starvation and malnutrition, thereby eliminating the breeding grounds for epidemics. With Big MAC-style austerity programs abolished, urban infrastructure, especially in the areas of sanitation and medical facilities, can also be brought back to a safe public health level.

# Sen. Richard Lugar: Who is he really?

by Kathleen Klenetsky

When Sen. Richard Lugar (R-Ind.) became chairman of the Foreign Relations Committee late last year, conservatives breathed a sigh of relief. The youthful Indiana Senator might not be a Jesse Helms, but at least he isn't cut from the same superliberal cloth as his predecessor, Charles Percy.

He isn't? Lugar has turned out to be one of George Shultz's staunchest allies in the U.S. Senate.

**The Burt nomination:** Lugar worked with Senate Majority Leader Robert Dole and the State Department to ensure that then Undersecretary of State for European Affairs Richard Burt received unanimous approval from the Foreign Relations Committee as the new U.S. ambassador to West Germany, and then fought bitterly to ram the nomination through the entire Senate—despite an international outcry against the appointment of a man who not only leaked U.S. military secrets while working at the *New York Times*, but had close working relations with now-exposed East German intelligence agents, and pro-Soviet Social Democrats and the Moscow-controlled Green Party of West Germany.

Lugar stated on the Senate floor that he was fully cognizant of the “concerted telephone campaign undertaken . . . to oppose Mr. Burt’s nomination,” but then called the charges against Burt “unsubstantiated innuendo” and “without foundation.”

If anyone knows the truth about Burt, it is Richard Lugar. As a former Rhodes scholar and naval intelligence man in the coveted role of briefing officer to the National Security Council and other top government agencies, Lugar belongs to a select network with full knowledge of Burt’s activities—perhaps even control over them. And, as a member of both the Senate Foreign Relations and Intelligence committees, Lugar had full access to the information necessary to evaluate the charges against Burt.

**Decoupling from Europe:** Lugar has, albeit quietly, lined up consistently with the advocates of U.S. military desertion of Europe (“decoupling”), and, toward this end, has vigorously advocated a NATO “conventional buildup”—despite massive Soviet deployment of new intermediate-range nuclear missiles. In a meeting with Danish officials in July

1984, Lugar threatened that if European NATO members failed to improve their conventional weapons spending, American support for the alliance would diminish. But Europe, from a conventional standpoint, is absolutely indefensible—and Lugar knows this.

Early last year, Lugar became director of a European policy task force at the Center for Strategic and International Policy, a major center for “decoupling” agitation; Henry Kissinger and Zbigniew Brzezinski both work out of CSIS, and Lugar’s co-chairman on the new study group, former Ted Kennedy adviser Robert Hunter, has written extensively against the SDI, and in favor of NATO “restructuring.”

**Deserting the Philippines:** Lugar’s posture is wholly in keeping with State’s plan for deserting the Pacific to the Soviets. In remarks on the floor of the Senate July 30, Lugar blasted Sen. John Melcher (D-Mont.) for daring to attack State’s policy of requiring on use of “private” channels for Filipino import of U.S. agricultural products—an effective cut-off of exports to undermine the Marcos government. But Lugar called this “a substantial program of assistance for the Philippines aimed at promoting fundamental political, economic, and military reforms needed to preserve stability and restore economic health to a key allied nation.”

“I would like to make certain that there is no misimpression in the minds of members of this body that the Department of State is somehow working at cross purposes to administration policy with regard to the Philippines.” Indeed.

**The SDI:** Lugar, a Senate observer in Geneva, purports to support the Strategic Defense Initiative—but, does he support its use to defend the nation, or simply as an armstalks “bargaining chip,” something to be negotiated away? This past March, he introduced into the *Congressional Record* a statement by fellow Indiana Republican Sen. Dan Quayle, urging the administration “to get off the kick of a perfect defense.” Lugar himself has proposed a comprehensive test-ban treaty. This, Lugar must know, would kill the SDI by preventing development of the x-ray laser, one of the most promising defense technologies.

**The IMF:** Lugar strongly supports the International Monetary Fund and Federal Reserve chairman Paul Volcker.

**Agriculture:** In April, he introduced the Agricultural Resource Conservation Act, which would take 30 million acres out of food production, by withholding price supports and loans from farmers who cultivate.

Richard Lugar is no asset of the United States. Nor is he very “clean” otherwise. *EIR* has learned that while he was mayor of Indianapolis, together with Republican bigwig L. Keith Bulen, he set up a secret account (the “Ellanbee Fund”) at the Union Bank in Basel, Switzerland. The fund was allegedly used to funnel illegal campaign contributions into the 1972 election campaign of Richard Nixon, who called him “my favorite mayor”—and rewarded him with the keynote speech at the Republican convention that year.

## New report on bank money laundering

The Permanent Subcommittee on Investigations of the Senate Government Affairs Committee has issued a new report, "Crime and Secrecy: the Use of Offshore Banks and Companies."

Based on hearings held last spring as well as extensive investigations, the report updates the committee's 1982 report on criminal exploitation of offshore tax havens, and a 1983 Joint Economic Committee report on the underground economy.

The 1983 report had estimated the U.S. underground economy hides \$222 billion annually—7.5% of the gross national product—with some estimates as high as \$600 billion. As a result, the latest report indicates in its introduction, the significance of offshore money-haven secrecy (considered an indispensable factor in the underground economy) "may well transcend the issue of criminality and thus have major economic policy ramifications for the United States."

This is an understatement. The estimate of a hidden \$600 billion is over three times the entire federal deficit. Needless to say, if Congress concentrated its efforts to clean this mess up, not only would it save our youth from the deadly effects of drugs, but it would not have to be talking about "pulling the plug" on the elderly and other ugly business to cut the deficit.

The report opens by acknowledging that the big problem with offshore banking havens now involves organized efforts—often linked to laundering drug money—and not individual tax evaders. Sen. William Roth (R-Del.) is quoted: "Use of offshore haven secrecy laws is the glue that holds many U.S. criminal operations together."

The report's description of how the secrecy operation works, although using a relative "small fry" as the example, is useful:

"Let us assume the domestic narcotics trafficker buys 100,000 pounds of marijuana. He pays \$200 a pound. He would then get a profit of approximately \$100 a pound. The money will come to him little by little. At one point in time, he will have accumulated millions of dollars. So what can he do with the money? By creation of offshore operations, he is able then to buy legitimate businesses in this country and is able to invest in other businesses outside of this country. He is able to bring some of his narcotics profits back into the banking system by using these offshore banks and offshore corporations. . . .

"The problem of how to channel offshore dollars back to the United States is undetected is alleviated by the haven country's secrecy laws. In the haven, the American buys a shell corporation. Then, in the name of that corporation, the American deposits money in a bank authorized to do business with foreigners. Under the protection of the haven's secrecy laws, the corporation can transfer the money to the local branch of a large international bank. Next, the American borrows the money from the branch in the name of another corporation. The records of the bank in the U.S. fail to disclose what has happened because they show only a large deposit by one

company and a loan to another company that investigators cannot identify or trace."

One tack that has been taken to go after this is the 1980 Bank Secrecy Act, which has made it law for banks to report all transactions of over \$10,000. Noncompliance with this, of course, has become famous—this year alone, the Treasury has nailed some of the biggest banks in the country for failure to report sums up to \$3.8 billion (Crocker Bank of San Francisco) in just four years. The Crocker case was so obvious—mostly involving six Hong Kong Banks—that Treasury officials were not reticent to say that heroin money laundering was involved.

However, the Permanent Subcommittee report says that the Bank Secrecy Act is being sidestepped by other means of moving the cash outside the country into the offshore banking havens, such as through smuggling.

Even so, by cracking some of the bank secrecy violators this year, the Treasury has begun to unravel some key international dope racketeering operations. The report indicates it never would have happened without this act. In 1979, for example, it quotes Paul Volcker's Federal Reserve Board—following its own so-called investigation—stating flatly that "no violations warranting criminal referral have been found by our examiners"!

The report examines the cases of 29 banking havens. It concludes with a series of recommendations, including sanctions against those havens who express no interest in treaty negotiations aimed at stopping illegal money laundering, such as requiring that all loans from such havens be reportable as income for federal income tax purposes.

Otherwise, the recommendations lack any real teeth.

### The attack on defense continues

No sooner had Congress agreed to cut roughly \$27 billion from the defense budget before leaving for the August recess, than Rep. Bill Gray (D-Pa.), chairman of the House Budget Committee, announced to a nationwide television audience that he and other liberals would attempt to cut another \$15 to \$17 billion from the defense budget.

The House will act on the Defense Authorization conference report when it returns, amidst much noise from the appeasement crowd led by Reps. Barney Frank (D-Mass.) and George Brown (D-Calif.) that still more must be cut from defense. Frank and Miller were meeting with the House Democratic leadership on Sept. 5 to decide whether they will move to reject the conference report in total. O'Neill has promised that they will have ample opportunity to cut more from the defense appropriations bill. And, on Sept. 6, O'Neill met with the House leadership, and agreed to hold a separate vote on reducing the House authorization bill by \$10 billion.

Defense Secretary Caspar Weinberger noted recently with chagrin that the Reagan defense budget is below the projected defense budget of the departing Carter administration, and said that the country could not live with another year of zero increase in the defense budget. Yet Weinberger was forced to give more ground in a letter to Rep. Les Aspin (D-Wisc.), chairman of the House Armed Services Committee, promising not to ask for more MX missiles in the FY 87 defense budget. Weinberger did this

as a means of undercutting the attempt to reject the conference report.

Already, the issue of proceeding with a binary chemical weapons program has been split from the conference report and will come up for a separate vote. If rejected, the House-Senate conference will be reopened to drop the program, even though the Soviets have massive capabilities in the areas of chemical and bacteriological warfare.

### Hearings set against SDI, for decoupling

Several series of hearings will be held by various House and Senate committees to try to force President Reagan to offer the Strategic Defense Initiative as a bargaining chip, and to decouple Europe from the United States. Much of the press publicity favorable to the Soviet propaganda offensive is currently focused on the Senate delegation that traveled to Moscow to meet with Gorbachov.

The delegation, headed by Sen. Robert Byrd (D-W.V.), included Nunn (D-Ga.), Warner (R-Va.), Thurmond (R-S.C.), DeConcini (D-Ariz.), Pell (D-R.I.), and others.

Hearings held by Sen. Larry Pressler (R-S.D.) in the Senate Foreign Relations European Subcommittee will feature prominent advocates of decoupling, including Zbigniew Brzezinski, James Schlesinger, Lawrence Eagleburger, and André Pierre from the New York Council on Foreign Relations. Jeanne Kirkpatrick will also testify. This set of hearings will begin on Sept. 12, covering SDI, NATO restructuring, and U.S. troop pullouts. Hearing titles include, "Soviet Imper-

atives for the 1990s," "Soviet Active Measures," "Crisis of Will in the NATO Alliance," "NATO Strategy for the 1990s," "NATO as a Priority in U.S. Policy," and, incredibly, "Crisis of Will in the Warsaw Pact."

The House Foreign Affairs Subcommittee on Arms Control, International Security and Science will chime in on this theme with hearings on the anti-satellite issue, to ban ASAT systems and tests, of course, and on arms-control technology. They will likely add several other hearings to their schedule.

The Senate Intelligence Committee, chaired by Sen. David Durenberger (R-Minn.), plans a series of closed-door briefings for its committee members to review recommendations made by Durenberger's good friend, Zbigniew Brzezinski, for decoupling Europe from NATO.

Durenberger's Intelligence Committee staff director, Brian McMahon, a former assistant to Carter CIA director Stansfield Turner, said that Durenberger is considering putting some of Brzezinski's recommendations into legislation, especially in the area of European cultural integration. Durenberger was recently in Poland.

The Committee is also planning a comprehensive review of U.S.-Soviet relations "so that the members can have the information they need to make crucial decisions" about various aspects of the relationship, including Soviet "scientific and technological advances."

Trilateral Commission member and co-sponsor of the Nunn troop pullout amendment, Sen. William Roth (R-Del.), also intends to raise a stink

over NATO "burden-sharing" at the October Atlantic Assembly meeting in San Francisco. According to a staffer there will be "a real bullfight" at the meeting over "the same issues raised in the Nunn-Roth" decoupling amendment, including "whether Europe is doing its fair share for the alliance" and "medium and long range NATO strategy." The staffer also indicated that new decoupling legislation will likely be introduced over the next few months.

## **Congress is back and up to no good**

The House of Representatives returned from its August recess on Sept. 4, and the Senate returns Monday, Sept. 9, ready to do more damage to the nation's defenses.

The appeasers in the Congress will be, in addition, trying as best they can to force President Reagan to put the Strategic Defense Initiative up as a bargaining chip at Geneva and in his summit meeting with Gorbachov. The same group will renew its effort to force the United States to "decouple" (read: desert) Europe and split the NATO alliance.

But like the dog chasing his tail, Congress will mainly be involved in tying itself in knots in fruitless approaches to reducing the budget deficit—approaches focused on budget cuts which do nothing to reduce the deficit, but are quite effective in reducing what remains of the U.S. economy to ashes.

No senator or congressman, meanwhile, has shown the slightest indication of taking on the real cause of the deficit—Paul Volcker at the

Federal Reserve and the affects of his usury domestically and worldwide.

A second budget resolution has not yet been passed, and during the recess, the \$55 billion in deficit reduction the Congress thought it had achieved in the first budget resolution, is proving illusory, as the Office of Management and Budget and the Congressional Budget Office revise their assumptions on how well the economy will perform.

Congress has not reached final passage on any of the 13 appropriations bills. Since the fiscal year 1985 ends on Sept. 30, a stopgap continuing resolution will have to be passed to fund these programs, a procedure which has been followed every year since 1975.

While the President is holding a spending-bill veto threat over the Congress, they will be struggling to get different programs within their own budget resolution. The farm bill, for example, is now roughly \$8 billion over the first budget resolution. Cuts will therefore be the focus of activity, while over 200,000 farmers face imminent bankruptcy. Anti-parity forces will also be working against the clock on the farm bill, as current law expires on Sept. 30, and absent new legislation, policy would revert to earlier parity legislation.

Compounding the usual insanity around the lack of solutions to the deficit problem, is the debt ceiling. The ceiling is now \$1.824 trillion, and unless it is raised past the \$2 trillion level, the government will not be able to borrow to continue to finance programs in the budget. While the House has already passed its debt ceiling increase as part of the budget resolution,

the Senate will have a separate vote on the issue.

The Democrats are planning to withhold a vote on the issue until such time as all Republicans have gone on record for increasing the ceiling. Since many Republicans do not want to, and will not, go on record on the issue, a stalemate is in the works that will leave the federal government unfunded.

The President's tax reform proposals will not come to the floor before October, and many members, including Republicans, would rather not deal with the issue. Among other issues that may come to the floor are the genocide treaty, immigration reform, civil rights legislation, and a water-projects authorization bill.

An issue which seems to be increasingly looked upon, especially by Democrats, as politically useful, is protectionist trade legislation. On Sept. 4, House Speaker Tip O'Neill said Congress is likely to pass "some kind of trade bill," and said people don't believe Reagan "gives a damn" about loss of jobs.

The first major foreign-policy issue the Congress will act on directly is the sanctions against the Republic of South Africa, H.R. 1460, a bill that will further destabilize the region and aid in Soviet penetration of the area. The sanctions include bans on new loans, the export of computers or software, the export of nuclear technology, and the import of Krugerrand gold coins. The House has passed H.R. 1460 and a move to end a threatened filibuster in the Senate is expected shortly after its return. The administration, faced with an override if it vetoes the legislation, is seeking some means to avoid a veto or veto override.

# National News

## Police say killer was devil cultist

Los Angeles area police have acknowledged that suspected "serial killer" Richard Ramirez, the so-called West Coast "Night Stalker" apprehended on Aug. 31, was probably a Satanist who was inspired to murder by rock music lyrics.

Los Angeles KABC-TV reporter Wayne Satz has disclosed that the suspect performed Satanic rituals at many of his murder scenes, and had been influenced by rock groups "Heavy Metal" and "AC-DC"—which apparently stands for "Anti-Christ/Devil's Child." The lyrics to one AC-DC song, titled "Night Prowler," bear a striking resemblance to Ramirez's *modus operandi*.

A common link at many of the murder sights, said Satz, was a five-pointed star suspended in a circle, a symbol of devil worship, that had been scrawled on walls. Satz also said that Ramirez had apparently tried to gouge out his victims' eyes.

## Complaint filed against FBI agent

Formal complaints were filed by Campaigner Publications against FBI Special Agent David S. Higgins on Sept. 4 with FBI headquarters in Washington, D.C. and also with the Alexandria, Va. FBI field office. The complaint charges that Higgins conducted himself in an "abusive" and "unprofessional" manner when on Sept. 3 he burst into the Leesburg, Va. offices of Campaigner, an organization which distributes publications associated with former presidential candidate Lyndon H. LaRouche.

The complaint asks that Higgins be disciplined under applicable FBI procedures.

Affidavits concerning Higgins' conduct were also filed in federal court in New York today, in the case *LaRouche v. Webster*, and attorneys for LaRouche asked the court to be allowed to take Higgins' deposition.

In a discussion with a Campaigner attor-

ney Sept. 5, Higgins claimed that he had been sent to the publisher's office by the FBI office in Newark, N.J. Higgins insisted: "I didn't know what I was getting into. . . . I didn't know this was a political organization. Apparently these organizations are affiliated in some way with a guy named 'LaRawsh'—he appears to be some kind of local political leader."

Higgins had no problem pronouncing *EIR* founder LaRouche's name correctly as he yelled: "What is LaRouche afraid of? What has LaRouche got to hide?" during his intrusion into Campaigner's offices.

## OSI witness says testimony distorted

One of the key witnesses in the Justice Department Office of Special Investigations' (OSI) case against rocket scientist Arthur Rudolph now says the "Nazi-hunting" unit distorted her testimony and, in her view, was "not really after the truth."

Rudolf, against whom formal charges were never brought, was hounded by OSI investigators earlier this year to such an extent that he voluntarily returned to his native West Germany. He was accused of committing "war crimes" while employed in Nazi Germany's unmanned rocket program.

Now, according to the *Christian Science Monitor*, one of the key witnesses in the OSI case against Rudolph, Hanne-Lore Banasch, has charged that her initial testimony was changed in translation and that investigative work by the Justice Department's Nazi-hunting unit was "very sloppy and erroneous. . . . Based on all this, I cannot help but believe they were not after the truth but only wanted to find someone guilty and after 40 years."

The *Monitor* report also quotes charges against the OSI by Gen. John Bruce Medaris, former head of the U.S. missile program on which Rudolph worked, and Dr. Fred Winterberg, a prominent nuclear physicist. Medaris, in an open letter to President Reagan, asked that the office itself be put under investigation for its unconstitutional treat-

ment of Rudolph. Winterberg, as *EIR* has documented, established that the bulk of the "evidence" compiled by the Justice Department unit in fact came from East bloc sources—and was not only therefore unreliable, but coherent with Soviet interest in sabotaging U.S. weapons programs.

## State Dept. 'diplomacy by malnutrition'

At a public meeting which he convened on Sept. 6, Sen. John Melcher (D-Mont.) accused the State Department of "using food needs as a club" in its dealings with other nations—"diplomacy by malnutrition," he termed it. Melcher invited spokesmen from the Philippines, Sierra Leone, Liberia, Kenya, Zambia, Guinea, and Senegal to document State Department interference in the expeditious shipment of food to their nations.

The State Department policy consisted of a requirement that U.S. food shipments—both humanitarian and commercial—be made to private interests instead of government agencies—even though no private interests expressed the desire nor had the capacity to process such shipments. This has held up delivery, created food shortages, and encouraged recipient-countries to look elsewhere for grain purchases.

Pablo Pablo, deputy administrator of the National Food Authority of the Philippines, declared that State Department pressure held up wheat and rice shipments, aggravated a food shortage, and drove up consumer prices. Other nations expressed fear that the policy would put grain in the hands of speculators.

Mamadi Diane, president of AMEX International which arranges grain purchases by Liberia, Kenya, Guinea, Zambia, and Senegal, declared that he did not believe any of the countries he represents will agree to privatization of grain shipment delivery.

Melcher pointed to the fact that U.S. agricultural exports are nearly 30% below what they were in 1981 and that American farmers are plagued by falling prices and mounting costs. Afterward, he wondered

aloud why the State Department insisted upon privatized importation by poor, friendly countries, but imposed no such requirement on the Soviet Union.

## Regan was financial backer of Carter

White House Chief of Staff Donald Regan personally contributed to the campaigns of leading liberal Democrats—including former President Jimmy Carter, *EIR* has learned.

Regan co-hosted a fundraising breakfast for ultra-liberal Congressman Bob Eckhardt, a Democrat from Texas, back in 1978. He also made personal contributions to the election campaigns of Carter and Sen. Daniel Patrick Moynihan (D-N.Y.).

In addition, the Merrill Lynch Political Action Committee, which Regan controlled during the time he headed Merrill Lynch, made 1980 contributions to such KGB assets as Sen. Alan Cranston (D-Calif.); Rep. Tom Downey (D-N.Y.), Sen. Patrick Leahy (D-Vt.), and former Rep. Henry Reuss (D-Wisc.).

## Atlanta center issues faulty AIDS guidelines

The Atlanta Center for Disease Control issued a set of guidelines for children with AIDS (Acquired Immune Deficiency Syndrome) which *EIR* Medicine columnist Dr. John Grauerholz has characterized as "incompetent and dangerous."

The Center concluded that there is no reason to prevent young AIDS victims from attending public schools, based on its claim that there is no medical evidence that AIDS can be transmitted through casual contact in the classroom, school showers, day-care centers, gym, or elsewhere. Of the 12,599 reported cases of AIDS in the United States, 183 are children.

Dr. Grauerholz said that, contrary to widespread belief, AIDS is not a "homosex-

ual disease," although, for various reasons, homosexuals are highly susceptible. Rather, it is a disease of "economic breakdown," and, in consequence, it is possible that the disease could be transmitted in such locations as school to students and others who may be nutritionally or immunologically deficient because of poverty or medical reasons.

The guidelines are having their effect in poverty-ridden New York, where case-by-case decisions will be made on whether New York City schoolchildren with AIDS should attend regular classes. A special committee, made up of medical experts, an educator, and a parent representative, will evaluate the seven school-age children in the city known to have AIDS. In addition, Health Commissioner Dr. Davis Sencer said that teachers with AIDS who are healthy enough to teach should be permitted to do so. This is "consistent" with the recommendations of the Center for Disease Control, he said.

## Young mostly agrees with Farrakhan

Atlanta Mayor Andrew Young, U.S. ambassador to the United Nations under Jimmy Carter, interviewed by the *Baltimore Jewish Times* on Aug. 30, said he agrees with "ninetenths" of what Nation of Islam leader Louis Farrakhan says. Farrakhan, who has made frequent anti-Semitic remarks, is on the receiving end of millions from Libyan dictator Muammar Qaddafi, and has also characterized himself as an admirer of Adolf Hitler.

Young calls Farrakhan a "legitimate player in the mainstream of black ideas" and says his POWER plan is "wonderful . . . because it would employ lots of people."

Young insisted that he "has never heard him say anything against the Jews." Asked how he would feel if the situation were reversed, and the Ku Klux Klan were advocating race hatred against blacks, Young replied, "I have always said that the Ku Klux Klan is made up of poor white people who are part of the mainstream of America's social and political life, and they need to be helped, not hated."

## Briefly

● **GEORGE BALL**, dean of the Eastern Liberal Establishment, predicts a "second coming" of Henry A. Kissinger. At a meeting of the Arab-American Anti-Discrimination Committee on Sept. 5, a journalist asked Ball why Kissinger was insisting that the United States do nothing toward a Mideast peace settlement except cultivate an alliance with Syria. "It's because of the second coming," Ball replied. He said he has it "on the highest authority" that "in the second Reagan administration, there will be a second coming." Kissinger wants to be the one to work out the terms for "peace." Everything he is doing now is "tactics," said Ball.

● **EIR CORRESPONDENT** Dolia Estevez-Pettingell filed suit against the U.S. Congress the first week in September, charging violation of First Amendment rights. She was arbitrarily denied press credentials to cover congressional proceedings from the Periodical Press Gallery. House Speaker Tip O'Neill (D-Mass.) and the Senate Rules Committee, headed by Charles Matthias (R-Md.), have oversight on these matters, and have remained silent.

● **ED KOCH**, mayor of New York, is weighing a proposal that the city seek repeal of the state law requiring a doctor's prescription to buy hypodermic needles and syringes. The rationale is that this would allow heroin addicts to purchase sterilized needles, and therefore reduce their chances of acquiring AIDS. "By forcing addicts to use others' needles and syringes, we are condemning large numbers of addicts to death from AIDS," said Health Commissioner Dr. David Sencer, the sponsor of the plan. Sencer also proposed that drug-abuse treatment centers serve as "arrest-free zones" for addicts, where they would be able to trade in their dirty needles and syringes for sterile equipment.

## Editorial

### *An American 'Plan B'*

Although most Americans do not know it—and thanks to the State Department, neither does the President—the Soviet Union is now engaged in a war-scale mobilization of its economy and armed forces, of the form identified in *EIR's Global Showdown* report as “Plan B”—maximum possible emphasis on the most advanced technology. Moscow is engaged in *crash* production and deployment of new offensive weapons, and a *crash* development of so-called Star Wars technology, which may have already passed from the “research” stage into prototype development.

The Kremlin has militarized all Soviet industry. Its current mobilization is comparable to what the United States undertook in the 1939-43 period.

No “arms talks” in Geneva, no amount of appeasement from the State Department or *Time* magazine, will be permitted by the Kremlin to alter the scope and pace of this build-up. At the point that, given an already consolidated offensive superiority, the Soviets were to deploy even a crude first-generation beam-weapon anti-missile defense, Russia “wins World War III.”

*EIR* published *Global Showdown* to make this “Russian Imperial War Plan for 1988” known, and to have President Reagan respond in kind, with an emergency U.S. defense mobilization, an American “Plan B.”

But to date, the United States continues in the exactly opposite, “post-industrial” direction. The United States is not merely lagging behind a Soviet build-up, it is engaged in an accelerating build-down of military and economic capabilities under the yoke of usury imposed by Paul Volcker’s Federal Reserve and his rentier-financier friends in New York and abroad.

- U.S. military spending is now well below Carter levels, inflation considered; the U.S. Congress, back from its August recess, is pledged to attempt another \$10-20 billion in cuts. Meanwhile, the economic foundations of military strength are nearly gone:

- What remains of U.S. steel production, after the Morgan-controlled industry has finished blowing up its

blast furnaces, is largely based on recycling of scrap, not new steel production. U.S. iron-steel output is now below the levels of 1900.

- The United States now produces only one machine-tool for every five produced in the Soviet Union—fewer machine-tools than the relatively backward Soviets produced in 1937.

Compare this last fact, to Soviet boss Gorbachov’s April 23 Central Committee address on war mobilization, where he announced “revolutionary changes . . . modernizing every industry, on the basis of the latest scientific and technical gains, and reaching the highest world levels in labor productivity.” He then added: “The decisive say belongs to the machine-tool sector.”

Of course, the United States must begin producing MX missiles in droves, and put the Strategic Defense Initiative (“Star Wars”) on a crash basis. But it must drastically alter current economic and financial policies to permit this build-up, based on rapid introduction of the most advanced technology.

It is *EIR's* calculation, for example, that the U.S. deficit in machine-tool production, were it to be met on the basis of existing technology, would require investments totaling \$600 billion. In short, we require the fastest possible introduction of laser machining—precisely the technology otherwise under development for anti-missile systems—first throughout the machine-tool sector, and then, all basic metalworking industries critical to national defense and capital-goods production. Franklin Roosevelt would have known how to do it.

There are those who will oppose the necessary measures. They will come from the ranks of those responsible for the present economic collapse of the West and massive Soviet military advantage, and from those, including in the Congress and the State Department, who have already determined to make their peace with the Russians, on Russian terms. But if the nation is to survive, we must shake off the principles of appeasement now dominating our foreign and military policy making, and ride roughshod over the principles of usury now dominating our economy.

# EIR Alert Alert Alert Alert

Our special service for the policymaker who needs the best intelligence EIR can provide—**immediately**.

World events are moving rapidly: The economy is teetering on the brink, and even the largest American banks are shaking at their foundations. Soviet-backed terrorists have launched a shooting war against the United States. In Washington, the opponents of the President's defense program are in a desperate fight to finish off the Strategic Defense Initiative, the only hope for averting Soviet world domination.

We alert you to the key developments to watch closely, and transmit 10-20 concise and to-the-point bulletins twice a week (or more often, when the situation is especially hot). The "Alert" reaches you by electronic mail service the next day.

Annual subscription: **\$3,500**

Contact your regional EIR representative or write:

**EIR News Service** P.O. Box 17390,  
Washington, D.C. 20041-0390.

## Executive Intelligence Review

### U.S., Canada and Mexico only

3 months ..... \$125  
6 months ..... \$225  
1 year ..... \$396

### Foreign Rates

Central America, West Indies, Venezuela  
and Columbia: 3 mo. \$135, 6 mo. \$245,  
1 yr. \$450

Western Europe, South America,  
Mediterranean, and North Africa: 3 mo. \$140,  
6 mo. \$255, 1 yr. \$470

All other countries: 3 mo. \$145, 6 mo. \$265,  
1 yr. \$490

I would like to subscribe to  
*Executive Intelligence Review* for

3 months  6 months  1 year

I enclose \$\_\_\_\_\_ check or money order

Name \_\_\_\_\_

Company \_\_\_\_\_

Phone ( ) \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

Make checks payable to Campaigner Publications,  
Inc., P.O. Box 17726, Washington, D.C. 20041-  
0726. In Europe: *EIR* Nachrichtenagentur GmbH,  
Postfach 2308, Dotzheimerstrasse 166, 62  
Wiesbaden, Federal Republic of Germany,  
telephone (06121) 44-90-31. Executive Director:  
Michael Liebig.