

# EIR

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# EIR

## From the Editor

The liberal establishment says that the United States “can’t afford” to invest in a “Marshall Plan” for Middle East development, because Gramm-Rudman constraints prevent expanding the federal budget for such investments.

*EIR* sent correspondents Muriel Mirak and Paolo Raimondi to Israel for a ten-day visit. Their first report, begins on page 22. They found that the United States can’t afford *not* to back the kind of Marshall Plan envisioned by Economic Planning Minister Gad Ya’acobi and others, which parallels the proposals *EIR* founder Lyndon LaRouche has been making for more than a decade. The cost of any other approach will be a near-term social explosion in the region, with the Soviets mopping up.

- The liberal establishment says “disinvest in South Africa,” allegedly to break up apartheid. But *EIR*’s exclusive interviews with leaders of the largest black liberation movement in South Africa, show that disinvestment means genocide, and that the Soviet-controlled African National Congress is unleashing violence which will turn the entire region into a hellhole and doom the potential for African economic development. See pages 39-43 for the last installment in this unique series.

- The liberal establishment is heaping abuse on NASA in the wake of the Rogers Commission report. But what NASA really needs is to be vastly expanded, and freed from the “cost-accounting” insanity which has led to a series of disasters in the last period. See the exclusive interview with Dr. Thomas O. Paine, who was NASA administrator during the Apollo program, on page 19.

The reason the liberal media is lying on these and other vital issues of foreign, economic, and science policy, is that the U.S. establishment is committed to engineering crises that will lead to a “New Yalta” deal with the Soviet Union, by late this year or 1987 (see *Strategic Map*, pp. 36-37, for a summary). In the U.S. federal Executive, the problem figures are White House Chief of Staff Don Regan; Secretary of State George Shultz; and Treasury Secretary James Baker III. Unless those three are out, the future of the U.S. is grim over the near to medium term.

*Nora Hamerman*

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## Feature



Left: Israeli Premier Shimon Peres, Washington, D.C., October 1985; center top: the Israeli nuclear research reactor at Rishon leZion; center bottom: a scene in Jerusalem (1984); right: the most famous contemporary Soviet agent, Armand Hammer.

NSIPS/Philip Ulanowsky; American Machine & Foundry Co., NSIPS/Paolo Raimondi; NSIPS/Philip Ulanowsky.

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## Now, Mexico is hit with a *political* earthquake

by Mark Sonnenblick

Many people in Washington and New York suffer from the delusion that Mexico's going to the brink of a unilateral debt moratorium in early June was merely a bargaining tactic designed to prod its creditors to negotiate yet another "bail-out." The financial press is full of stories about how Paul Volcker, a mild-mannered Federal Reserve Board chairman, put on his Superman outfit and flew to Mexico June 9 to save it from going over the edge.

President Miguel de la Madrid did not proclaim the moratorium many had expected when he finally appeared on national television the next night. While Washington heaved sighs of relief and geared up for another game of "bailouts" like the 1982 "rescue" operation conducted for Mexico's creditors, curses were muttered in Mexico.

Mexico's debt crisis may be papered over for a while longer in the magical world of bank balance sheets. But, *Mexico has already decided for a moratorium and an end to International Monetary Fund austerity*, regardless of any deals unrepresentative factions of its administration may sign with creditors. Its labor, industrial, and agricultural sectors, and part of the cabinet are committed to that policy.

Foreign Minister Bernardo Sepulveda insisted in San Diego June 9, that Mexico's foreign debt is simply "unpayable," and the nation's finances are in "a critical state." "Political management of the debt, which has been insistently demanded by the governments of Latin America, has not yet encountered an adequate response from the United States."

Mexican Labor Congress head Fidel Velázquez told a press conference June 9, "The workers' movement would totally support Miguel de la Madrid if he decided to declare a moratorium on the foreign debt," and urged the government to immediately impose exchange controls. He said moratorium "is no longer a question of convenience, but of necessity," and concluded, "What is certain is that the people can bear no more sacrifice."

President de la Madrid swore June 2, "We are going to comply with our financial obligations in accord with the country's real ability to pay and without choking the national productive apparatus. . . . Never, never will the Mexican state divest itself of those strategic companies without whose control we would be at the mercy of minority foreign interests." That is a position from which he cannot now retreat.

Mexico's majority party, the Institutional Revolutionary Party (PRI), committed itself in May to the defense of the Mexican economic system in terms so compelling that the President would have to break with the party which sustains him in office, losing control over choice of a successor, were he to surrender to any of the creditors' demands. As a tough leader of the oil workers union threatened, "We won't tolerate a fourth-rate banker in the presidency."

### García's drum-beat

In 1982, Volcker pulled together an "emergency package" for Mexico in two weeks. With that he staved off the danger of an Ibero-American regional debt moratorium.

For three and a half years, Mexico's political and labor institutions exhausted themselves holding the population in line with the murderous austerity programs imposed by the IMF. As workers lost 5%, 10%, 25%, and then 30% of their real wages, Fidel Velázquez, time and again, urged them not to strike, not to join the growing dissidence led by communists. He, and thousands of other labor leaders on all levels, argued that the "unity of the workers' movement with the revolutionary government" had to be preserved at all costs. The PRI party machine thus enabled de la Madrid to apply IMF monetarist medicine, without the social explosion which would have taken place in countries with weaker institutions.

Those days are gone.

They ended on that April day when the Mexican government announced that it had invited Peruvian President Alan

García to visit. That announcement signaled the end of the four-year retreat by Mexico's nationalists. It meant that options such as García's, restricting debt payments to 10% of export income, were now on Mexico's agenda. It meant that Mexico was again considering uniting forces with other debtors.

Since then, Mexico has been marching to García's drum-beat. State television and the press have been saturated with interviews with the continent's most potent political orator. De la Madrid himself sounded a lot like García on June 2 when he proclaimed that Mexico's state policy is to pay debt service commensurate with its falling export revenues. Even the staid English-language daily the *News* rumored that Mexico was about to limit payments to 15-25% of foreign earnings.

Were Mexico to pay the \$10 billion due this year, it would spend more than half of its export earnings, bringing hunger and forcing its import-dependent national industries to close their doors. The government spent over 70% of its first-quarter income servicing external and internal debt, the planning ministry reported. De la Madrid stated in his June 10 interview, which U.S. media agreed was "conciliatory," "Until now it appeared to us that not meeting its obligations would not be best for the country, because until now we were capable of restructuring due dates . . . and we had the foreign exchange to service the debt. But as I have warned, the oil shock changes the picture."

Mexico's reserves have been used up in maintaining interest payments while petroleum income collapsed. There is reportedly \$2.5 billion remaining; Mexico has \$1.8 billion in interest and principal payments due July 1.

### **The spectre of the debtors' club**

Mexico's considering unilateral action reinvigorated the sometimes lonely battle of Peru's García to stop debt from crippling economies. Almost every country in the region shares Mexico's situation: democratic governments doing unconscionable things to their countries to pay debt, because no practical option seems available. The *Wall Street Journal* quoted an unnamed Argentine official, "If Mexico acts, we would have to follow them."

Paul Volcker testified before the House Government Operations Committee June 11 that individual country debt cases "are interrelated, and if the Mexican situation can't be handled in an orderly way, it makes it more difficult to handle" debt problems in Argentina, Nigeria, Venezuela, Ecuador, and others. "These things all reflect back on each other. . . ."

Even Brazil began to take unilateral actions. Brazil was praised by the gnomes at their June 9 conclave at the Bank for International Settlements in Switzerland for acting as the spoiler of Ibero-American unity. Yet, when a mistaken report that Mexico had declared a moratorium was made at a June 10 meeting of top economists, the response was markedly positive. The next day, Finance Minister Dilson Funaro an-

nounced Brazil's first unilateral debt action. He said that Brazil had offered to repay government creditors (the Paris Club) half of the \$3.4 billion in arrears owed them. But, since they had refused the offer, Brazil would pay them 15% now, and stretch the rest over 25 years. In reprisal, the U.S. Eximbank cut off credit to Brazil.

A summit of Ibero-American Presidents to discuss the debt crisis was agreed to in Panama June 6 by the foreign ministers of the Contadora and Contadora support group countries. They are Argentina, Brazil, Colombia, Mexico, Panama, Peru, Uruguay, and Venezuela. Argentine Foreign Minister Dante Caputo's office first leaked news of the meeting on the eve of his trip to Washington, where he used it as a bargaining chip in his dealings with the IMF. Caputo's people said the summit would be in Mexico August 6-7, but those details remain unconfirmed.

Regular meetings of Presidents, Venezuela's Foreign Minister Alberto Consalvia suggested June 11, would facilitate joint action on debt and the economic integration required to fend off creditor reprisals.

Fear of trade blockades and even military action by Mexico's powerful neighbor to the North was undoubtedly de la Madrid's main reason for retreating from imposing Mexican debt management on creditors. During and following the May 12-13 hearings by Sen. Jesse Helms (R-N.C.), the executive and legislative branches flaunted their intentions to destroy Mexico's presidential system. As the July elections approach in the border state of Chihuahua, the drum-beat from the United States is that the minority National Action Party (PAN) must be given control over the state. The June 13 *Wall Street Journal*, for example, calls for the United States to withhold any "bailout" as blackmail until Mexico surrenders a border state to a party committed to insurrection and separatism in overt alliance with the communist party (PSUM). It predicts: "There could be violence." Washington has stepped up its military and para-military forces on the border.

Mexico's leading newspaper, *Excelsior*, reported front-page June 7 what Susan Director, a LaRouche Democrat who is a party nominee for U.S. Congress in Texas, said at a Ciudad Juárez press conference the previous day. "Mrs. Director said there are other dangerous aspects to [Sen. Phil] Gramm's statements on Mexico, mentioning that since 1983 the Soviet Union has been committed to a plan to force the U.S. to pull its troops out of Europe to put them on the Mexican border, to leave Europe unprotected under Soviet influence. This policy, Mrs. Director indicated, is known as the 'New Yalta,' and has the complete support of the State Department."

In his June 10 announcement that he would personally lead negotiations with creditors, de la Madrid stood before a statue of Mexico's "founding father," Benito Juárez, and declared: "What he did remains as a lesson for all Mexico, but especially for all its Presidents." moratorium.

# Mexico's debt crisis means bold measures are needed now

by Jorge Bazúa

After more than three years of enormous sacrifice to service Mexico's foreign debt—and shore up the collapsing financial structure of the international banks—the raw reality has finally surfaced in the consciousness of every Mexican that all the sacrifice has been in vain, and that Mexico has returned to the same choice that faced it in 1982: to declare a debt moratorium or further bleed its internal economy to keep the international financial institutions solvent.

However, unlike 1982, Mexico today is already so bled dry that it has no margin—political or economic—within which to maneuver, no fat from which to squeeze the “liquidity” in order to service the debt, as in 1983. This time the country is simply incapable of meeting interest payments on its debt.

Through the collapse of oil prices, Mexico will lose one-third of its export income this year, and nearly one-seventh of total public-sector income. Given the levels of austerity under which the country has been operating for the past three years, any attempt to absorb the loss of income through import and public expense cutbacks—as the international banks demand—would cause economic contraction beyond the country's limits of endurance.

The first effects of the oil price collapse were felt as of the first three months of this year when the trade balance (exports minus imports) declined precipitously, reaching a mere \$782 million, or *60% less than the same period last year*. At the same time, interest payments on the debt for that first trimester of the year absorbed \$2.272 billion, an amount met only by reducing the central bank's foreign-exchange reserves. At the same time, economic activity began to contract as a result of the foreign-exchange shortage.

The Mexican government has made strenuous efforts during the past three months to reach a deal with the International Monetary Fund and creditor banks regarding payment of debt service and contracting new credits, all the while demanding a reduction in interest rates and co-responsibility of the banks in dealing with the debt problem. The response of the banks has been brutal. Despite its former “exemplary and responsible” behavior in dismantling its economy, Mexico has fallen from the bankers' grace.

New austerity measures and economic shrinkage, the privatization of state enterprises, the exchange of national assets for debt, opening up to foreign investment and other such measures are the conditions demanded of Mexico before the bankers would consider granting a penny in new loans so urgently needed by Mexico to both compensate for the fall in oil prices and maintain its debt-service payments.

Under these conditions, Mexican President Miguel de la Madrid has been left with little choice. On June 2, de la Madrid declared, “We are going to overcome the crisis through growth, and not stagnation. We are going to continue fighting inflation, but without frustrating development. We are going to meet financial obligations in accordance with the country's real ability to pay and without strangling the nation's productive apparatus. This capacity to pay—our creditors must be made to understand—can only be maintained and even enhanced (and in this their interests coincide with ours) to the extent that Mexico is allowed to continue growing. There are no dead debtors nor bankrupt clients.”

## Only 10% for the debt

Everything indicates that Mexico will adopt the Peruvian strategy, in the sense of limiting debt service payments to a fixed percentage of its export income. In high-level government circles, the possibility of setting a 25% ceiling has been discussed, which, if applied to the totality of income from export of goods and services, would mean allocating a little more than \$5 billion to servicing the debt—nearly half of what the banks are demanding in interest and principal payments. But the reality is that Mexico could not meet even that percentage of payments without further destruction of its national economy.

The statistics speak for themselves. Mexico hopes to receive—without taking reality into consideration—\$21.5 billion in export revenues, but the collapse in the price of oil from \$25 to \$11 per barrel in the first five months of the year (and the perspective is that it will remain below \$15 for at least the next several months) means a loss in income of approximately \$7.5 billion. Therefore, Mexico will receive only \$14 billion for its exports. But to keep its economy

functioning even at the same level as last year—without any growth but also without any shrinkage—Mexico needs to import goods of a total worth of \$13.5 billion. It is therefore clear that Mexico's export income will only just serve to cover the country's minimal income requirements. With the tiny trade surplus and what may be obtained from the services balance, Mexico will have a maximum of \$2 billion at its disposal for servicing the foreign debt.

That is, the country's ability to service its debt (without strangling national production further) has been reduced to just \$2 billion, which represents nearly 10% of the anticipated income from export of goods and services, and less than one-fourth of the \$8.5 billion due in interest payments alone this year. This presumes a savings through lower interest rates, and does not take into consideration the principal payments on the debt which also come due this year.

If 25% of total exports of goods and services is allocated to pay the debt, then imports would have to be reduced by \$3 billion, which means a 22% cutback over last year's levels. This would in turn lead to a contraction of approximately 5% in the gross national product for lack of sufficient resources to purchase abroad the raw materials and other goods required by Mexico's productive capability.

Thus, Mexico has no other option but to follow Peru's footsteps: break off negotiations with the IMF, set a ceiling on servicing the foreign debt of *no more than 10%* of export income, and reorient management of internal economic policy toward the genuine interests and priorities of the country. It is as simple as that. But to carry out such a plan requires a good dose of courage, intelligence, and patriotism to stand up to the consequences of such an action since, undoubtedly, affected interests both inside and outside Mexico will counterattack in hope of breaking the country.

### Measures to be taken

From day one, a series of measures and decisive actions must be taken to manage economic policy, both internal and external. On the external front, Mexico must close ranks with other Ibero-American nations in order to strengthen its capacity of economic defense in conjunction with a strategically important sector of Ibero-America, including, above all, Brazil, Argentina, and Peru. This means arranging trade agreements to exchange oil and other Mexican products for food and manufactured goods from these countries. This is vital for the immediate future of the nation, since upon such actions depend the maintenance of certain vital aspects of trade, should certain of the industrialized countries with which Mexico trades allow themselves to be intimidated—either through weakness or stupidity—by the international banks, and launch economic reprisals against Mexico.

To eliminate the vulnerability of the Mexican economy as a result of its high level of dependence upon imports from the industrialized countries, Mexico would have to fully em-

ploy its negotiating talents on an international scale to counteract the effects of a possible trade blockade. The reality is that Mexico supplies numerous developed nations with a series of products crucial for the operation of their industries, products whose shortage could shut down certain productive sectors of those nations. Trade blockades can be made to boomerang against the perpetrators.

It is likely that threats of a trade blockade would remain threats, given the serious implications that such an action would have on the political and economic relations between Mexico and the aggressor country. But even in the event that some country might go beyond threats, Mexico's capacities of self-defense could prove far superior to what many people currently think. Further, one must remember that the most important chapters in the history of Mexico have been written under similar circumstances.

Let us look at the internal situation. The de la Madrid government would have to immediately take a series of measures that would assure it absolute control over monetary policy and public finances, reorienting them toward a strengthening of the productive apparatus and away from each and every one of the monetarist schemes which the current economic cabinet has applied either through the "recommendations" of the International Monetary Fund or through the obsession of certain cabinet members.

The first immediate measure to be ordered would be a lowering of international interest rates, both active and passive, which are currently approaching 120% and 90% respectively and which have become a principal factor in feeding the public deficit, in turn reinforcing inflation and corroding the resources of Mexico's productive sectors. Interest rates would have to be drastically lowered, at the same time that action would have to be taken on the national market to deactivate the inflationary motor through price controls and the imposition of exchange controls to halt flight capital.

At the present time, it is believed that certain government officials are putting the finishing details on a program known in the public domain as the "Aztec Plan," whose fundamental objective would be to stop the inflationary process cold by moving primarily against interest rates, prices, salaries, and the public deficit.

But for the Aztec Plan or any other program to function from the point of view of promoting economic development, more than measures to deactivate the inflationary process would be required. What is called for is another series of measures designed to reactivate the internal market and reestablish the nation's growth capacity. Such measures would have to guarantee the gradual recovery of consumers' purchasing power, of wages and of levels of investment in both the public and private sectors based on selective channeling of credit and public expenditure toward national priorities: economic growth, productive employment, and the population's welfare. No other plan will work.

## Chernobyl, the KGB, anti-nuclear media

Dear Sirs:

I am informed that in one of your journals [*EIR* Vol. 13, No. 22, May 30, 1986, page 9], I am quoted as saying that Mr. Stuart Diamond, a correspondent with the *New York Times*, is a KGB agent.

I categorically state that I do not now, nor ever have, believed Mr. Diamond to be a KGB agent. If I had any evidence of this, which I do not, I would have brought it to the attention of the appropriate U.S. government authorities and not to your journal.

On the contrary, I believe Mr. Diamond to be an honest and conscientious reporter, although I was surprised and a little disappointed by his juxtaposition, in his May 19th *New York Times* article, of my remarks to those of others. This led many people worldwide to believe that I had changed my opinion on the importance and probable effectiveness of U.S. reactor containments, and the ineffectiveness of the Chernobyl confinement in most serious accident scenarios.

In the last five weeks I have talked to a hundred or so columnists and reporters from a variety of journals and newspapers; in most cases the conversation lasted for nearly half an hour while I attempted to explain the technical and scientific details of reactor safety in general and the Chernobyl tragedy in particular. If any of my remarks to any of these reporters led to this, or any other, misunderstanding I apologize to your readers. I also apologize unreservedly to Mr. Stuart Diamond for any problems this unjustified accusation may have caused him.

Finally, I am appalled by attempts to make political capital out of human tragedy. We should send our condolences to those who are sick and to families of those who have died. We can laud the bravery and attention to duty, of those firemen who in the vain attempt to put out the fire and contain the accident, knowingly exposed themselves to the radiation that took their lives. Let us all learn from the accident what we can so that it will not be repeated either in the USA or in the Soviet Union.

Yours sincerely,

Richard Wilson  
Mallinckrodt Professor of Physics  
Department of Physics  
Harvard University  
Cambridge, Mass.

### The author replies

I do not know if *New York Times* reporter Stuart Diamond is a KGB agent or not. He certainly shares with the Soviets a commitment to paralyze this nation's industry and advanced science.

I do know, however, that Professor Wilson made the statement I quoted about Stuart Diamond in a tape-recorded interview May 20, and that he made it in anger at having his words deliberately twisted by Diamond. Wilson said it in the context of a discussion of how some Soviet policy-makers would be pleased if the Chernobyl accident led to a shutdown of nuclear power in the West.

In a May 19 front-page article Stuart Diamond deliberately and maliciously distorted what several nuclear experts told him about the Chernobyl safety systems, in order to make the case that these Soviet systems were similar to those used in U.S. nuclear reactors, and that therefore U.S. nuclear plants are not safe. His article appeared on the same day that Ralph Nader's Public Citizen group and the Union of Concerned Scientists had a full-page anti-nuclear fundraising ad in the *New York Times*, using the same formulations Diamond used on page one in his news story.

While the victims of the Chernobyl disaster deserve our sympathy and compassion, a reporter like Stuart Diamond—who lies and dissembles for his own political purposes—does not. While we may also have compassion for the pro-nuclear spokesmen in this country who are intimidated by the well-funded and litigious anti-nuclear media mafia, as a nation we cannot tolerate such an intimidation to suppress the voice of truth.

I do not know what kind of pressure Stuart Diamond exerted on Professor Wilson. I do know that at the meeting of the European Nuclear Society in Geneva the week of June 2, the anti-nuclear groups created an atmosphere of intimidation and terror. One of the nuclear safety experts whose statements were distorted by Stuart Diamond told me a chilling story to make this point. A group of these anti-nuclear thugs cornered a prominent German nuclear scientist on the street in Geneva and beat him up.

Those attending the Geneva meeting, in particular the Germans, talked about this anti-nuclear gangsterism, and recalled how similar terror tactics in the 1920s and 1930s were used to bring the Nazis to power. The lesson should be clear: The route to victory over fascism is not appeasement.

Marjorie Mazel Hecht

# Economy main issue in Thai elections

by Sophie Tanapura

Thailand's general elections on July 27 will be dominated by economic issues. With paddy rice selling at 1,500 baht per ton, whereas production costs are estimated at 2,500-3,000 baht per ton, the farm sector, the backbone of the country, is literally going bankrupt. The foreign debt of Thailand has climbed to more than 20% of the national budget and to around 30% of the country's export earnings. Development projects are being discarded because debt payment to foreign banks and the International Monetary Fund is given higher priority. All of the country's economic woes will be blamed on the current government of Prem Tinsulanonda, and rightly so.

Over the past year and a half, the numerous conferences organized by *EIR*'s Bangkok office in collaboration with the Fusion Energy Foundation (FEF), and our consistent publication of articles strongly critical of the government's economic policies, are finally having a visible impact on Thai politics. Not only have the relevant facts and figures been made available to the public, but the LaRouche-Riemann approach to economics has shaped policy discussions in Thailand around three issues: debt and the necessity for an orderly moratorium, technology as the key to increasing productivity, and large-scale versus small- and medium-size projects to stimulate the economy.

The most significant development along these lines is the "Economic and Labor Development Program for Thailand—1986" recently adopted by the Thai Trade Union Congress (TTUC). The TTUC is headed by Paisal Thawatchainan, an opponent of World Bank policies and a member of the Labor Commission of the Schiller Institute, an international organization founded by Helga Zepp-LaRouche.

For the TTUC, the announcement of the economic and labor program is truly a historical event. For the first time, the labor movement has decided to set recommended criteria for their members' political choice. The program demands that political leaders and parties measure up to TTUC expectations if they are to hope for TTUC votes in the upcoming elections. The TTUC has a membership of nearly 200,000, not including friends and family—a considerable potential voting bloc.

The TTUC was determined to draft a development program for Thailand because they had found the National Economic and Social Development Board (NESDB) inadequate

to the task. The TTUC believes that "economic security and political stability go hand in hand and are, in fact, inseparable. In the same way, a democratic government can remain stable, only if the country continues to progress economically. . . . Votes can be bought for a price because the income per capita is very low. For the same reason, corruption has become an everyday reality in the society."

The TTUC program calls for the realization of four basic principles: Plentiful food, good housing, full employment, and good education. To achieve these goals, the Thai economy has to be oriented around five major points:

- 1) Increase productivity in the agricultural sector and develop the agro-industrial sector by increasing input into four areas—fertilizers, irrigation, machinery, and rural electrification. Guarantee a parity price for agricultural products which includes at least a 10% profit margin for the producer. Such a policy should include a 5-10 year debt moratorium for the farm sector and a two-tier credit system favoring investment in both agricultural and industrial sectors.

- 2) Reorganize the foreign-debt structure and limit debt payments per year to only 10% of the country's export earnings.

- 3) Expand the country's communications and transportation infrastructures which should include the acceleration of the Eastern Seaboard project and the implementation of the industrial complex associated with the projected construction of a canal through the Isthmus of Kra.

- 4) Raise the level of general education for at least 80% of the population, and double the current number of 87,000 engineers and technicians.

- 5) Increase the level of scientific and technological research and education in the following areas: a) research into new varieties of seeds to improve agricultural production; b) biotechnology, bio-engineering, and advanced computer science; c) nuclear fission and fusion research; d) laser technology in agriculture, food irradiation, and industry.

On June 8, the TTUC organized a special central committee meeting before which all political parties were invited to explain their economic and labor policies. Of the five parties that showed up, only two—the Democratic Party of Bichai Rattakul and the Community Action Party (CAP) of Boonchu Rajanastien—had acceptable economic programs for the union. However, in the final voting on June 10, it was decided that the TTUC would swing its union movement behind the CAP. The reason for this was actually not a question of program. With the collaboration of the Friedrich Ebert Stiftung and the AFL-CIO, the Democratic Party has in the past conducted numerous union-splitting operations against the TTUC, something which cannot be easily forgotten or forgiven. Of note, however, is the fact that both the CAP and the Democratic Party favor moratoria on foreign and farm debt.

It is expected that no political party will win a majority in the House of Representatives. The only party that might

get close to even 25% is the Democratic Party. It has the advantage of having been around for a long time, and has a well-structured campaign organization to muster the necessary grass-root support. Such an advantage is important given the early elections, which have caught others more than off-guard.

However, even with a strong Democratic win, the next government will necessarily be a coalition. The big question will be who among the coalition party leaders will be the next prime minister. Will it be Bichai Rattakul of the Democratic Party? If so, will Gen. Pramarn Adireksarn of the Chat Thai Party stand for this? Former premier Kukrit Pramoj has positioned himself in the wings.

### Prem, buffalos, and cow dung

If the fight gets really tough among the political parties, which would not be a surprise, there is always Gen. Prem Tinsulanonda, who still wants a chance to return to the premiership. Despite many around him urging him to run for parliament in his home town Songkhla, Prem has chosen to remain neutral. To win a parliamentary seat, he would have had to run under the banner of the Democratic Party, after which he would still have to contend with Bichai Rattakul for the prime minister's post. Whatever the case may be, Prem has decided not take any political chances. He does not need to, because he has the blessings of the powers-that-be, the one vote that really counts. After all, general Prem was recently bestowed with the honorary titles of air chief marshal and admiral.

However, Prem is living in a fantasy world. Criticism in the press against his government has reached such levels that it has begun to disconcert him. His personal psychiatrist, Dr. Prasop Ratanakorn, is extremely worried about his mental health. Reportedly, Prem has been advised not to have his morning papers with his breakfast anymore. Prem is nonetheless assured of his popularity: Everywhere he goes in the provinces, his propitiatory cronies in the ministry of the interior organize "We Love Prem" banners and signboards.

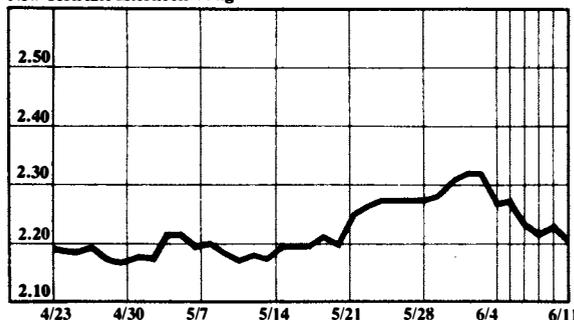
The same cronies do not hesitate to propose that, to gain a competitive margin for Thai rice, production costs must be cut. How? Very simple: Just stop using any machinery and chemical fertilizer and use buffaloes and cow dung instead. Again recently, Dr. Virabhongsa Ramangkura, economic adviser to the prime minister and loyal disciple of the Wharton School's Lawrence Klein, announced: "The Thai economy will recover and register a growth in the second half of this year."

If Prem wiggles his way into the prime minister post again—apparently because he badly wants to have the honor of presiding over the royal 60th anniversary celebrations of King Bumiphol Adulyadej—the country will be heading straight into the same trap the IMF laid for the Philippines. The future of Thailand is not written in the stars. It is not written in the palm of any national figure. Thailand as a nation is at a crossroads and the right choice must be made.

## Currency Rates

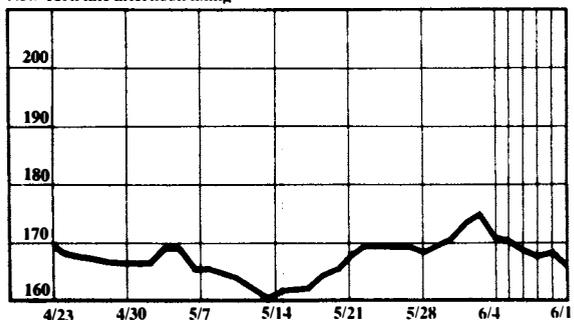
### The dollar in deutschemarks

New York late afternoon fixing



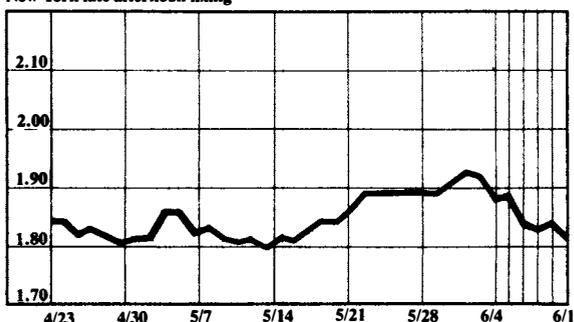
### The dollar in yen

New York late afternoon fixing



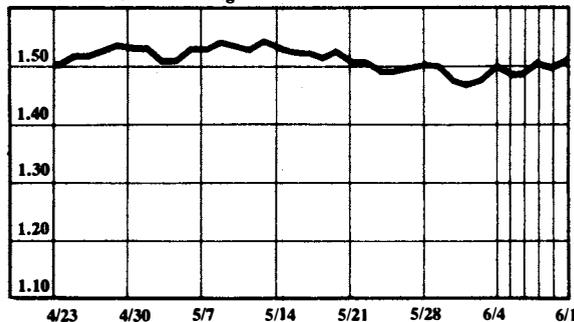
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



## The collapse of bank lending

*A Salomon Brothers report shows how bad debts contract loans, and the oil sector was hardest hit.*

**B**usiness loans outstanding from U.S. commercial banks fell by \$2.5 billion during the first quarter of 1986, as *EIR* reported in April. We attributed the decline to disaster conditions in the nation's economy.

Indeed, loans by banks to business fell during only one year in the entire postwar period, namely 1974, and have not fallen on a quarterly basis since the second quarter of 1980, which registered the fastest rate of decline of industrial output in the history of the United States.

Salomon Brothers analyst James McKeon reported at some length on this phenomenon in a research report issued on June 9.

McKeon's piece does not add substantially to what has been obvious for some months, but it is still useful to re-state the point.

"Commercial banks were reluctant to supply credit as aggressively as they have recently," McKeon wrote, "because of the following factors:

"The increased incidence of non-performing loans to farmers, foreigners, energy producers, and, in part of the country, real estate.

"The perception that, in many cases, capital ratios were inadequate.

"Uncertainties about the impact of tax reform on new investments."

As we reported earlier, the oil belt was hit worst. The Salomon report notes, "The decline appears to have a strongly regional character. About 60% was concentrated among the large

weekly reporting banks in the Dallas Federal Reserve district, while the remainder was at smaller, non-reporting banks.

"If regional data were available for smaller banks, they might show that all of the decline was concentrated in oil-producing regions. The plunge in oil prices severely crimped demand in oil-producing regions, and a slide in bank earnings in that area also reduced the willingness and ability of banks to extend credit."

But the \$1 billion decline in small banks' lending also provides an "acid test" of the bank regulators' program for dealing with problem institutions. Contrary to all the talk about stretch-outs to agricultural and energy borrowers, the Federal Deposit Insurance Corporation and the Treasury's Office of the Controller of the Currency are forcing the banks to liquidate borrowers.

In the 50-odd bank failures so far this year, the FDIC has followed its takeover of failed institutions by bankrupting the institutions' problem borrowers as well.

These data are sufficient to show that the collapse of the oil patch is, by itself, sufficient to turn the direction of the nation's economy downwards (*EIR* estimates a 7% decline of U.S. industrial output as a consequence of \$12 a barrel oil).

However, it is not merely the oil patch that is in trouble, Salomon continues:

"Nevertheless, even if all of the first-quarter commercial and industrial loan retreat was the direct or indirect effect of energy price declines, loan demand would still be virtually non-existent."

Part of the collapse in loan demand, of course, reflects large corporations' access to relatively cheap long-term money on the bond markets. But the major banks face the same problems that hit the oil patch, as Third World debt portfolios deteriorate.

"Loan sales at larger money center banks seem aimed at achieving the slower growth of assets and the substitution of higher-yielding loans for those being sold," writes McKeon.

But a large portion of those loans involve Ibero-American credits, now selling on the secondary market at between 40% and 70% of face value.

Conditions are likely to worsen for the major commercial banks, warns Salomon. "Declines in oil prices, interrates and the U.S. dollar have not yet had the favorable impact that was expected. . . . These are the only potential improvements for the commercial banking system, however. And, they could be outweighed by the effects of the apparent recent deterioration in Mexico's external position if current international negotiations fail to resolve Mexico's difficulties."

Predictably, the banks have responded to the crunch in areas in which their previous speculations failed, by increasing their speculation in other areas, mimicking the gambling "system" proven to lead most rapidly to bankruptcy: doubling your bet.

Commercial banks are rapidly increasing their residential real-estate portfolios, financing the building of houses on speculation, among other things. Mortgages increased by \$10 billion, which will add to the troubles of the banks, when the present mini-bubble in housing purchases deflates.

# Business Briefs

## **Sabotage**

### **German research facility hit by arson**

A research facility of AEG Telefunken in Frankfurt, one of Germany's largest electronic firms, was hit by arson the weekend of June 7.

There is speculation that AEG Telefunken was targeted for sabotage because of its cooperation on projects related to President Reagan's Strategic Defense Initiative with the West German aerospace firm Dornier. Both firms are now owned by the Stuttgart-based Mercedes Benz company.

Two buildings within the research compound were set on fire; a hole was cut in the security fence around the compound, and the two buildings, separated by 15 feet of grass, were attacked separately. Material damage is estimated between 5 and 10 million deutschmarks. The actual losses may be higher, since an entire computer data bank for AEG's basic research was destroyed.

## **International Credit**

### **Poland joins IMF; gets reprieve from banks**

The International Monetary Fund announced on May 28 that IMF membership for Poland has been approved. The United States abstained from the vote because of uncertainty about whether Poland would be able to meet the requirements for loans under U.S. law.

Polish government spokesman Jerzy Urban said on May 30 that Poland welcomed its admission to the IMF: "We are aware that it only starts a long procedure of cooperation which may bear fruit after a rather long period of time," Urban told Reuter. Asked if he expected an early granting of IMF credits to Poland, Urban replied, "No."

Asked if Poland was prepared to cooperate with IMF programs and what was the Polish stand on possible IMF conditions, Urban stated, "If some conditions emerge, they will be given detailed consideration."

Poland, which owes more than \$30 bil-

lion to foreign banks and governments, was almost immediately granted breathing room by its commercial creditors. Praising the "very great cooperation of the banks in these negotiations," chief Polish negotiator Jerzy Malec, vice-president of the Bank Handlowy, announced on June 12 he had agreed to a four-year delay with a working party of Warsaw's commercial bank creditors on repayments of 95% of \$1.62 billion of principal due this year and next.

The agreement, reached in talks on June 11, was not linked to new credits, which would be negotiated separately.

Malec said that Poland was keeping up with its current interest payments. He said a \$231 million repayment of principal due on June 10 had been delayed for technical reasons, but was being paid. It was the first principal repayment due under a 1981 rescheduling agreement.

## **Banking**

### **Record bank failures projected for 1986**

Between 140 and 160 federally insured banks will fail this year, according to a forecast by William Seidman, chairman of the Federal Deposit Insurance Corp., given in an address on June 12 to the U.S. League of Savings Institutions. This would be the most failures in any one year since the FDIC first offered federally guaranteed insurance for bank deposits in 1933. The previous record was 120 banks, in 1985.

Seidman stated that the FDIC's list of problem banks had grown to more than 1,300—up by 150 banks since the first of the year. So far this year, the FDIC has handled 55 cases in which an insured bank failed or was sold to a healthy bank to avoid failure.

Seidman said the FDIC's bank examiner staff was now able to examine marginal and problem banks only once every 20 months in some parts of the country, and if Gramm-Rudman budget cuts force more layoffs, "The net effect . . . will be higher insurance costs and less stability in the financial system."

## **Great Projects**

### **Egypt works out development plan**

An Egyptian Foreign Ministry Special Task Force was reportedly deployed in early June to work out the details of Foreign Minister Abdel Meguid's proposal for a \$30 billion Middle East development program.

The main focus of such a plan, according to sources, is the integrated development of both Egypt and Sudan, both for economic and political reasons. Egyptian reports say that the rationale behind the "Meguid plan" is that Israel's Prime Minister Shimon Peres's "Marshall Plan" proposal is considered "unacceptable" on a propaganda level because it is an Israeli proposal.

However, high-level discussions have recently taken place between Egyptian President Hosni Mubarak and Prime Minister Peres on such development schemes, since it is obvious that the Peres Plan and the Meguid Proposal are similar in substance. Most of the work is currently being done on a non-official level.

## **The Great Recovery**

### **Productive employment decreases again**

Unemployment jumped two-tenths of a percentage point to 7.3% in May, with the loss of another 40,000 manufacturing jobs in a single month, the Labor Department reported on June 6. In addition, 30,000 oil and gas jobs disappeared in May, the government said.

In May, the number of Americans without a job rose by 210,000—to a total of almost 8.6 million officially unemployed, which fails to include the underemployed and other categories the government neglects to count. In manufacturing, the loss of 40,000 jobs in May brought the decline in this sector to almost 100,000 since January.

In less than two years, 300,000 manufacturing jobs have disappeared from Amer-

ica. Particularly hard-hit in May were the durables industries, particularly the five major metals and metal-using industries, the government said. Some 15,000 jobs in motor vehicles and equipment also were lost in May—meaning 50,000 of these workers have lost their jobs since early 1985. The average manufacturing work week also dropped by 0.1 hour, to 40.6 hours—still high by historical standards.

### **'Magic of the Market Place'**

## **France about to increase privatization**

"The Chirac government up to now has made what we feel is a big mistake, namely, trying to go into privatization in a step-by-step fashion," an adviser to French banks told *EIR* in early June. "But, this has now been corrected, and you can expect the full-scale privatization process will go ahead in the next two months, as soon as certain details are finalized."

The source emphasized that major state assets such as Thompson, Matra, Pechiney, Renault, Banque Indo-Suez, Crédit Agricole, and others will be put on the private stock market.

"There will be chaos, it will be difficult to manage. You cannot regulate it. The 'Merrill Lynch' with big international market positions will be able to take advantage of this brief transition period because of their superior global communications networks."

Heavily involved in the privatization project is the Kissinger-linked Italian financial figure Carlo de Benedetti. According to the source, De Benedetti, Olivetti chairman and member of the European Industrialists' Roundtable of Sweden's Pehr Gyllenhamer, has ties into French finance ministry circles, and has hired a former finance ministry official to head his new Paris-based Ceres holding company. De Benedetti announced in April that he would target major stock-market takeovers in France, in anticipation of government sales of state holdings, and stated his intention of building an industrial empire in France, modeled on his

Italian operations.

According to a report in the London *Financial Times* on June 12, French Industry a report in the London *Financial Times* on June 12, French Industry Minister Alain Madelin will end aid to four of France's five remaining shipyards. Madelin, an avowed disciple of free-enterprise ideologue Milton Friedman, calls this a crucial test of whether the Chirac government is willing to risk unpopularity to pursue free-market principles. "We've got the chance to end 40 years of state intervention," Madelin declared in a recent interview.

### **International Trade**

## **Economic growth slowing in Japan**

The Japanese economy has continued to grow, but its pace of expansion is slowing down, due mainly to the upsurge in value of the yen and its effect on small to medium-sized firms, according to a government report issued on May 20.

The Economic Planning Agency (EPA) said in its monthly report that the yen's appreciation has driven down exports, hurting Japan's mining and manufacturing production and shipments.

"Economic growth seems to have been mixed even to the point of slow-down, despite steady improvement in domestic demand," the report on the Japanese economy said. The report, submitted by EPA Director-General Wataru Hiraizumi to a meeting of cabinet ministers in charge of economic affairs, expressed concern about the signs of deteriorating employment and business failures.

The report said that the volume of exports rose 5.8% in April from a 2.4% drop in March, due apparently to an increase in car shipments to the United States in April, the first month of Japan's fiscal year. But exports sagged 2.1% in March and 0.3% in April in comparison with 1985. Imports climbed 12.7% in April over the previous month and 7% over the year before due mainly to increases in manufactured and crude oil imports.

## **Briefly**

● **'HISTORY** is moving in the direction of a Latin American common front. It is only a question of time," Peru's President Alan García told the West German weekly *Der Spiegel* in an interview published in early June. When *Spiegel* suggested that García was not really willing to break with the IMF, García answered, "That break has been there for some time. We are not going to ask the IMF for a single cent."

● **MOSHE MANDELBAUM**, head of the Bank of Israel, has resigned, effective June 3. Mandelbaum was one of those most harshly condemned by Israel's Bejski Commission for his part in the October 1983 Israeli banking crisis.

● **BLACKS** in the industrial heartland of South Africa oppose economic sanctions against the country by an over two-thirds majority, and believe that blacks would suffer most from such sanctions, according to a recent survey by the Human Sciences Research Council.

● **TENNESSEE** Gov. Lamar Alexander launched into a week-long round of talks with Japanese companies in early June, in hopes of encouraging them to set up branches in his state. Spokesman Bill Boozer did not identify the companies, but said the governor was meeting Japanese companies in Tokyo and Osaka.

● **THE LESOTHO** government in early June denounced sanctions against South Africa as being disastrous to the economies in the southern African region. The head of Lesotho's government, Mr. Metsing Lekhanya, said, "Sanctions would hit all countries in southern africa."

● **SUDDEN DEATH** Syndrome has hit the soybean crop in eight states. Nothing is known of the cause or cure for the disease, which can reduce soybean yields by 50%. It hit 3-5% of fields in Missouri last year, and is now found in Indiana, Illinois, Kentucky, Tennessee, Louisiana, Arkansas, and Minnesota.

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## Why the U.S. needs nuclear power production

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*Robert Gallagher proves that nuclear power is not only safe, but indispensable to meet the energy requirements of the future.*

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After Soviet Russia launched an international propaganda campaign against nuclear power, through its activation of the Green Party to shut down 16% of West Germany's electrical generating capacity, some observers were surprised when Moscow TV announced June 3 that the two undamaged reactors at Chernobyl would be back on line as early as October. The Chernobyl accident has in no way altered the Soviet commitment to nuclear power development. Despite their disregard for safety, the Kremlin leaders understand that nuclear power is inherently superior to any form of electric power generation based on the combustion of coal, oil, or natural gas.

The success of the environmentalists in the United States in destroying our nuclear power construction program, has led the United States to the brink of economic disaster. The potential relative population density of the United States has declined over the past decade as a result. Per capita electric power production leveled off in the late 1970s and has actually declined since President Ronald Reagan's election in 1980, for the first time since Herbert Hoover was President (Figure 1).

Preceding this decline, electric power output per power-plant production worker peaked in 1970 and has dropped 10% since. This stagnation and then collapse in productivity followed closely on the heels of the decline in the rate of growth of the energy flux density applied in fossil fuel-fired power plants in the mid-1960s. (Energy-flux density measures the intensity of the application of energy through a work surface, and thus measures the ability to perform work.)

To comprehend the enormity of the problem we face, consider the energy requirements for U.S. economic growth between now and the end of the century. The Department of

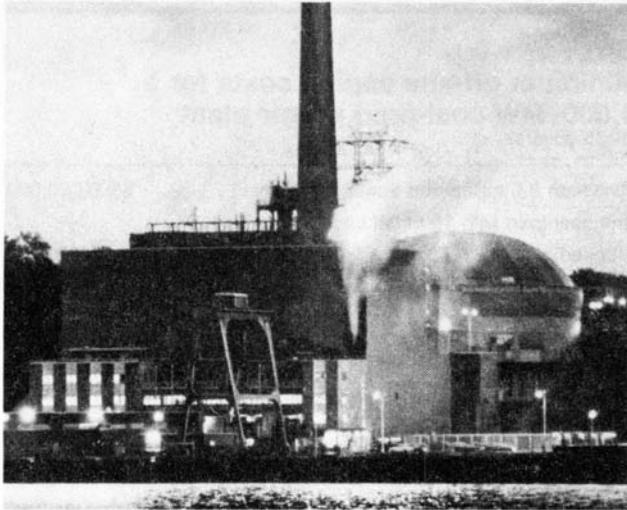
Energy admits that the nation will require 50% more electrical generating capacity by the year 2000; but *EIR's* October 15, 1985 *Quarterly Economic Report* estimated that turn-of-the-century needs will really be double today's capacity.

These discouraging trends could have been prevented, or at least reversed, by a determined effort to "go nuclear" in the 1970s and 1980s. Productivity at nuclear power plants is over 10 times greater than conventional generating stations. Nuclear plants generate steam to drive turbines by applying an energy-flux density approximately 10 times greater than that of fossil fuel-fired plants.

### Why nuclear energy is superior

Nuclear power's advantage today derives from the more advanced physical principle, by which it even generates steam. Power plants that burn fuels are limited in the energy-flux density they may apply to produce steam. Water in a boiler would be subjected to the highest energy-flux density (for a moment), if it simply flowed over the burning coals. Unfortunately, this would extinguish the fire in the furnace. As a result, all fossil-fuel fired power plants must separate the heat source and the heat-carrying water medium, with boiler tubing. This tubing must be strong enough to resist the corrosive action of superheated steam, yet thin enough to permit efficient heat transfer across its surface. These boundary conditions place limits on the flame temperatures that can be applied to boiler tubes.

In nuclear light-water reactors, the heat-carrying water medium circulates around and over the heat source, zirconium-clad uranium fuel elements, and thus the boundary conditions on energy-flux density that limit fossil-fuel fired plants are removed. This permits the order-of-magnitude leap in



Consolidated Edison

New York's Indian Point nuclear plant.

energy-flux density achievable with nuclear power.

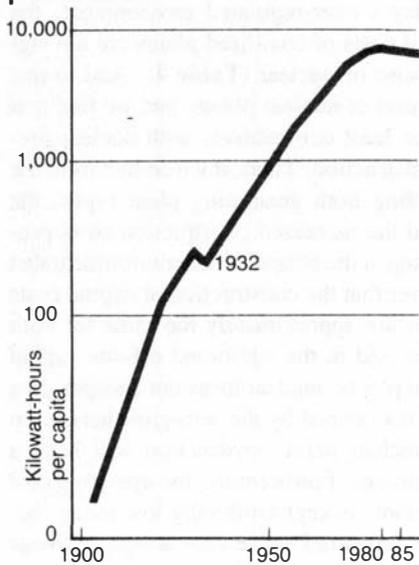
This, and the fact that nuclear power plants do not require hundreds of miners and railroad workers to fuel them, produces the tremendous increase in productivity.

With this background, it perhaps seems odd that accountants and environmentalists are perpetrating the myth that

nuclear power is a greater cost to the national economy than coal-fired power plants of equal generating capacity. From a bookkeeping standpoint, it may appear, at least for some utilities close to significant, cheap coal deposits, that this is true. Coal appears cheaper only because of the significantly larger financing and re-engineering costs now applied to the construction of a nuclear plant, because of regulatory measures and construction stretch-out resulting from re-design of the plant during construction. Over the past decade, the average lead time for construction of a U.S. nuclear plant has doubled, from 60 months to 120 months, and costs have soared. Today, the total capital cost of a nuclear plant of 1 gigawatt capacity ranges from \$2 billion to \$5 billion, most of which is related to increased costs from time delays and changes required by Nuclear Regulatory Commission regulations.

From the standpoint of physical economy, there is absolutely no truth to the assertion that electricity generated from coal is cheaper than nuclear. Nuclear power stations compress a huge amount of labor, capital equipment, and resources into a small space relative to that required for coal-fired power generation. In this way, they demonstrate the fundamental principle of economy: the application of higher ordering principles to lower the cost of production.

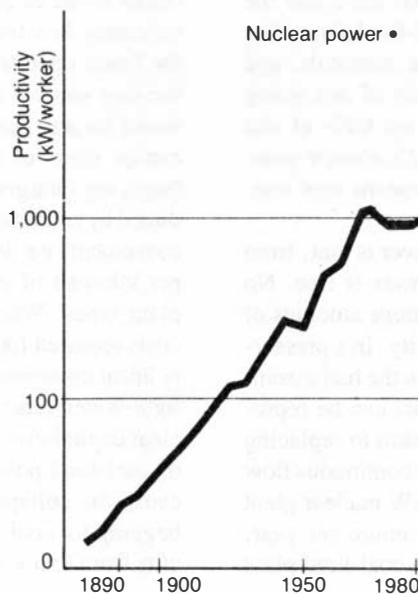
FIGURE 1  
U.S. electric power production



Per capita electric power production in the United States has declined since President Reagan's election, for the first time since the Hoover administration.

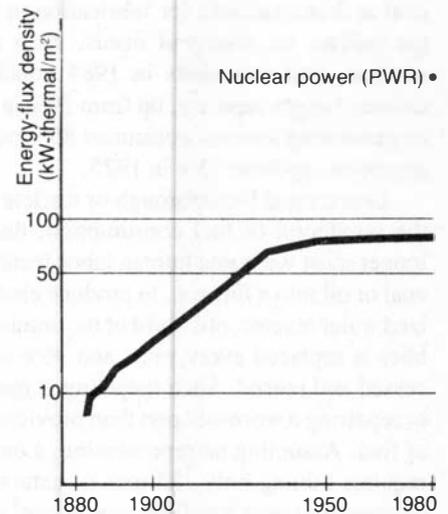
Note: All graphs are drawn to logarithmic scales

FIGURE 2  
Productivity in U.S. electric power generation



Until 1965, there was an exponentially increasing productivity in U.S. electric power generation.

FIGURE 3a  
Energy flux density in U.S. power production



Energy flux density through the heat transfer surface of steam boilers increased exponentially in power generation until 1930.

TABLE 1

**Labor requirements for a 1,000-MW power plant**

	Coal	Nuclear
Off-site		
miners	751	negligible
transport	254	negligible
On-site		
plant operatives	200	96
Total production workers	1,205	96

Sources: Statistical Abstract of the U.S.; Waterford Nuclear Power Plant, Louisiana; CSX, Inc.

Tables 1 and 2 show the tremendous off-site labor, capital, and coal requirements for only a single 1-gigawatt coal-fired power plant. (Corresponding costs for nuclear plants are negligible on a per kilowatt basis.) When the labor required to mine and haul the coal to the plant is counted, the labor productivity in nuclear power is at least 10 times greater than that of coal-fired power (Table 3). In other words, the portion of the labor force required to produce U.S. power needs, is 14 times greater for coal than for nuclear. With a nuclear power grid, the potential relative population density of the United States is correspondingly higher. This indicates the true saving of "going nuclear," and the true cost of not doing so.

With nuclear, we do not require the coal mine and the coal-carrying trains required to supply a coal-fired plant. The coal is then available for fabrication of new materials, and the railcars for transport needs. As a result of not going nuclear, coal shipments in 1984 gobbled up 40% of our railway freight capacity, up from 29% in 1975; electric power-generating stations consumed 85% of domestic coal consumption, up from 73% in 1975.

One critical breakthrough of nuclear power is that, from the standpoint of fuel consumption, the power is free. No longer must we waste human labor feeding huge amounts of coal or oil into a furnace, to produce electricity. In a pressurized water reactor, one-third of the uranium in the fuel assemblies is replaced every year, and 96% of that can be reprocessed and reused. Such recycling is more akin to replacing or repairing a worn-out part than providing a continuous flow of fuel. Assuming no reprocessing, a one-GW nuclear plant requires mining only 133 tons of natural uranium per year, compared to over 3 million tons of coal for a coal-fired plant of the same power output.

The most elementary thermodynamic parameters of the real physical economy, demonstrate this natural superiority of nuclear power over coal-fired power production methods. The elementary data of energy-flux density, electric power

TABLE 2

**Minimum off-site capital costs for a 1,000-MW coal-fired power plant (1985 dollars)**

Mine with 3.5 million-ton annual capacity	\$350,000,000
Unit coal train with 100 coal cars	
Locomotive	1,500,000
110 coal cars (@\$35,000 ea.)	4,000,000
<b>TOTAL</b>	<b>\$355,500,000</b>
Additions to capital costs per kW	
Coal mine	\$350
Two trains	11
<b>TOTAL</b>	<b>\$361</b>

Sources: Statistical Abstract of the U.S., National Coal Association, Association of American Railways, Thrall Manufacturing.

output per unit of thermal energy generated, and power output per production worker, shown in Table 3, cry out for the nuclear age. All issues of safety and "waste disposal" aside, nuclear power today in its infancy, is an order of magnitude superior to fossil fuel-fired power plants in energy-flux density and labor productivity, and competitive in energy efficiency. With the development of more advanced materials, nuclear power's efficiency could soon exceed 50%, were the technology not being sabotaged by the Congress and Nuclear Regulatory Commission.

When the additional costs to the nation of coal-fired power are counted in figuring the comparative costs of coal and nuclear, even in today's over-regulated environment, the construction or capital costs of coal-fired plants are not significantly less than those of nuclear (Table 4). Add to this the lower operating costs of nuclear plants, and we find that the two sources are at least competitive, with nuclear preferred for any new construction. Then, if we deduct from the capital costs of building both generating plant types, the financing charges and the increased construction costs produced by re-engineering at the behest of the environmentalist movement, we discover that the construction or capital costs per kilowatt of power are approximately the same for both plant types. When we add in the additional off-site capital costs required for coal plants, nuclear turns out cheaper. In a political environment not defined by the zero-growthers, even light-water reactor nuclear plant construction will have a clear capital-cost advantage. Furthermore, the operating cost of coal-fired power plants is kept artificially low today, because the collapse of industrial commerce leaves railroads begging for coal transport contracts. The coal consumer benefits from today's depressed economic conditions.

**The historical record**

The thermodynamic history of electric power production, shows that the intrinsic physical-geometric tendency of power production technology in the United States contains an

TABLE 3

**Economic parameters of power production**

	Energy flux density (kW-t/m <sup>2</sup> )		Transformation rate (kWh-e/kWh-t)	Kilowatts-electric per worker		
	(a)	(b)		plant workers only	including miners	including railroad workers
Coal plant	82.0	10,300	0.342	5,000	1,051	830
Nuclear (PWR)	704	360,000	0.32	10,000	10,000	10,000

Notes: (a) is energy flux density through heat transfer area; (b) is energy flux density through cross-section of furnace. Coal data are 1982 industry averages. Note that some coal plants have achieved efficiencies of 0.4. PWR = pressurized water reactor. kW-t = kilowatt thermal; kWh-t = kilowatt-hour thermal; kWh-e = kilowatt-hour electric.

Sources: Combustion Engineering; Statistical Abstract of U.S.; Waterford Nuclear Power Plant, Louisiana; Frank J. Rahn et al., *A Guide to Nuclear Power Technology*, Wiley, New York, 1984.

impetus towards conversion to nuclear. Around 1970, this development was thrown off the track, and the physical economy of power production began to collapse as a result.

Figure 2 shows the rise in continuous electric power output per production worker (in kilowatts per worker) for coal-fired power production from 1890 to 1982. Productivity is shown on a logarithmic scale, because all growth in nature is self-similar. The fact that productivity growth generally follows a straight line from 1895 to 1965 in this logarithmic graph, shows that the growth was exponential over this time period. Note the leveling-off that occurs after this.

Figure 2 indicates a representative data point for nuclear power, in this case, the much-maligned pressurized water reactor (PWR)—“off the chart” compared to fossil-fuel methods. Since the necessary operating labor of these coal-fired plants includes hundreds of coal miners (see Table 1), the productivity of labor at them is calculated with the entire necessary production labor force included.

The primary questions are: 1) What produced the expo-

ponential growth in productivity from 1895 to 1965? 2) What aborted this growth thereafter?

All power plants installed over the past century generate electricity by boiling water, to produce steam, and using the steam to drive steam engines or turbines that turn large electromagnets. The effective energy-fluxes occur across the heat-transfer surface of the steam generator (that is, the surface of the tubes carrying water in a water boiler) and through the cross-sectional area of the boiler as a whole (the cross-sectional area of the furnace in a coal plant). The energy tolerance of the materials composing the first surface, determine the maximum flux that may be applied to the boiling water. The energy-flux through the cross-section of the boiler, identifies the scale of steam generation. It increases with the height of the boiler. Both measures inform us about the efficiency of steam generation.

Figures 3a and 3b show the development of energy-flux density (in kilowatts per square meter, on a logarithmic scale) in fossil fuel-fired boilers, calculated through both surfaces. Figure 3a shows the development of energy-flux density through the heat-transfer surface of the boiler tubes, while Figure 3b shows the flux density through a cross-section of the furnace. The figures indicate representative data for nuclear power. A graph of the development of the energy transformation rate, or efficiency of power production with steam boilers (Figure 4), shows that both of these measures are relevant.

There have been two significant declines in the rate of increase of the efficiency of power production in coal-fired plants. The first, as shown in Figure 4, occurred between 1930 and 1940; the second, between 1960 and 1970. In the first period, the growth of the energy-flux density through the heat-transfer surface of the boiler tubes leveled off, as shown in Figure 3a, and reached the limit attainable with chemical combustion systems: The material requirements of having flame on the exterior of a few-millimeters thin boiler tube and highly corrosive steam on the inside, became insurmountable. Advances to a new type of energy source were

TABLE 4

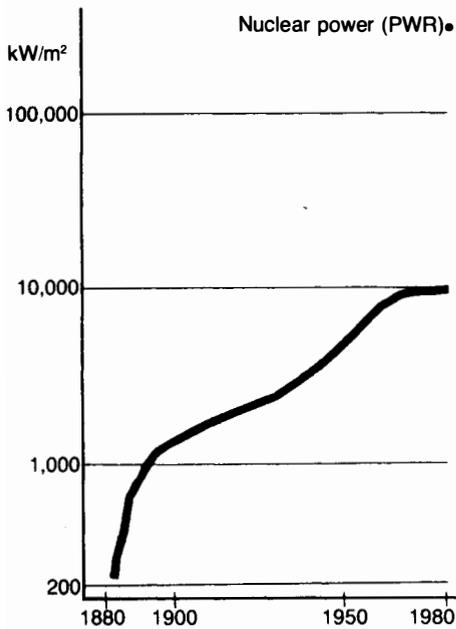
**Capital costs per kilowatt for 1,000-MW coal plant and 1,000-MW pressurized water reactor**

	Under today's regulations		Under sensible regulations	
	Total today	Plus off-site	Basic cost	Plus off-site
Coal	\$2,300-2,600	\$2,660-2,960	\$1,200	\$1,560
PWR	3,000	3,000*	1,200	1,200*

\*Off-site additions to cost are negligible per kilowatt of power for nuclear.

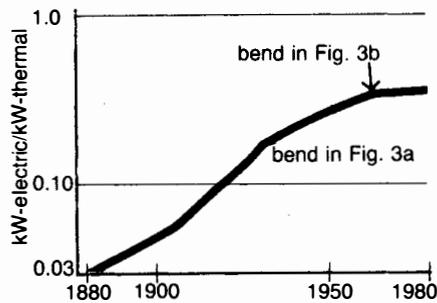
Sources: Department of Energy, Nuclear Power Database, June 1985; Electric Power Research Institute, Handbook.

FIGURE 3b



Energy flux density through a cross-section of steam boilers increased at an increasing rate since 1960.

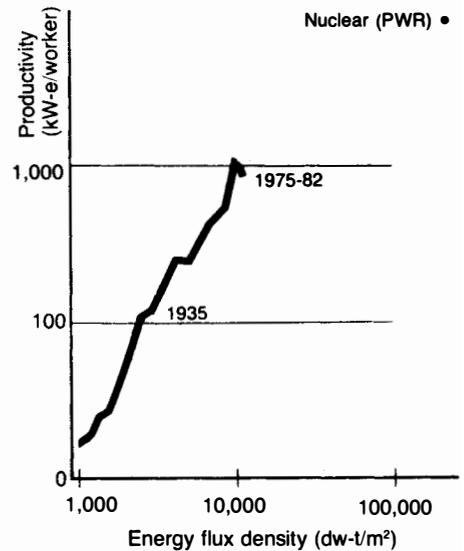
FIGURE 4  
U.S. power output



Power output per unit of coal consumption increased until 1965; its rate of increase had slowed around 1930.

FIGURE 5

**Correlation of productivity with energy flux density**



Increases in energy flux density through a cross-sectional area of steam boilers correlates with productivity increases from 1895-1970.

required already in the mid-1930s. This dating actually coincides with the demonstration of the feasibility of nuclear power by Otto Hahn. The leveling-off of growth in Figure 3a displays classical hyperbolic exhaustion of a process because of the failure to solve technological problems.

After the leveling-off in energy-flux density through the heat-transfer surface, the steam power output of boilers was increased primarily by making them larger and adding more tubes, with the effect of increasing only the energy-flux density through the furnace cross-section. A dramatic increase in unit size of boiler-turbine steam generators occurred in the 1960s.

The second decline in the rate of growth of efficiency coincides with stagnation in the growth of the energy-flux density through the furnace cross-section, as boiler unit size leveled-off around 1970. The fall in productivity shown in Figure 2 followed thereafter.

If increases in energy-flux density reflect technological development that caused, or enabled productivity increases to occur, there should be an inherent geometric relationship between increases in flux density and increases in productivity. Figure 5 shows the productivity data of Figure 2, plotted against the energy-flux density data of Figure 3b, to determine to what extent there is a close correlation between the

two. The graph demonstrates that a correlation exists. In both, the correlation is very good during the periods of continuous exponential increase in energy-flux density: 1895 to 1965. In other words, productivity increases are usually accompanied by increases in energy-flux density. The directionality of these charts tends toward the higher productivities and energy-flux densities possible only with nuclear technology.

One of the fantastic results of the increases in energy-flux density in power production over the period from 1890 to 1965, is that the cost of electricity declined in actual dollars over the entire period.

The dramatic compression in scale introduced by nuclear power will produce unpredictable savings to industry. Since we are today only in the infancy of nuclear technology, we can only say for certain, that it will provide a pathway toward putting greater reducing power at the disposal of man. It is clearly a boon to nations with little or no coal reserves, but just how it will affect industry overall is not yet appreciated. The next obvious step to take in industrial development—requiring nuclear—is to continue the electrification of industry begun in the 1890s, by powering all high-temperature thermal processes, such as steel-making, with the electric-powered plasma torch.



## 'We need a much stronger, more vigorous NASA'

*Dr. Thomas O. Paine was the head of the recent National Commission on Space. The Commission report, released on May 23, recommended a bold plan for the United States, including a manned return to the Moon by the year 2005, and a manned Mars landing by 2015.*

*Dr. Paine was the administrator of the National Aeronautics and Space Administration at the time of the first Apollo landing in July 1969, the president of Northrop Corporation 1976-82, and is currently the president of Thomas Paine Associates.*

*Dr. Paine was interviewed by Marsha Freeman.*

**EIR:** Do you think that the Commission report will be able to influence policy decisions in Washington now, in this situation of budget constraint?

**Paine:** I think the report has a very difficult lifetime to get through. Reports of the type we have just produced, have a fairly standard reception. That is, the day they're written, they are called a "rosy view of the future"; they're called "much too far out"; "Oh, my God, those things could never be achieved." But I think if we were to be reviewing our report 10 or 15 years from now, we would probably be getting the opposite criticism—"they failed to foresee a lot of these new things that have been coming along; the report is obsolete, it didn't go far enough." In writing a report like this, you have to face the fact that you're probably not going to be bold enough in the long run, but you're probably going to be too bold in the short run.

**EIR:** I have here a short quote, from Joseph Loftus from the Johnson Space Center. "What's been achieved in space is extraordinary. If you laid out a proposal to do in the next 25 years what has been done in the past 25 years, no one would believe you."

**Paine:** You're reading my favorite quote. I thought that was a terrific observation, and it's true. If we had said in the space commission report, that eight years from now we were going to land people on the Moon, we would have been laughed out of Washington, yet that is precisely what we said in 1962, and it's precisely what we did! In many ways, if we were to propose today to do what we've done for the last 25 years, today's America, today's Washington leadership, in many ways, would say, "Oh, that's much too bold. You could never do that." Yet the fact of the matter is, we've done it. And I've had people tell me, "Let me see those pictures of

astronauts riding on the Moon in a vehicle. I can hardly believe it." Well, they've forgotten that that was all done, 16, 17 years ago.

**EIR:** At *EIR* we have recently taken a look at launch requirements up to the mid-1990s, taking a look at the construction of the space station, the testing and deployment of the Strategic Defense Initiative, and the other defense and science payloads. Our finding was that eight Shuttle-equivalent payload carriers would be needed by that time.

**Paine:** I think that's right. It is quite a formidable launch requirement that we face. I think my second comment would be that you are only looking at things that are visible from 1986. It may be that if you took another look at 1992 or 1994, there will be things that would have come over the horizon by that time, and I don't think there will be anything much that will reduce those estimates of yours, so we really are in a bind. At the same time, I think it's fair to say that because we have neglected to develop the new technologies that the nation needs to design the next generation launch systems—we've really had 10 years of neglect of advanced rocket propulsion technology development in this country—we simply can't jump immediately in and start designing the post-Shuttle system now. It's going to take us a good five years of intensive technology development, and that means that you can't be sitting around debating Gramm-Rudman. You've got to get some engineers working on some new technology, whether the lawyers and economists are ready or not. If we're going to be developing post-Shuttle transportation by the end of the century, we've got to get started on that technology today. And that's a very important point. Because of 10 years of neglect, it's even more critical than ever.

**EIR:** One question about the Rogers Commission, which is investigating the Space Shuttle Challenger accident. You were not the head of NASA during the 1967 Apollo fire investigation. . . .

**Paine:** I was administrator when we investigated the Apollo 13 accident, but we didn't lose any lives in that. . . .

**EIR:** I see a danger that there will be many things recommended in their report that will be difficult, if not impossible to comply with, such as requiring that the system have no "criticality 1" items, which could lead to the loss of the orbiter

and crew. You would have to have redundancy for everything. I'm sure that in the Apollo system there must have been many items where the system simply had to work. What is your idea on how any commission recommendation should be implemented?

**Paine:** You're getting into the area where I think engineering trade-off decisions have to be made. As you start loading redundancy and safety factors into equipment, you reach a point where you're not really increasing the reliability or safety after a while, because you start getting the failures of all the safety systems that shut down engines when they really shouldn't be shut down, and it's really a technical, engineering decision as to what is the optimum balance. And there are, as you point out, areas where you simply cannot have redundancy.

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*It's going to take us a good five years of intensive technology development, and that means that you can't be sitting around debating Gramm-Rudman. You've got to get some engineers working on some new technology, whether the lawyers and economists are ready or not.*

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When we sent the Apollo spacecraft out to the Moon, we had one rocket engine to bring them back. We just couldn't load two on there; it would not have been possible to carry out the mission. What you try to do then, is when you only have one, you have to make darn sure that you are building the absolute maximum amount of reliability into it, and then you test and test and test and test. It's perfectly feasible to do this. We have demonstrated it time and again. We fly something like 70 million people back and forth across the Atlantic Ocean every year, and the only time we ever dump anybody in the drink is when a terrorist puts a bomb on board.

We can design space systems that are both inexpensive, and very safe and reliable to fly, and its time we got at it. But I think one of the fundamental problems is that you can't do it on too low a budget. I think when we cut NASA from the peak of Apollo down to the present size, we cut it to one third of what it was, we cut too deeply. Unfortunately, the administrators of NASA at the time, anxious to keep a bold program going, probably accepted too great a commitment. They overpromised, they came out with commitments that couldn't be met, and the net result was a budget crunch; and then they had to take some shortcuts and some economies, that now, with all the benefit of hindsight, any "Monday morning quarterback" can say, "We cut too deep, we didn't really spend

enough. We should have put more emphasis in there on safety."

**EIR:** I see a danger of that happening with the current space station program. . . .

**Paine:** I think there's a real danger of it happening. I think the space station program at the present time is going right down the Shuttle road. Namely, you start out with a sum of money, and you say, "OK, we're going to build it for eight billion dollars." Then as time goes on, you run into difficulties, you don't get any increases . . . that would be an overrun . . . we can't have an overrun. I think that's the wrong way to fund these advanced projects, where you really don't know all the things you're going to be getting into. I think it's much better to fund them on an annual operating cost, and then go ahead and deploy the thing when you're satisfied you're finished, and it's ready.

**EIR:** It's the difference between having a mission orientation, and an annual budget-cycle orientation.

**Paine:** Yes. We need a much stronger, more vigorous NASA that's moving out into the future as rapidly as it can, with a budget which the nation can afford. And then let the variable be how soon you're ready to deploy these things, but make sure you're spending enough money on it, and if it then turns out to cost \$10 billion instead of \$8 billion, well, spend the 10, don't try to cut back and make the system marginal. There's one other thing, too, I think you have to be careful of, and that is to recognize that NASA is supposed to be pushing the limits of technology, is supposed to be doing the new and untried, and advance things. So the whole nation can benefit from all of these new things when NASA has demonstrated they can be done. But inherent in that mission is the fact that occasionally you're going to be getting out a little too far. If you're not getting out too far once in a while, you're probably not really working hard enough. So we can anticipate that there will be failures. You want to make darn sure that human life is not involved when they occur.

**EIR:** What has been the response to the Commission report, so far?

**Paine:** I'd say we're getting two types of responses. One, we're getting from some of the more superficial rip-and-read commentators, who just look at it and say, "Oh my God. It sounds like Buck Rogers. You're proposing to spend a lot of money." They haven't read it carefully. I think they haven't thought much about it. The real response we're getting from a lot of people is that it's beautiful timing, that the nation really needs to be taking a look at where we're going in space and why. And that our report provides a framework that can now provide a means of national debate and settle some of these points.

A lot of people feel that we haven't really had a presidential inspection and declaration of space policy for 25 years. It was John Kennedy who said that the United States cannot

afford to be second in space, and in order to get in the forefront, we are going to go to the Moon within eight years. Since that time, most presidential declarations have taken the form of, "what piece of hardware shall I buy next," as though you were going to get a space policy by going down to the used car lot, and picking out which car you were going to buy. We need a really thoughtful look, and I hope very much that our commission can be the catalyst that lets the nation debate it. And of course, that is why we published this, and distributed it widely throughout the country through bookstores via Bantam Books, and why we brought out the 30-minute TV tape so every high school student and any person at all who has any interest in space, can take a look at it on the TV, as well as on the Guttenberg written form.

**EIR:** After the lunar landing in 1969, when you were the NASA administrator, a similar report was done to look at long-term goals for the space program. How is your current report similar to that one, and how is it different?

**Paine:** I think the similarity is that any time you look at the particular Solar System in which we live, and the particular technology that we've attained in the second half of the 20th century, you're going to come up with rather similar conclusions, and I think you do that whether you are in Washington, or Moscow, or Tokyo, or Paris, or Beijing. So there are certainly some similarities. The nearest planet that could support life, that is still, as far as we know, lifeless, is Mars. The Moon is still the nearest celestial body to us, although it doesn't have some of the essential ingredients like water. You come up with somewhat similar goals as to where you should be.

But I think the difference between this and the 1969 effort, is that we are now 15 years farther along into the space program, we have the Space Shuttle, and although it has to be rebuilt, I think it will be an even better system at the end of that time. We've gotten a much bolder and farther-ranging look out of this long, one-year Space Commission study than we did in the 1969 study.

**EIR:** What do you think are the key technologies that have advanced which could lead to an accelerated time schedule?

**Paine:** The principal technologies that have advanced are the Shuttle technology, which is giving us much easier access to space, and allows us to go up there and fix things, to assemble things in orbit, which we couldn't have done with the old Apollo rocket. Secondly, the era of the supercomputer has come upon us now, and for the first time we can begin to design post-Shuttle systems using the great power of modern computer technology. Fifteen years of advances have effected the revolution there. We can design systems today that simply would have been out of the question back in the 1970 era.

**EIR:** One thing that is clear in your report, is that it is a very tight time schedule and ambitious program. Today, of course, the Shuttle is not flying. How important do you think it is to

get the Shuttle flying as soon as the fixes are made on the system?

**Paine:** I don't think the actual date that the Shuttle flies again is too critical. I think the important decision is, are we going to add a fourth Shuttle to the fleet so that we'll have adequate capacity to handle both the civilian and military payloads? And secondly, I think the question of the degree to which the Shuttle is going to be able to handle repetitive payloads on a reasonably rapid turnaround schedule, and therefore, again, the question of capacity—these will be the critical things. Whether it starts out this month or another month, or the month after that, is less important than the fact that the Shuttle has to be fixed, and it has to be fixed so it can fly both safely and reliably, and often.

**EIR:** At the end of the report, you included a chapter on the importance of the space program in education. How would you see your program being able to change the situation in education in the United States?

**Paine:** I don't think that we would propose that NASA take over the Department of Education. We've got a perfectly good Department of Education, and it has the same concerns that we have. But in the Space Commission's report, we did have the feeling that NASA can provide a tremendously powerful motivation to young people, to see that careers in science and technology can be exciting and challenging and fun, and a good way to spend your life, advancing humanity out on the space frontier. I think it's the whole motivation for getting a technical education, that the space program can help so much. Programs like the Young Astronauts, that get young people's imagination and make them willing to make the sacrifice of working hard, and doing the homework and taking the tough courses in high school, so they can participate in this very important advance.

**EIR:** What is the schedule for the report now? Will the President come out with a statement on the report?

**Paine:** The report goes both to the President and the Congress, who passed the legislation that created the Commission. The congressional committees have now received copies of the report and they will be holding hearings, probably in the middle of July, and the President's staff has now received the report, and the President himself will receive it shortly. I would guess that sometime around the middle of July he will probably want to issue some kind of statement on his reaction to the report, after he's had a chance to look at it.

**EIR:** There is certainly a fight in the White House, and a stalemate in Washington, as to what to do next.

**Paine:** I think we have to get the Rogers Commission report out of the way, and that's happening this weekend, and then, after that, I hope there will be a great deal of thought given to America's future in space and what kind of 21st-century space program we should have.

## Debate in Israel over Mideast 'Marshall Plan'

by Muriel Mirak

After the Second World War, Europe lay in ruins, her economies devastated, her cities like graveyards, with empty hulks of stone marking, like tombstones, the place where magnificent buildings once stood. Much of Europe's population lay dead. Agricultural fields lay idle, while survivors of the conflict faced starvation. Refugees roamed the land, seeking shelter and news of their divided families. Jews who had survived the ravages of the concentration camps, sought means to emigrate, to America, or to their homeland in Palestine.

Yet, out of this unprecedented tragedy of war, Western Europe revived: Those who had been adversaries during the conflict, combined financial resources and hard work, to rebuild the cities, re-open industrial facilities, re-till the soil. The name associated with post-war Western European recovery was the Marshall Plan, which provided the initial capital to start the economy running again.

Could not this same approach serve as a precedent for the Middle East today? Could not Israel cooperate with her Arab neighbors, with whom she has been in a state of open or simmering hostility for decades, to industrialize the entire region, to the benefit of all? Could not America and Western Europe, which experienced the first Marshall Plan, apply their combined financial and industrial resources, to construct an edifice of peace in the region?

This, in a nutshell, is the thinking behind the new Marshall Plan launched by Shimon Peres, currently the Labor prime minister in the national coalition government of Israel. Peres presented his proposal early this year, and discussed it at length with Western European and American leaders during the spring. He asked them to discuss the proposal at the May 4-6 Tokyo summit of the industrialized nations, and agree to pool resources for a development fund, in the order of \$25-30 billion over 10 years. Now the ball is in the court of the OECD nations, while Peres and his associates await the outcome.

Thus far, beyond "general agreement" with the idea, no OECD national leader has made a firm commitment. The only one to unequivocally endorse the Marshall Plan has been Lyndon LaRouche, candidate for the presidential nomination in the Democratic Party. LaRouche and hundreds of candidates backed by the National



Democratic Policy Committee and running for local and national office in the United States this year, have made the Peres development perspective an integral part of their campaign for reversing the anti-growth, disinvestment policy trend now dominating the Congress and the Reagan administration. In the Middle East itself, no nation outside of Israel has as yet officially responded, but interest in the plan was indicated, when the Saudi newspaper *Asharq al-Aswat* on May 11 published a lengthy interview with LaRouche, concerning his endorsement of the Peres plan.

*EIR* correspondents Muriel Mirak and Paolo Raimondi

traveled to Israel during the first 10 days of June, for background discussions and interviews with the leading protagonists of the Marshall Plan, in an effort to provide a full picture of what the proposal entails, as well as to gain an on-the-ground sense of how Israelis and Arabs are discussing its merits and feasibility. What emerged was a fascinating, albeit complex, jig-saw puzzle: All the pieces of the puzzle are there, ready to be assembled. In fact, there are more pieces available than needed for the composition! Depending on how the pieces will be selected and put together, the picture that emerges will be either a masterpiece of the order of a Rembrandt self-portrait, or a cubist distortion à la Picasso. What will be crucial is the mind and hand of the artist.

Although the proposal has come to be known as the "Peres Marshall Plan," the actual architects of the concept are Economics and Planning Minister Gad Ya'acobi and former head of the Bank of Israel Avnon Gafny. As both detailed in their interviews to *EIR*, published below, it was Baron Edmond de Rothschild who established a foundation whose task it was, to work out a regional economic development approach. The idea, elaborated by Gafny and others, was that by increasing the standard of living, education, and productivity of the populations in the area, stability would ensue. Priority areas for investment would be agriculture, food processing

and distribution, as well as large infrastructure projects, such as power plants, railways, roads, harbors, and airports. In Minister Ya'acobi's view, nuclear power plants should be constructed in areas like the Negev Desert. Education and training, key to raising the skill levels of the labor force, would be priorities among the government-sponsored projects. Ya'acobi emphasizes in this context the crucial component of scientific research and development. In every area, emphasis is to be laid on bilateral or multilateral projects, so as to forge the bonds of peace through mutually beneficial enterprises.

To finance the effort, Gafny proposes a Middle East Peace Development Fund, directed by a steering committee composed of participating governments' personnel. One idea, for freeing up resources, is to convert repayment on Israel's military aid debt, into financing the Fund.

Putting all these pieces together, what can emerge over the next years and decades, is a renaissance of the Middle East. With massive infrastructural expansion, led by advanced water management and modern irrigation methods, what is now desert sand can become luxuriant farmland. Modern, transnational transportation grids can facilitate regional trade relations and foster the exchange of ideas. People now living in isolated outposts in poverty and backwardness, can be assimilated into a growing industrial and agricultural workforce, raising their education and income levels. All this can become reality, provided that energy production be geared to increase energy throughput per capita and per hectare, as well as increase the energy density of the economy as a whole. For this, nuclear energy is fundamental.

It is precisely this question of nuclear energy which makes the difference between a Rembrandt and a Picasso. Parallel to the efforts of the Peres Plan, another fundamentally different conception has been being worked out, behind the scenes, over the last decade. David Rockefeller and Armand Hammer have been supporting the work of an institute in the Tel Aviv University, which made its work public during the Armand Hammer Conference on Economic Cooperation in the Middle East in early June. Since speakers included spokesmen for both the Hammer group and the governmental Peres Plan, the differences in approach emerged with clarity. Whereas the government plan focuses on great infrastructure projects within the framework of a regional concept geared at creating peace through development, the Hammer group has drawn up a number of single concrete projects of varying value, whose implementation is projected for "after the peace settlement." The Hammer group's work rejects nuclear energy outright, thus objectively limiting the level of technological advancement possible. In addition, the Hammer group seems to privilege the idea of free enterprise zones, which could open the floodgates to massive speculative investment, in totally non-productive, but immensely profitable enterprises. Hammer group researchers, who were taken by surprise when Peres announced his Marshall Plan, display a marked interest in the billions of dollars that the prime min-

ister's Fund will attract; their hope is that the funds may find their way into financing some of the "concrete projects" they have drafted. The fact remains, as Hammer group representatives have readily acknowledged, that, although there has been a "dialogue" between members of the two groups over the years, the government plan is one thing, and Hammer's institute's, another.

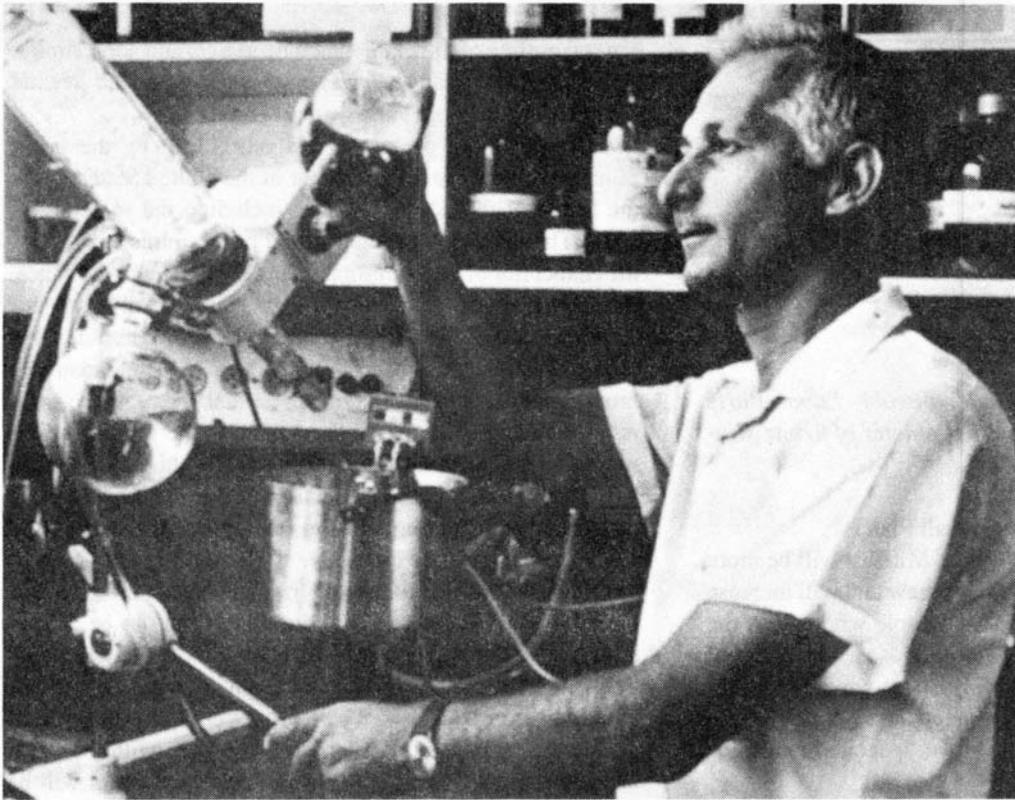
### **The political question: Can it work?**

In public statements, Prime Minister Peres has repeatedly underlined the urgency of implementing his plan. Pointing to the decaying economic situation in Syria and Egypt, he has stressed that further economic unraveling could lead to internal destabilization and sow the seeds of conflict. It must be added that Israel itself is economically shaky. Although superficially, inflation rates and the debt burden are officially said to be declining, the condition of the real economy is suffering. Major cities, such as Tel Aviv and Jerusalem, display the twin evils of decaying urban dwellings, sanitation, and public transportation, on the one hand, and gigantic construction projects of hotels, office buildings, and luxury apartments. In agriculture, where advanced drip-irrigation methods have generated high yields, the water shortage is threatening cultivation itself. The *Jerusalem Post* reported early in June that the government was cutting water supply for personal consumption as well as for agriculture, reducing the number of hectares which could be planted.

The urgency of positive response, on the part of the economically advanced nations of the West (emphasized by Minister Ya'acobi), and on the part of the moderate neighboring states of Egypt and Jordan, is further defined by the fact that, according to a rotation agreement struck between the Likud bloc and the Labour alignment in the coalition government, Peres is due to transfer the prime ministership to Yitzhak Shamir in the fall. It is feared that, without Peres at the helm, the ship of state will steer in muddier waters.

In this conjuncture, the political climate of the country has begun to sizzle. One scandal followed another, placing the government itself in jeopardy. First was the Shin Beth case, followed in rapid-fire succession by a flare-up of the Jonathan Pollard spy scandal. In the former, State Attorney Yitzhak Zamir contended that a police investigation should be opened, to determine whether the GSS intelligence service had violated the law, and had deliberately killed two Palestinians arrested in a 1984 confrontation. Since the killing took place at the time of the Shamir government, it was said that Shamir had ordered the killings. Then the question arose, in a heated public debate: If Shamir had been responsible, did he inform the incoming Prime Minister Peres of the affair? If not, why not? And, if so, why did Peres do nothing?

Just as the government deliberated to stop a police investigation, on grounds that the secrecy of intelligence service operations would be jeopardized, the Pollard case broke again. Here the state of Israel was accused of conducting espionage operations against the United States, beyond the activities of



*Chemistry research at the Ben-Gurion University of the Negev: science to make the desert bloom.*

confessed spy Pollard and the ring of Rafi Eitan's agents, working under current Industry Minister Ariel Sharon. At the climax of the scandal, sources in Israel predicted that, in retaliation, Israel would expose alleged American espionage operations on its soil. What threatened to break out, was all-out intelligence warfare, or "spy wars," between the United States and Israel.

While one net effect of the scandals has been to undermine the Peres government, a healthy response has emerged, as a public debate in the press probed the deeper questions relating to institutional and natural law. Editorial after editorial debated the need to demand integrity of public servants regardless of the political price; the *Jerusalem Post* called for Ariel Sharon to assume the responsibility for the Shin Beth affair. It is precisely such rigor that is demanded, in fact, if the political motion created by the Peres Marshall Plan is to gain momentum. No democratic government can lead an effort to regenerate the region economically, if it is undermined, from within, by disloyal or treacherous elements. The precedent for decisive action against "citizens above suspicion" exists in the very recent case of the Bejsky Commission, whose findings documented deliberate financial manipulations against the Israeli economy and citizenry, in a 1983 stock-rigging operation. On publication of the Commission's report, all the presidents of the complicit banks were asked to resign, and to abstain from banking practice for life. The case for treating Ariel Sharon with comparable rigor, is easily made: Not only is Sharon responsible for the spy unit which

worked with Pollard; according to an *EIR* Special Report circulating in Israel (*Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia*), Sharon's illegal spying activities, though run under an "Israeli flag," were actually channeling information to the Soviets. Sharon is, not coincidentally, one of the earliest and most vociferous opponents of the Peres Marshall Plan.

In addition to this political turbulence within the country, Peres will face the Palestinian question, in the context of his organizing drive for the Marshall Plan. Given the delicate state of relations with neighboring states, ranging from "cool peace" with Egypt, to "non-war" with Jordan, and hostility with Syria, the prime minister must rely on third parties to mediate. British Prime Minister Margaret Thatcher may not be the best choice, if her recent trip to Israel is any indication. Mrs. Thatcher alienated the majority of the Palestinian population, which recognizes Palestine Liberation Organization chief Yassir Arafat as its representative, by announcing her intention to create an "alternative leadership" among the Palestinians. Seven of the eight Palestinian leaders she met with, undersigned a resolution, reaffirming their commitment to the Arafat leadership. According to probes made by *EIR* among some leading West Bank Palestinians close to Arafat, the Peres Marshall Plan could indeed meet with their support. Such Palestinian representatives viewed the Saudi *Asharq al-Aswat* interview with LaRouche, as an encouraging signal that support for the Peres economic perspective already exists in the Arab world.

## The Marshall Plan: How it will work

*Economic Planning Minister Gad Ya'acobi, Labor Party Member of the Knesset, is the main promoter of Prime Minister Shimon Peres's Marshall Plan.*

**EIR:** Can you tell us what the Marshall Plan is?

**Ya'acobi:** The general idea is that the Mideast will be more developed from the economic point of view and will increase the average standard of living of the people who live in the area. People will therefore have more to lose as the result of war; and then, building factors will appear which will contribute to decreasing the military tension and which will help to establish a peaceful environment, or "peaceful-oriented" environment in the Mideast.

Now the plan, as a matter of fact, has been prepared over the last years, since [former Egyptian President Anwar] Sadat's visit to Israel, by a group of researchers and planners headed by Arnon Gafny, former governor of the Bank of Israel, and sponsored very much by Baron de Rothschild of Paris. The plan was presented to the Egyptians, including Sadat, concerning specific projects. Proposed in the framework of the plan, for example, was cooperation between Israel and Egypt in the field of chemicals production, in irrigation, in agriculture, in energy, including the possibility of establishing a nuclear-powered electric station in the Sinai, which would supply energy to both Israel and Egypt.

Several months ago, the Israeli prime minister thought he could provide leverage from the international point of view, initiating new access to some of the moderate Arab states, perhaps increasing the motivation of those countries to be ready for renegotiations for the next stage in the political process in the Mideast, namely, toward certain kinds of political settlements, including the possibility of peace in one stage or gradually. The outline of this plan is that in the next 10 years, the wealthiest nations, namely, the famous "Ten," will mobilize \$25 billion—\$2.5 billion a year—for economic and infrastructural development in the Mideast. This would include development of educational systems, vocational training, irrigation, energy, roads, R&D, industrial plants, housing, airports, and seaports. All this, in a certain context of readiness of those countries to reassess their attitude toward a possible political process which will lead to peace in the Mideast among the Arab countries themselves, and between the Arab countries and the state of Israel. This is the

general outline of the plan, which is, in a certain way, similar to the Marshall Plan that was introduced after the Second World War to Europe, and was very successful.

The plan was presented and introduced by the prime minister of Israel to the President of the United States and to the heads of the administration, including the secretary of state. Then it was presented to the prime minister of Italy, the chancellor of West Germany, and the President of France. All these people reacted very positively in general terms, and said that they would bring the matter to the summit meeting of the wealthiest countries, which was held in Japan two months ago. As you remember, in that meeting the main issue became the increase of terrorism in the world, and the ways and means to fight it. But in spite of this, the problem was mentioned and even presented and there was a very short discussion on it. The conclusion was that these countries will study the matter more carefully.

Since then, some of the governments even sent experts to Israel to study the potentials, the details, and to be able to advise the heads of state how to deal with the matter toward the next stage, which should be again some discussions or contacts among the Ten. We are following this process and I guess that the prime minister will meet again with President Reagan during the next two months and this matter will be discussed further.

**EIR:** These projects are supposed to be developed jointly with other nations of the region. Can you say more on this?

**Ya'acobi:** This is not written in the plan, but this is my own opinion: It has to be coordinated with those countries which are ready to take part in such a process, which includes two elements, the economic and social one, and the political one. I guess that the first candidate will be of course Egypt, and then perhaps Jordan and Saudi Arabia; we hope that later on other countries will join it, if they are ready to discuss jointly the mutual development program which this plan is based on.

**EIR:** Can you say something about the response on the part of the Arab states so far?

**Ya'acobi:** There has been no response so far, because I do not think that any concrete discussion has taken place. The best, I would say, as the operator for this plan, is the United States; if the United States takes the initiative, then I guess we will be able to have the cooperation of at least two Arab countries in the first stage, and then others can join, too.

**EIR:** If you could decide what should be done to push this plan through most quickly, what would you hope for?

**Ya'acobi:** I would hope for a very intensive involvement of the U.S. administration. I think that the main key, in the first stage, lies in the hands of the U.S. government. In the second stage, of course, it lies in the hands of the wealthiest countries, the Group of Ten, and the Arab states. But the key for the first stage is in the hands of the government of the U.S.A.

## Economic growth can underwrite peace

*Mr. Gafny was former governor of the Bank of Israel.*

**EIR:** At the beginning of your speech to the Tel Aviv conference [the Armand Hammer Conference on Economic Cooperation in the Middle East], you mentioned that both Egypt and Israel are heavily indebted, as a result of the military expenditures both had to make for their defense, and this obviously places a constraint on the possibility to free up resources for a development plan. What is your view of renegotiating this debt? Could this be an area in which Egypt and Israel could collaborate?

**Gafny:** I think that collaboration between Israel, Egypt, and maybe other Arab countries in the area on this matter should be done through a multilateral mechanism. I have thought for many years, that multilateral arrangements . . . to recycle the defense loans into longer-term development loans, would be the best mechanism, for the following reason. When I was, for many years, the person responsible in Israel for the debt, when I was governor of the Bank of Israel and earlier, in the ministry of finance, I was always against Israel's asking for forgiveness or rescheduling of debts, because I believed that we can manage our economy. Even when we have a larger problem, we can agree, we can put through a tough economic policy and overcome the crisis—although the crises in the last years were more significant and worse than the crises before. I thought that countries that want to continue to get credit for development for productive matters, should try the maximum to repay their debts.

Now, if it is a matter of negotiation with the creditor countries, mainly the United States, concerning recycling from defense to development, and connected somehow with the broadening of the peace process, I think this is a positive attitude politically, and it would help both the creditor and the debtor countries. To go into a rescheduling negotiation by itself, means you are practically bankrupt, not able to repay your debt; you declare yourself bankrupt, and you cannot expect to get new loans, at least not from banks and governments. So, because most of the debts were created for political reasons, I thought that a political mechanism concerning the peace would be a solution. Now concerning negotiations with Egypt or any other countries, I can say only this for now, that I have enough basis to know, through

discussions with Egyptian and Arab friends—and I do not want to mention names, because it will not be helpful now—that the same kind of thoughts exist there. I have good reason to think that mechanisms to recycle these debts into development loans would be a good basis for cooperation between the debtor countries and the creditor countries.

**EIR:** You talked about the creation of a multinational fund, the Mideast Peace Development Fund, which should administer or generate the funds which will be necessary for this plan, and you say that members of the Fund should be drawn from the nations which should take part in the projects, both internationally and in the region. Will the Palestinians also have a representative in this group?

**Gafny:** Look, I know that the organization and development of such a mechanism, the Fund, of the type I was talking about, has many political fruits, but also many political pitfalls. We have to be very careful. I think that a beautiful thing about such a scheme, is that it can be remodeled according to needs, with time and members. Instead of saying cooperation between countries, you can say cooperation between peoples, between members, and I do not see any reason why Palestinians could not be part of this—I mean material reasons, real reasons. Of course, there may be political reasons. I tried to go around the political aspects of it, although I am aware of them. I tried to go around them, because I did not want this to become a substitute for dealing with the real political issues. You cannot just say that having the Palestinians in will “solve the Palestinian question.” But I think that such a multinational organization can be set up and framed and phrased in the context of an international agreement, in such a way that each member, on a voluntary basis, does not have to give up immediately his political stand in the process. You can choose: You may not talk to one of the members, so it is done through somebody else, but you participate in the joint work.

Now, if this plan were to come after a political peace settlement, then it is easy politically to arrange. You still have all the problems, financial relationships, economic relationships and representation, and many, many economic and organizational problems, but not political difficulties. If, as I think, it should start now, because the period is suitable, it should be phrased in such a way that Palestinians and other Arab nations can accept it, as well as Israel, Europeans, Japan, and others. This is how I tried to phrase it.

Now if there are some pitfalls or mines that I did not notice, they will come out in the negotiations, and I think that this is something that could start. In this framework, I do not see any difficulties—on the contrary, I see many reasons why Palestinians should be in it. You must find formulas in which they can participate. There are countries which believe in a Palestinian state, others that believe in a Palestinian nation, and others that believe in a federation with Jordan. You must find a formula which does not close off

any areas of political solutions. So it does not come from political solutions as such, but, you are dealing with economic and financial well-being.

**EIR:** In terms of philosophy, how does your idea stand vis-à-vis the International Monetary Fund, concerning conditionalities, high interest rates, and so on?

**Gafny:** First I want to make one remark: I want to stress that I do not take it as my plan. Prime Minister [Shimon] Peres was not taking it as his plan, even if it is called the Peres plan. I tried in the paper I presented to describe it as it evolved in discussions and in papers with various international experts. I liked—rather, loved—the idea, so I spent a lot of time when I was free from the Israel Central Bank, and I deliberately did it in Europe and not here. I went for two years to Geneva where I lived. I wanted it to be very clearly international. We have several international experts, even from Georgetown University. There were also Arab experts and political people who were involved, but unofficially. It is a plan which was developed by a group of people I had the honor to belong to, and I am happy to be one to continue it. . . . And one of the people who reacted with great interest to it, is Prime Minister Peres, who went with it on the political level.

Now, to the question: It is not similar to the IMF, but the similarity can be seen more to the Regional Development Banks. The difference, which I thought was important for political reasons and also for acceptability by the countries, is first of all, not to declare it a bank, but a fund; it can be a temporary matter—"temporary" means not less than 10 years—but it can, after 10 years, be dissolved. If it played its role, we do not have to continue it with staff and payments, or to worry politicians and leaders that you are going to make commitments for generations, like a bank. And if you want to have a bank, then you can create a bank later.

Second, the criteria of the Regional Development Bank are the level of the GNP of people and how to increase it. The priority is around the level of income, I mean the general development of a country to increase the standard of living of people, the standard of education, the production capacity, and so on. Now, here I would like to see a major criterion added, i.e., what it contributes to peace. I do not know if this would be accepted politically by all, but this would be a golden opportunity. Now it is true that many of the other criteria are also good for the criterion of peace, because I believe that if you have a higher standard of living, if you have less hunger, if you have more production, more exports, fewer imports, more stability, it is good for the moderate regimes, which are more oriented to peace. But if I say for peace, this means joint regional projects, going across countries, to create exchange of relations without dangerous dependence.

Let me give you an example, between Israel and Egypt. Egypt produces not only oil, but a lot of gas, and has large

unused reservoirs. There are laws concerning the export of natural gas, because [the Egyptians] want to create their own reserve for the future, but especially today there is something we have to consider: One of the only places to which Egypt could export gas by pipeline is the south of Israel, where we have electric stations in Ashqelon. The first part of the station, built earlier, is operating with oil; the second part is planned to be operated by coal. Oil we buy from Egypt, but not coal. Now if the second part could be operated by gas transported by pipeline, it would be a very easy development project, and it is a benefit for both countries, because now that the oil revenues are decreasing in Egypt, it would be interested in selling by-products. In this field of energy, we are buying and want to continue buying oil from Egypt and will buy as much as we can. Furthermore, if this supply were cut, it is not something which would lead to war, so you move to coal again. [The oil] is a small part of the electricity, a small part of the energy consumption of Israel; it is a small

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*I would like to see the funds which can support bigger projects; this is why I suggested the mobilization of at least \$30 billion for 10 years, which will mean \$3 billion a year, and will give you the facility, till you start planning, of accumulated funds, some from the governments, some private.*

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part of the energy export of Egypt, but it benefits both countries, and I think it can contribute to the peace process.

This [trade] can be done bilaterally, but I think it is easier to be done through multilateral funding, which will have the funds consisting in loans, the political insurance that if something will happen, it can be done by private entrepreneurship also. It can be a German or an American or a French company that builds this, with the agreement, of course, of the two governments, through financing of such a fund, and it [the fund] would by itself enable repayment of debts, because it would pay both countries. . . .

Now on the difference between the regional banks and the Fund. We tried to learn, with legal experts of the regional banks, what the problems were that made the work difficult, and to correct them in this new mechanism. One of the most important ones is the creation of political risk insurance for the investors. I belong to the group of experts involved in this. Edmond de Rothschild was part of it. His foundation and also American friends and some European friends believe in private enterprise, that this can do the job maybe

better than the government. But the government must do its job. So we tried to combine this in a mechanism that is public, with international public funds, which make up the minority of the funds. These public funds serve as leverage to entrepreneurs to invest in the region. It is easy to tell entrepreneurs to invest in the region, but the first thing they are afraid of is instability, losing their interests. They have had enough bad experiences. So the insurance fund for the investments is a very important thing for igniting private entrepreneurship in the area.

**EIR:** We have being very critical of the International Monetary Fund and the World Bank, precisely to the extent that these institutions had privileged what they called "appropriate technologies" for the developing sector, for example vis-à-vis Africa. Also, regarding Egypt, the great projects, so-called, are considered castles in the desert, a waste of money. What is your approach? Mr. Ya'acobi talked about irrigation, a nuclear plant in the Sinai. . . .

**Gafny:** I think that the decision shall not be according to size, unless you have the funding. I am afraid that the World Bank and the IMF had the problem of the size of investments, because of the enormous requests they have compared to the funding, and they have a philosophy also of rationing money for projects. I think we should go and look for priorities. I see priorities, for example, in areas of food and agriculture, food and agro-industry. Of course it can be different in each country. I think that the countries have the right to decide for themselves. . . . Agro-industrial production should be encouraged. This means irrigation, new fishing industries, new protein production, up to a very important matter, which is the whole chain of production from farm production to transportation, warehouses, cooling houses, transportation to the export facilities, to the sale markets.

We have to look on the big scale, which does not mean immediately big amounts of money. You plan, but you have to look at the big plan in each area. Then you can go into parts. The increase in standard of living means public works, roads, harbors, which can be looked at as regional development projects. With a peaceful process, you can look at harbors on the regional scale, as in Europe, with container terminals, and if you have congestion in one harbor, you can shift part [of the cargo] to another one. So, if we have congestion in the Israeli port, we could shift to the Egyptian port, establishing connecting facilities between the ports.

**EIR:** Mr. LaRouche has emphasized on several occasions, that one needs great projects to develop a region, capable of functioning as a driving force or catalyst for other smaller projects. . . .

**Gafny:** It is true that such big projects, if they are wisely planned, can be the leading factor of growth. The mechanism we are talking about here, may supply the effect of a big project, even if it is divided into several projects, but done at

the same time in various areas and connected by a philosophy of planning. If, in view of what you create in industrial exports, and in agricultural growing areas, you create a transportation system with warehousing and distribution, you will actually have big projects that you do not leave by themselves, but ensure that they gear into industrial projects.

I would like to see the funds which can support bigger projects; this is why I suggested the mobilization of at least \$30 billion for 10 years, which will mean \$3 billion a year, and will give you the facility, till you start planning, of accumulated funds, some from the governments, some private. This will allow subsidizing interest for infrastructure projects, that is, big projects, which must be, by nature, implemented by governments or intergovernmental agencies. The Fund will coordinate them among the member countries. You have to coordinate the general economic policy, as in the Western industrialized countries. In the developing countries, coming out from underdevelopment or war, you need to get them together to plan at least the development of the infrastructure by governments, together with smaller projects of private entrepreneurs. So the bigger projects by government, the smaller ones by entrepreneurs, assisted by the government protection that you need until you get to a certain level. . . .

I am an Israeli, was educated here, and had my master classes in Europe. Since 1954 I have been working with the Israeli economy, mostly in the ministry of finance, later in the Bank of Israel. At a certain period, I worked for 10 years with the port authority, building infrastructure, and my observation was that part of the Israel's success in developing its productive economy, despite terrible conditions and even serious inflation, was that for years in the period of growth, we had a mix of government funds in the form of loans and grants, and subsidized loans given to industry and agriculture with funds coming from the government, funds which were not used by government agencies, but given to entrepreneurs.

**EIR:** What you are describing sounds like a combination of the American system of economics of Alexander Hamilton—which uses government credit, long-term and at low interest rates, to support development through public and private enterprises—with the contribution of Friedrich List and his policy to protect emerging national industry.

**Gafny:** Yes, I believe in this way, and I think that we succeeded in Israel in this way. . . . The group of experts working on the the plan looked in particular for projects which involved two or more countries at the same time, something that was given less attention by the countries themselves. These are projects that can be presented to any type of agreement, and I think that it is important that works and research like this be done.

**EIR:** Israel has a small population, but with a very high skill level in scientific, medical, and other areas; Egypt has a very

large, relatively skilled labor force and also a very large unskilled population. Have you given thought to how certain projects—in particular construction of houses, hospitals, infrastructure—could be used in assimilating this labor and at the same time training it? Are you working on training programs?

**Gafny:** Training is very important, especially job training. I believe that each country should do things with its own workforce, and there should be cooperation in exchange of know-how, technology, entrepreneurship. I would like to see an Israeli entrepreneur investing in Egypt and Egyptian entrepreneurs coming into Israel. But I think that the best is to use manpower locally, and if needed, you bring the experts in to educate the labor force. I'm looking at education as part of the investment policy of the government.

I want to stress at the end, one important thing, for people like me who have been working for years on this, from various countries of the area and outside. We put our idea forward as a practical one, down to the technical details, although this does not mean that we will fight for every detail and idea we had. I think that it is important to start an international discussion on this matter, and for this I value your contribution, because I think that you will contribute also to international discussion. For years we kept it low-key, quiet and inside, because of fears that it would be used as a political substitute for solving politics; but now Prime Minister Peres has brought it into the open. I think it should be discussed. I hope that it will not be interpreted as a substitute for political solutions, but as complementary.

**EIR:** Do you have some particular message to give Americans and Europeans?

**Gafny:** Americans have invested in the Mideast, both in loans and grants for arms, for defense, and also in economic aid. They have invested a tremendous amount. The Marshall Plan for Europe is dwarfed in comparison with the amount of aid that the Americans have given in the Mideast. European countries have done, in this sense, much less, although they have done quite a lot in technical cooperation and in some financial aid. I think that Europe has emerged into an important economic power in the last few years, and now, with the reduction of the oil price, it is one of the main beneficiaries. That is why I think this is the time that Europe can contribute. It would do justice to the U.S.A.; it will also help Europe, because without any doubt, countries that give also get in return.

For the United States it is also good, because if the U.S.A. does not do it [the Marshall Plan], the debt can strangle the economies of the Mideast, and we will have problems to repay the debt. Mainly the U.S.A. should recycle the debt, while Europe should add resources. I had many talks with European and American leaders, and this strengthens my belief, particularly now, that we can do it.

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## Interview: Haim Ben-Shahar

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# The approach of the Hammer Fund

*Professor Haim Ben-Shahar was former president of the Tel Aviv University, candidate finance minister for the Labor Party during the 1981 elections, and is now chairman of the Armand Hammer Fund for Economic Cooperation in the Middle East.*

**EIR:** Can you tell us something of the history of the Hammer Fund?

**Ben-Shahar:** It goes back to 1976. I was president of the university from 1975 to 1983. We wanted to develop some ideas for the future, so that if peace came, we would be ready to move and to handle the situation. I met with David Rockefeller at the end of 1976 to discuss with him the idea of setting up an international institution for economic cooperation—not only for the Mideast. He liked the idea very much. The Congress had voted against the notion of a boycott, and people were looking for a more positive approach.

Sadat came to Israel in 1977 and our idea became more possible. Then we wanted to create a joint institute of research in cooperation between Tel Aviv University and an Egyptian one. David Rockefeller took the document and proposal to Sadat in February 1978. Later he came to Israel to say that for Sadat, the idea was not ready yet. We took, at that time, the strategic decision to go on with the research with or without the other neighbors. Rockefeller took the decision to support the idea and get others to do the same.

In the middle of 1978, I had the opportunity to meet with Mr. Hammer and I presented to him the program. This meeting was one of the most important. I told him that he was the first to open contact with the Soviets, opening an era of détente, so he could eventually do the same with the Mideast and Arab problem. He supported us. Two months later we got the Camp David agreement. We planned a meeting with the Egyptians and the Brookings Institution, for Egyptian-Israeli cooperation. In 1980 Hammer called for a meeting and committed a large amount of funds and research. And from that point on, there was no interruption of funding for the group of researchers at Tel Aviv University. The work went on for five years, without publishing the results.

We had meetings, for example with [Egyptian Foreign Minister] Butros Ghali and Mustafa Khalil, prime minister under Sadat and deputy chairman of Egypt's ruling party. In

1984 we met with Hammer in Los Angeles, along with other American businessmen. In 1982 we had already met 15 representatives of large American corporations. Mr. [George] Shultz, at that time president of the Bechtel Co., came to my lecture and was enthusiastic about the idea. Months later he was appointed secretary of state.

The idea was to show that Egypt could get economic gains in the peace process; for this the American role was decisive. Rockefeller, after Camp David, told me that Sadat told him: "I made a historical decision; it will be a danger for me, but the only hope of success is economic development. Please help us in this." Rockefeller was already the economic adviser to Sadat, in particular on the debt issue.

**EIR:** Why did you later decide to make your plans public?

**Ben-Shahar:** We did not want to publish before, because we were not prepared. Our projects were given to the U.S. corporations for discussion. On the water project, we had extensive discussions with Mr. Khalil of Egypt. Second, the issue was not on the agenda. But later we decided to present major publications containing ideas and projects. We are now completing a book. We hoped the initiative of [Israel Prime Minister] Peres, in renewing the peace process in the Mideast with a conference before the end of the year, could give results, and the Marshall Plan proposal could integrate some of our projects.

**EIR:** Have you been taken by surprise by the Marshall Plan proposal?

**Ben Shahar:** Our June conference had been planned for a year. Peres was informed about our projects, by me and other people. We are familiar with the idea of the Marshall Plan. Mr. Gafny in 1978, when he was chairman of the Bank of Israel, discussed with us ideas for cooperation. Mr. Gafny is basically the father of the Marshall Plan. In 1981, at a conference in Paris where Gafny participated, our institute also presented some of our proposals and projects. I believe that also [Egyptian] Minister of Economic Affairs Esmat Meghida was there. We invited Gafny to visit Mr. Hammer and other American financiers, to present his idea of the Fund, back in 1981. The Marshall Plan and the Hammer Fund are two separate initiatives, but our work is available to anyone in the world, including corporations and American politicians.

**EIR:** Any response from or contact with the International Monetary Fund?

**Ben-Shahar:** We had contact with the IMF only recently. But going on with our work: We have the project for infrastructure and projects on commercial perspectives. The big infrastructure projects, like transportation, agriculture, etc., will be the subject of the Marshall Plan; we are concentrating on smaller projects in water, agriculture, transportation, tourism.

**EIR:** At the Tel Aviv conference, several speakers emphasized the concept of "free trade zones."

**Ben-Shahar:** We are presenting them, but this is just one of the ideas. There are many other projects. But back to the Marshall Plan. It has good intentions for research and funding, but for what? Two to three billion dollars investment, in what? We provide the missing part of the planning. I have received a lot of requests from Washington for more information. This is also why the IMF, the World Bank, and the State Department are now asking for more information on the projects.

I would like to bring your attention now to the water and energy projects. On water, we are dealing with three sources: Nile, Yarmuk, and Litani. We have a shortage of water in Gaza and the West Bank. We wanted to present the solution for the Palestinians.

**EIR:** What about the proposal for a Mediterranean-Dead Sea Canal?

**Ben-Shahar:** This is not a water project, but an energy project. I want to present to you the principles of my water projects: extension of the water coming from the Nile into the Sinai, reaching the Gaza strip. Egypt says that they have a fear of future shortage, but 1% of the water of the Nile will be enough to solve all the water problems of the area. The second is the Yarmuk River.

On the Dead Sea Canal: The plan was to have a canal and then a tunnel in the south area. . . . In Ben Shain one can have a deep-water port for the Jordanians and so give them a connection with the Mediterranean Sea. The water will then go into the Dead Sea through a series of waterfalls. This was our first plan before 1976, before I met with Rockefeller and Hammer. In February 1977 we presented it to the [Yitzhak] Rabin and [Ygal] Allon government. Allon liked it very much. We presented it also to the next government, which prepared a committee to study it. But it was the political situation and changes, which also changed the concept of economic cooperation. But now I said four weeks ago, that this project will be a "no go."

**EIR:** On the energy program, what is your stand on nuclear energy? The Marshall Plan proposes a nuclear station in the Sinai to supply energy to Israel, Egypt, and Jordan.

**Ben-Shahar:** We have not studied this question well enough; we have no position. But we have a very strong position in favor of a gas pipeline from Egypt. They have big reserves, but cannot sell them, because they must be liquified, and Egypt does not have the facilities. We could build a pipeline to the centers of Ashdod and Ashkelon, which could use the gas for energy production and at the same time build up chemical industries. It will cost not much more than \$100 million and will give \$200 million in revenues to Egypt per year.

## Moscow goes public with massive strategic build-up

by Konstantin George

At the Warsaw Pact Summit held in Budapest, Hungary the week of June 6, a call for "large-scale force reductions" in the European Theater, drafted by the Soviet Union, was formally presented in the form of an "appeal" to all the states of Europe. The appeal included a call for holding "without delay" a special conference involving all European States, East, West, and neutral, plus the United States and Canada, to negotiate a two-phase troop withdrawal. In the first phase, each side would reduce its forces by between 100,000 and 150,000 ground troops and tactical air units. Phase two would envision a reduction of over 500,000 troops each, spread over five years into the early 1990s.

The proposals are serious only in that they are meant to provide an excuse for the U.S. Liberal Establishment to accelerate its plans for massive reductions in U.S. troop strength in Europe. Otherwise, the proposals are a farce.

American troops, once across the Atlantic, are gone for good. Soviet troops, on the contrary, if pulled back several hundred kilometers into the Western Soviet Union, are back in invasion position facing West Germany within a matter of hours. Moscow's insistence that cuts be made in equal numbers on both sides, simply maintains overwhelming Soviet superiority at temporarily lower force levels.

The farce of the Soviet offer was amply documented during a June 11 Budapest press conference, given by newly appointed Soviet Deputy Foreign Minister Vladimir Petrovskii and Maj.-Gen. Nikolai Chervov, attached to the Soviet General Staff. Chervov pointedly stated that Moscow rejects Western demands for on-site inspection of eight Russian Military Districts, located inside the U.S.S.R. between its Western borders and the Ural Mountains, in the course of the

proposed withdrawal process. Chervov said: "If Western negotiators renounce this absurd demand, the talks can be resolved. The verification must be restricted to Central Europe."

Chervov attacked President Reagan's announcement that the United States will no longer adhere to the SALT restrictions, adding: "To want to overtake us in strategic weapons is a dream which can never become reality. . . . To give but one example, it would be possible for us to equip over 300 ICBMs [the monster SS-18s], which now have 10 warheads each, with 14 warheads each, if not with more."

### Dropping the pretenses

Exactly one week earlier, on June 4, Marshal Sergei Akhromeyev, Soviet Chief of Staff, held a press conference at the foreign ministry in Moscow. He announced:

"If the United States withdraws from the SALT I and SALT II accords, the limitations on strategic offensive armaments will become void. The first [limitations] to be canceled will be the number of intercontinental ballistic missiles under the SALT I Interim Accords. The next will be the number of submarines carrying ballistic missiles, and the restrictions on the number of warheads for both ground-based intercontinental ballistic missiles and the number of warheads for submarine-launched ballistic missiles. . . .

"The Soviet Union will find a sufficient and adequate response. We have the right to, and will take such measures."

In other words, Moscow is about to make public what it has been doing all along. Long before Reagan ever spoke out on abandoning SALT II, Moscow's pre-war build-up of strategic offensive forces had vastly exceeded the SALT limita-

tions. We can list these according to Akhromeyev's own categories:

1) **Land-based ICBMs.** Russia has already deployed the SS-24 and SS-25 mobile ICBMs. By these deployments alone, it tore up SALT I and SALT II. Moscow now has at least 75 SS-25s operational (according to the Pentagon), and when the deployment is completed, in about a year, will have 460 operational SS-25 launchers. With the added deployment of over 100 SS-24s, Moscow relatively soon will have well over 550 additional land-based ICBM launchers.

The SS-24 can carry up to 30 warheads, and the SS-25, 3 warheads. This will represent a minimum addition of some 4,400 nuclear warheads to the Soviet land-based ICBM force. Before the end of the decade, the Soviets will produce and deploy the monster missile, the SS-27, now in the testing phase, designated as the "successor" to the SS-18. Soviet missiles have all been built to accommodate more warheads than the "limits" prescribed in SALT II. Thus, as Chervov stated in the case of the SS-18, Moscow can instantaneously add at least 4 additional warheads per missile, thereby adding at one stroke a minimum of 1,200 additional nuclear warheads.

2) **Nuclear Submarine Ballistic Missile Force.** Here, Akhromeyev's announcement signifies that, from now on, no Soviet nuclear ballistic missile submarines will be removed. Unlike the United States, Moscow never scraps or dismantles nuclear missile submarines. For the past four years, Russia has been converting "retired" ballistic missile submarines into nuclear cruise-missile submarines. Under the crash program inaugurated by Andropov and Marshall Nikolai Ogarkov in 1983, the Soviet Union has already converted more than two dozen submarines (both missile submarines and attack submarines) into cruise-missile submarines, each outfitted with 20 nuclear cruise missiles with a range of 3,000 km. A substantial portion of them are stationed in permanent rotation off the U.S. coast, and the remainder within range of targets in Europe, Scandinavia, and the United Kingdom. Thus, while "technically" keeping within the submarine-launched ballistic missile restrictions imposed by SALT II, Russia has added, in four years time, well over 500 nuclear cruise missiles to its first strike capability against the United States and Western Europe.

The Eastern Establishment media has been hysterical over the American announcement that the United States will exceed the SALT limit by equipping the B-52 strategic bomber force with long-range Air Launched Cruise Missiles (ALCMs). By contrast, Soviet strategic bombers such as the Backfire and the new Blackjack don't count under the SALT treaty limitations, but, starting last year, Russia began a crash program to equip these bombers (numbering several hundred) with 3,000 km range As-15 nuclear ALCMs. This program makes it possible to use the Soviet bomber force as a component in a first strike against the United States.

The Soviets have also deployed 441 SS-20 launchers. These are officially classified as IRBMs, but, if equipped

with only one warhead, they have an intercontinental range. Then there is the mass deployment of hundreds of short- and medium-range SS-21s, SS-22s, and SS-23s against Western Europe and Japan.

One final note on the Soviet offensive missile build-up. Soviet missiles, unlike American missiles, have what is called "cold-launch" capability: that is, within one half-hour to one hour after the first missile is fired from its launcher, a second missile can be fired from the same launcher. SALT, even were it adhered to, never counted missiles, merely launchers. Therefore, Moscow—even had it played by the SALT rules—was always above the SALT limit by a factor of two or greater.

## U.S. Troop cuts

Reagan's decision to abandon SALT is correct, but the United States remains extraordinarily weak militarily. The Soviet Union never adhered to SALT, conducting a massive build up of its strategic nuclear forces, and simultaneously its general-purpose—commonly called "conventional"—forces to perfect an overall war-fighting capability.

By contrast, President Reagan is fighting for the SDI, an additional handful of 50 more MX missiles (a trifle compared with the SS-24, SS-25, etc.), and more cruise missiles. A treasonous Congress is at best willing to meet a few of the President's "strategic" hardware priorities, in exchange for the virtual destruction of the Army's general purpose forces. This would entail, among other things, a drastic unilateral reduction by the United States of its troop commitments for the defense of Europe.

The danger of destroying the military capabilities of the NATO Alliance is compounded by the prospect of either a Social Democratic (SPD) victory in the January 1987 West German federal elections, or a deadlock result, where the Christian Democratic Union of Chancellor Helmut Kohl could only rule through SPD "toleration," i.e., at the expense of major, fatal compromises on defense and foreign policy.

Through channels in Bonn, *EIR* has procured a copy of the draft of the defense policy document to be adopted by the SPD as its electoral platform. That document states unequivocally that an SPD-led government shall: ". . . establish force structures to render the Bundeswehr incapable of mounting offensive operations." As a starter, the SPD would unilaterally disband the Bundeswehr's Panzer (armored) divisions. The drastic reductions policy is stated with no less clarity: "To serve this purpose, large sections of the armed forces will have to be reduced to skeletonized units."

If Secretary of State George Shultz, White House Chief of Staff Donald Regan, the congressional "neo-isolationists," and the SPD prevail, a 50% reduction of U.S. troop strength in Europe within the next year to 18 months is an imminent danger. If that occurs, regardless of whether a formal SDI program continues in existence and regardless of how many MX missiles are deployed, the United States is finished as a superpower.

# Gorbachov summons diplomats and spies

by Susan Welsh

During May and June, Soviet leader Mikhail Gorbachov convened a series of extraordinary meetings of the highest levels of the Soviet government apparatus, to hand down the marching orders for both foreign and domestic policy. These follow months of purges throughout the government and Communist Party, of which the ambassadorial shifts which we report below are among the most striking examples. The results of these meetings include such "initiatives" as the deployment of low-intensity warfare against West Germany, and the latest Warsaw Pact arms-control offers, aimed to split the NATO countries.

On May 23, Gorbachov summoned selected ambassadors from around the world to a behind-closed-doors briefing at the foreign ministry. He delivered a speech on the role of Soviet diplomacy and its relation to domestic policy—the details were not released. According to the report by the TASS news agency, he "examined critically and with party-style exactingness" the diplomatic activities of recent years—in other words, he called the staff on the carpet and warned that more heads would roll.

The following week, a two-day secret meeting of the KGB leadership took place, with Gorbachov again in attendance. The London *Times* reported on May 30 that the conference conducted "a sweeping review of the activities of the KGB," and that the meeting was "probably the largest single gathering of the heads of the Soviet Union's secret community. . . . Far from diminishing under Mr. Gorbachov, the internal grip exercised by the KGB appears to have expanded."

Then at the beginning of June, the defense ministry came in for the same treatment, with a special conference convened by Defense Minister Sergei Sokolov, on the theme of "expanding the scope of the military's role in Soviet society." The priority, Sokolov said, was "to review previous work and its results on a principled and self-critical basis from the standpoint of modern demands, to re-evaluate achievements with a view to avoiding the mistakes of the past, and to bring to light and make active use of hitherto unused reserves and potential."

Sokolov made it clear that from the standpoint of the High Command, Soviet war preparations must be stepped up. "On the whole," he said, "the process of reviewing the forms and methods of work is proceeding slowly and must be accelerated." He particularly criticized failures of troop training and logistics.

## Foreign ministry changes

The sweeping changes in the Soviet foreign ministry and diplomatic corps since the beginning of 1986, which we list here, show how swiftly and ruthlessly Gorbachov has moved.

**May 8:** First deputy foreign ministers Georgi Korniyenko and Viktor Maltsev are relieved of their posts.

**May 20:** Yuli Vorontsov (former ambassador to France) and Anatoli Kovalev are named first deputy foreign ministers. Aleksandr Bessmertnykh and Boris Chaplin are named deputy foreign ministers.

## Ambassadorial shifts

**Cuba—Jan. 14:** Aleksandr Kapto, the ideological secretary of the Ukrainian Communist Party, replaces Konstantin Katushev.

**Ethiopia—Feb. 25:** Ambassador Gennadii Andreyev dies suddenly, at the age of 49.

**Federal Republic of Germany—March 8:** Yuli Kvitinskii, top arms negotiator, named to replace Vladimir Semyonov.

**Great Britain—April 25:** Leonid Zamyatin, former Kremlin press spokesman, appointed ambassador.

**Greece—Jan. 31:** Viktor Stukalin replaces Igor Andropov, son of the late Yuri Andropov. Stukalin is a former deputy foreign minister.

**Japan—April 10:** Nikolai Solovyov replaces Petr Abramimov as ambassador. Solovyov is chief of the foreign ministry's second Far East division, and is an expert on Japanese affairs who speaks fluent Japanese.

**Lebanon—May 10:** Vasili Kolotusha replaces Aleksandr Soldatov, the long-time Soviet ambassador, who is retiring.

**Oman—May 5:** Aleksandr Zinchuk, ambassador to Jordan, presents his credentials as nonresident ambassador to Oman (diplomatic relations were established in September 1985).

**People's Republic of China—March 7:** Reporters in the West are told that Oleg Troyanovskii, former U.N. ambassador, will be named envoy to China.

**Poland—Jan. 6:** Vladimir Brovnikov, a former prime minister of Byelorussia, named ambassador.

**Somalia—Jan. 5:** Bakhadyr Abdurazakov appointed ambassador.

**United Arab Emirates—June 1:** Valeri Sohlin appointed ambassador (diplomatic relations were established in November 1985).

**United Nations—Feb. 12:** Yuri Dubinin, former ambassador to Spain, is named to replace Oleg Troyanovskii, who for nine years was Soviet ambassador to the U.N.

**United States—May 20:** Yuri Dubinin, ambassador to the United Nations only since February, is named envoy to Washington, replacing Anatoli Dobrynin, who has become head of the Central Committee's international department in charge of relations with non-ruling communist parties and non-communist leftist parties.

# Libya moves into Asia to build for new terrorist conference

by Mary McCourt

While the United States and its allies have taken no military action to follow up the May 4-5 Tokyo Summit condemnation of Libya for promoting international terrorism, Libyan leader Muammar Qaddafi has been working hard. During May, his personal envoys spread throughout Asia to bring Qaddafi's demands for condemnation of the April 15 U.S. raid on terrorist installations in Tripoli to government leaders. This was only the beginning. Not satisfied with the results of the March 14-18 Tripoli conference, where plans were laid for international coordination of terrorist and separatist groups' operations, Libya now wants to hold another, higher-level Tripoli conference in September, with representatives of national political parties from around the world, a reliable source reported. Qaddafi will now be pulling every political string he can, to get his envoys into Europe and even the United States to "explain the Libyan position," and to stop any action against terrorism.

Qaddafi has ground to exploit. In Asia, economic crisis, precipitated by disastrous U.S. "free market" policies, and the State Department-run collapse of the pro-American Marcos government in the Philippines, have made national leaders vulnerable to anti-American agitation—and Libyan-funded "liberation movements."

Qaddafi is doing to Asia what he has done for years to Western Europe: running training camps in Libya where terrorists are been trained to bomb U.S. military installations, airports, and defense-connected industry, while funding "peace" and separatist movements. In Germany, the Qaddafi-funded Green Party, which has won up to 10% of the vote in state elections, aims to pull West Germany out of NATO.

Qaddafi has stepped up operations since April 15. One of the first countries to feel pressure was Pakistan, where Qaddafi has already recruited several thousand mercenaries for his "Islamic Legion." On May 24, Shah Ahmad Noorani, head of the Islamic party Jamiat I Ulema I Pakistan, called on former members of the Pakistani armed forces to volunteer for a 500,000-man force to fight for Libya against the United States. Noorani told a rally he wanted to have 100,000 men ready soon to help fellow Moslems in Libya. The force, which at peak levels would be bigger than Pakistan's regular 450,000-strong army, would be trained, equipped, and kept on alert for rapid deployment, he said. Noorani, an influential figure among opposition politicians, urged the U.S. Congress to impeach President Ronald Reagan for what Noorani called

his barbaric bombing of helpless men, women, and children in Libya.

Pakistani President Zia ul-Haq, who had previously denounced opposition leader Benazir Bhutto by claiming she was being funded by Libya, himself received Qaddafi's special envoy Abdul Ati Al Obeidi, on May 9, the Pakistani press reported. Obeidi is a former foreign minister of Libya. Former Pakistani Federal Secretary of Information Nasim Ahmed wrote in a letter to the British *Sunday Telegraph* May 25, "According to available reports, General Zia made no complaint to the envoy . . . about Libya's alleged involvement in movement for democracy in Pakistan." Instead, Ahmed said, it was reported that Zia made "noises of sympathy" to the envoy, and has done nothing to date to remove the Pakistani pilots who operate Qaddafi's French-made equipment.

Pressure increased on May 30, when the U.S. consulate in Karachi was attacked by two gunmen. This was the same day that police arrested several Afghan and Libyan students for questioning about the bombing of the Saudi and Pan-Am airlines offices on May 20, in which one person was killed and six injured.

Qaddafi also has his supporters in Bangladesh—to the increasing consternation of President Ershad, who held elections May 5 in an attempt to consolidate his military government. On May 16, the President of the Islamic Revolutionary Council on Bangladesh, Hajji Mohammad Abdullah, sent a cable of support to Qaddafi, proclaiming that the "American-NATO barbaric aggression on the Libyan Arab people was tantamount to the final warning to Muslims," and called on Muslims to face up to the "10th Crusade" led by Washington against the Arabs. In a cable addressed to Qaddafi, Abdullah said that thousands of Bangladesh's people were ready to move anywhere Qaddafi asked them to.

Libya has already attempted several times to undermine Ershad. Last January, Bangladesh expelled top Libyan operative Salem Ibrahim, reportedly a paymaster for terrorist groups abroad, who had entered the country claiming to be the Libyan envoy. Ibrahim had earlier met in Singapore with Abdur Rashid, one of the assassins to Bangladesh founding President Sheikh Mujibur Rahman in 1975. Rashid has since financed dissidents against the Ershad regime. According to the *Far Eastern Economic Review* on May 29, several of the Bangladesh Army officers involved in the assassination took

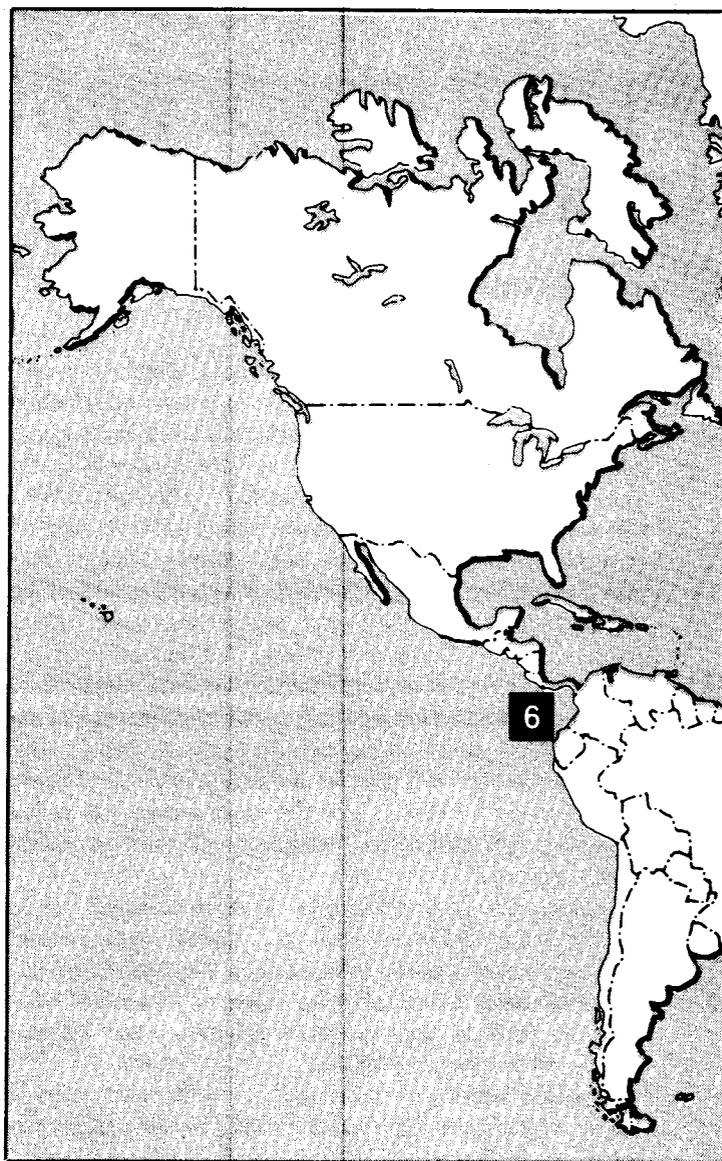
*Continued on page 38*

# Establishment seeks a year-end crisis, 'New Yalta' deal

There is no chance of stopping an early Soviet takeover of the European, Asia, and African strategic spheres of influence, unless the majority of the U.S. and Western European liberal establishments are efficiently opposed. The same section of the U.S. foreign-policy think-tanks directing Sen. Jesse Helms's (D-Ga.) scenarios for Mexican and Panamanian bloodbaths, is committed to de-coupling the U.S. strategically from West Germany by January, and also turning most of Asia and all of Africa over to the Soviet sphere of strategic influence during the 12 months or so ahead.

The leading edge of the liberal establishment is fully committed to forcing President Ronald Reagan into making such a New Yalta agreement with Moscow by no later than sometime during the first half of 1987. The present gameplan calls for a massive and deepening crisis-situation erupting by the close of 1986, and worsening that crisis over the first few months of 1987. The plotters estimate, that although the President would not consider a New Yalta package at this time, if he is caused to perceive himself locked into a hopeless and worsening economic and strategic crisis, over the first several months of 1987, he might be made malleable enough to submit to such a deal with Moscow.

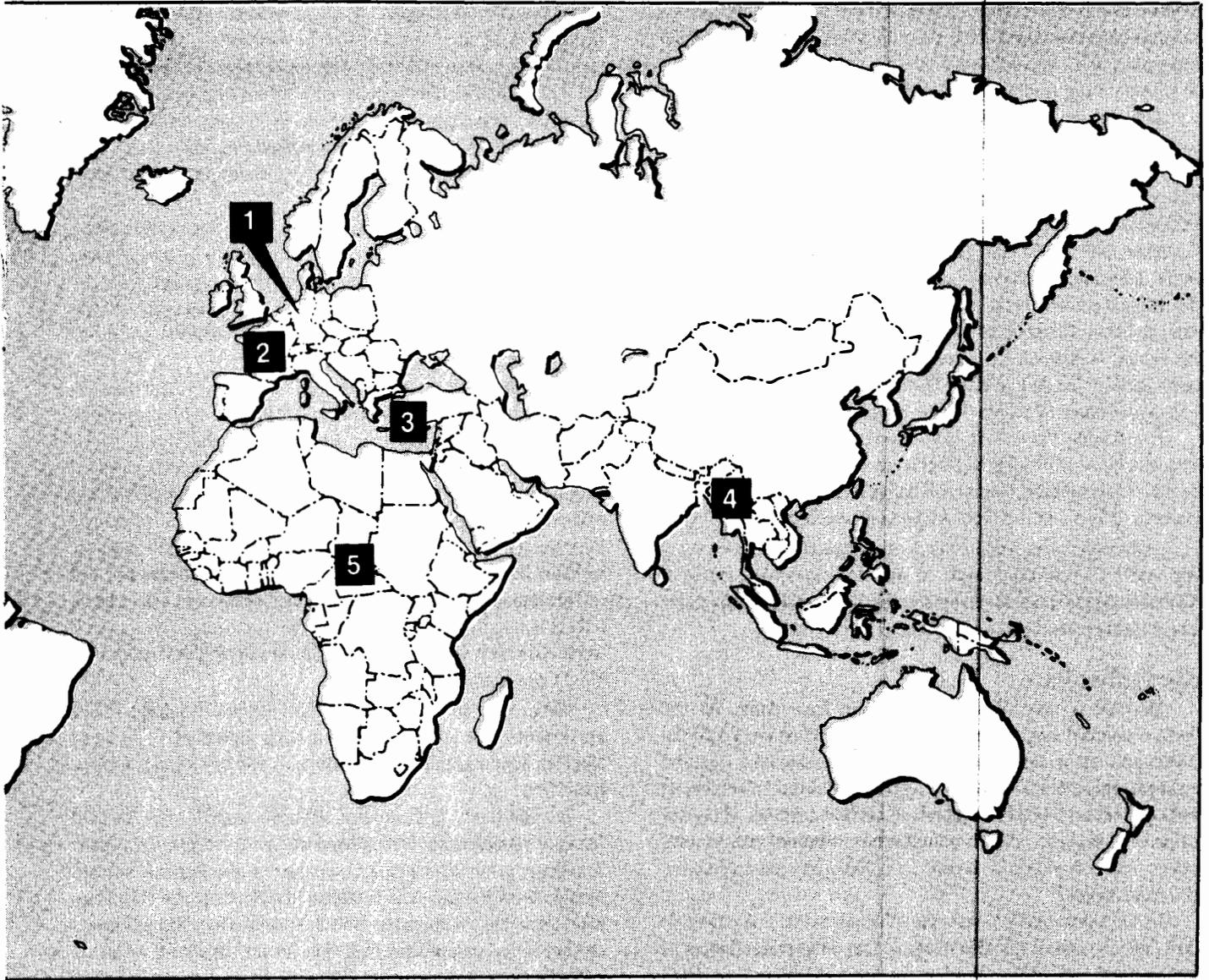
This is the word from a recent confab at Georgetown's CSIS (see page 56), from the same crowd behind the projected destabilizations of Mexico and Panama. The obvious question is: "This is what that crowd is plotting. What are the chances that the majority of the establishment will commit itself to such a scenario?" From *EIR's* day-to-day readings around the world, this scenario is not just the talk of one group of policy-shapers. What we have been picking up from liberal establishment sources at high and secondary levels in Europe and the United States shows that the majority of the establishments are treating early negotiation of a New Yalta agreement, not as a mere policy-planning discussion, but as a currently operational policy-commitment. Leading developments in Europe, the U.S.A., in Asia, in Africa, and in Ibero-American hot-spots, coincide with this operational policy-commitment.



Probably, most of the complicit members of Congress are simply carrying out marching-orders, with no recognition of the policy behind such marching-orders.

The New Yalta agreement which the liberal establishment is currently pushing, includes:

**1. In West Germany:** An SPD-Green coalition government in the state of Lower Saxony, and an early ouster of Chancellor Helmut Kohl as a result of that SPD-Green success. By January 1987, either a Red-Green coalition government in Bonn, or a "grand coalition" of the CDU-Liberals-SPD on the basis of policies acceptable to the SPD left-wing. This means, Germany effectively out of NATO by early next year. The catalytic election campaign of "Patriots for Germany" in Lower Saxony, is the only visible factor which might upset such a scenario.



**2. In Western Europe:** A Red-Green coalition, or a CDU-Liberal-SPD coalition in Bonn, means that the Atlantic Alliance in Europe no longer exists in reality. Western Europe is then assimilated rapidly, step by step, into a quasi-neutral Europe within the Soviet sphere of strategic influence.

**3. In the Middle East:** Continuing chaos, centered around the role of the Soviet-directed Iran-Syria-Libya axis, destroying more and more of the nations of the region, and establishing the region as a Soviet sphere of strategic influence, with some secondary role for Britain and France.

**4. In Asia generally:** A Moscow-Peking condominium, strengthened by Soviet deployment of the Sikh

terrorists to catalyze the fragmentation of India. Only the islands of the Asiatic Rim remain temporarily tied to the U.S. sphere of influence.

**5. In Africa generally:** A direct Soviet military takeover of all of the strategic minerals region of southern Africa, using Soviet terrorist assets under the flags of the African National Congress and SWAPO. The destruction of black Central Africa by aid of Soviet-sponsored invasions of Zaire, et al. The destabilization of the Maghreb and Egypt, putting the region under the control of Soviet "Islamic fundamentalist" puppets.

**6. In Central & South America:** Drawing the United States into a new and vast "Vietnam War"-type involvement, aided by Soviet narco-terrorist forces such as the M-19 in Colombia and Shining Path in Peru.

asylum in Libya. Recently, some of them visited Bangladesh to sound out elements of the army on whether they would be interested in a coup against Ershad., although they returned to Libya failing to obtain support.

India, alone on the Subcontinent, has kept Qaddafi very much at arm's length, but Qaddafi is trying to use the Non-Aligned Movement as a means to apply pressure there. Although it is known that members of at least one Sikh organization attended the March 14-18 Tripoli conference, and it is reported that Libya has given funds to Muslim groups in India, Libya has denied any connection with terrorism against the Indian government. On April 19, a Jana news release reported that a source at the Libyan People's Committee of the People's Bureau for Foreign Liaison denied allegations published by the Indian daily *Hindustan Times* April 19, that Libya is connected to acts of terrorism by the Sikh movement.

The source "voices regret," Jana reported, "at the fact that [the *Hindustan Times*] has fallen victim to this deceptive American campaign which also seeks to infringe on the leading role of India in the Non-Aligned Movement."

Although India joined the Non-Aligned in condemning the April 15 raid on Tripoli, it did so only on the basis of violation of national sovereignty. Prime Minister Rajiv Gandhi roundly condemned all forms of terrorism.

## Spreading East

Qaddafi is also moving quickly in East Asia. As the Tokyo summit began on May 4, he broadcast over Libyan radio and on a Japanese TV station his demand that the summit end, calling it a "crime against mankind." On Libyan radio, Qaddafi called for Japanese demonstrations "in order to prevent Reagan, the child-killer and criminal, the second Hitler, from landing in Japan. . . . How can Japan receive the child-killer?"

In a commercial TV interview broadcast in Tokyo, Qaddafi called on the Japanese to try to force the cancellation of the summit, which he called a "meeting of killers." Qaddafi proclaimed, "We must be the one to denounce terrorism because we are the victims."

When Qaddafi sent a personal envoy to Southeast Asia later in May, he himself prepared the way by calling up all the government leaders to demand they meet with Libyan foreign ministry official Mohammed Ahmed Sherif. Sherif visited Thailand, Malaysia, the Philippines, and Indonesia—all nations plagued with Muslim fundamentalist movements—during the week of May 19, to urge these nations to join Qaddafi's call for a U.N. conference on international terrorism. In Thailand, he met with Foreign Minister Siddhi Savestila, who later voted against the United States in the U.N. vote on the April 15 Tripoli raid. In Indonesia, the reception was cooler, but Qaddafi has more aces to play there.

Sherif succeeded in seeing Indonesia's President Suharto, although the Libyan delegation arrived in Jakarta May 20 with little advance notice, according to the *International Herald Tribune*. "Indonesia will, at the right time, think

about the kind of support, if any, it will give to Libya in the framework of the Non-Aligned Movement," was Suharto's reserved response to Sherif, who reportedly told Suharto that the Third World must come up with an alternative to "the American definition" of terrorism. At a press conference in Jakarta May 23, Sherif had challenged President Reagan to produce proof of Libyan involvement in international terrorism.

Indonesian Foreign Minister Mochtar Kusumaatmadja, did not meet with Sherif, because he was on a visit to Nigeria during Sherif's stop-off in Indonesia. However, just after the April 15 raid, Mochtar stated that Jakarta disagreed with the U.S. action, but would support concerted international moves against terrorism.

Indonesia has good reason to want to stop terrorism. A delegation of the "Free Papua Movement," which operates in Indonesia-controlled Irian Jaya, went to the March 14-18 Tripoli conference, and since then, according to Australian officials, a spokesman for the guerrillas said that Libya has offered the group help. The Indonesian military calls the Free Papuans a poorly armed, rag-tag operation, with little support in Irian Jaya, but the Australians stated that, given aid, the movement could become a threat. An agreement was reportedly reached in Tripoli to set up a "revolutionary committee" to include New Guinea, and the Southwest Pacific, including New Caledonia and Vanuatu.

Other nations in Southeast Asia are not immune. There are reports that Libya is now getting involved in funding Muslim fundamentalists in Malaysia, already getting money from Iran.

In Thailand, government officials stated May 29 that Muslim separatists are supported by Saudi Arabia and Libya. A splinter group of the PULO separatists, the Barisan Bersatu Mujahideen Patani, was founded last Sept. 16 by Haji Hassan, apparently inspired by Saudi Arabia. Thai officials could neither deny or confirm that this group maintains contacts with the Iranian embassy in Bangkok or the Libyan Peoples' Bureau in Kuala Lumpur, but did state that the separatist group, which wants to set up an independent Islamic regime in Patani province, was helped both by Libya and Saudi Arabia.

In the Pacific, Libya's staunchest supporter is the regime of Father Walter Lini, prime minister of the Republic of Vanuatu. Lini stated April 22 that the U.S.-NATO "failed barbaric aggression against the Libyan Arab people is considered as a violation of all international norms and conventions." Vanuatu, formerly the New Hebrides French-Anglo colony, announced June 7 that it was establishing diplomatic relations with Libya. Lini begins negotiations this month with the Soviet Union for a docking agreement for Soviet fishing vessels, which may also be allowed to fish in the 200-mile exclusive fishing ground that Vanuatu claims. U.S. Pacific fleet commander Admiral James Lyons, warned Vanuatu at the end of May against relations with Libya, to keep the Pacific free "of the cancer of international terrorism."

# South Africa's great task: a 'grand design' for all of Africa

by Uwe Friesecke

*The first and second parts of this series by Uwe Friesecke, who recently returned from South Africa, appeared in EIR's June 6 and 13 issues.*

The conflicts in South Africa are moving toward a critical climax. On May 27, the long-awaited Soviet-led Angolan offensive began against Dr. Jonas Savimbi's National Union for the Total Independence of Angola (UNITA), and, in South Africa, the political polarization among blacks and whites is looming larger. The neo-Nazi Afrikaner Resistance Union (AWB) is gathering more and more followers through its spectacular actions.

A domestic political solution for South Africa and a peaceful transition to Namibian independence are now dependent on whether those in political power can find the courage for the far-reaching initiatives necessary to overturn the former rules of the game, which have led the region more and more into chaos. Two things must be attempted that appear virtually impossible under the old rules: First, the creation of a new alliance between South Africa and the rest of the continent, and, second, the unification of a new South African state with which all its citizens can identify.

## The moment of truth

The illusion that the West would never allow South Africa to fall because of its strategic importance, has been shattered since last December, when Chase Manhattan suddenly canceled South Africa's credit, and forced its government onto an economic course that has led to a drastic devaluation of the rand, the national currency. Thus, South Africa has become the target of the international banking policy applied for years to the rest of Africa, the genocidal adjustment policies of the International Monetary Fund (IMF). In its scandalous behavior on the Namibia question, the diplomacy of Bonn, London, and Washington has also made it clear to South African political leaders that the liberal Anglo-American Establishment, which has financed the Soviet-Cuban intervention into Angola through the oil companies in Cabinda, is ready to barter off the entire southern African region to the Soviets.

The developments of the last six months have rudely awakened politically responsible leaders of both blacks and

whites in South Africa and Namibia about the Africa policy of the West. More and more, the realization is growing that Western boycott measures and the American disinvestment campaign have little to do with the abolition of apartheid, but are rather designed primarily to hit the South African economy, since these Anglo-American interests, acting out of ideological fanaticism and insane power politics, intend to prevent, at any price, the development of South Africa into the "Japan" of the African continent. It is rightly feared that the U.S. State Department is out to collapse the Botha regime, using the well-tested model of "Iranization."

Ironically, South Africa has now been thrown by its former banking friends into the same boat as Nigeria and other black African countries. The Western banking faction, which determines the policy of the IMF vis-à-vis the Third World, has written off the entire continent of Africa, and that is the real reason for the economic actions and boycotts. The flamboyant anti-apartheid rhetoric is merely a convenient means for manipulation of public opinion.

## The historical chance for South Africa

If the full significance of this destabilization policy is recognized, along with that of the Soviet scorched-earth policy, then a striking combination of economic and political factors emerges, which, if courageously manipulated, can lead to a breakthrough for a peaceful solution to the conflicts in South Africa.

Economic development and prosperity represent the foundation for that stable solution. That is emphasized by President P. W. Botha's reform group as well as Chief Mangosuthu Buthelezi's Inkatha peace movement, because the radicalization and polarization in favor of violence is growing among blacks as well as whites, given the growing economic crisis and unemployment.

The economic future of South Africa, however, lies in the markets of the African continent. That defines a clear common interest between South Africa and its African neighbors, both near and far, for the economic development of the continent and against the IMF. The creation of a new just economic order for rapid development of infrastructure, agriculture, and industry is the sole chance for survival of the African continent. Therefore, the struggle for that develop-

ment is in the most elementary self-interest of South Africa as well as the other nations of the continent.

South Africa's chance lies in the formulation of a security pact with precisely those countries that, thanks to the corrupt and sanctimonious measures of the United Nations, are South Africa's deadliest enemies. The other nations of the continent should offer South Africa a security guarantee for its white population, if South Africa, for its part, first, solves its internal constitutional problem and, second, is willing to place its economic power and technical and scientific know-how at the service of the development of the continent.

On the basis of such a pact, South Africa could put a stop to the terrorist war raging on and within its own borders, and gain the economic stability that is urgently necessary to permit the white reform group to sit down at the negotiating table with black political leaders to work out the most practical form of power-sharing.

*The challenge to South Africa's nationalist elite is to strike a blow for a new international economic order against the IMF bankers' group.* The nations of the Non-Aligned Movement must realistically acknowledge that their efforts for a reform of the international economy during the past 10 years have been repeatedly nullified by the extortionist methods of the IMF. South Africa would be an alliance member that is not subject to extortion since, first, it produces sufficient food domestically that the food weapon frequently used by the IMF and the grain cartel would be useless, and, second, South Africa can use both its debt bomb and its strategic minerals as political weapons.

South Africa, allied with all of Africa in a struggle for a new world order, would turn the mendacious game of international diplomacy on its head overnight. That could provide the political and economic shock that forces the West into a constructive policy toward the Third World and, in particular, southern Africa.

### **Feasibility of the security pact**

The technical pre-conditions for the realization of a security pact between South Africa and the other African states are present. South Africa is the only nation on the African continent which has experienced industrial development worth mentioning and, therefore, has centers of technology, science, and research.

A classical example is veterinary medicine. The Institute of Veterinary Medicine of Onderstepoort in Pretoria has gained control over dangerous diseases such as rinderpest, and would be capable of delivering the vaccine and know-how for an effective campaign against that disease to the rest of Africa. Generally, the long-term agricultural experience under the climatic conditions of South African and Namibia could make an essential contribution to agriculture in many other parts of the continent. Another example is infrastructure, energy, and water supply. South African hydrological engineers have already worked out plans for the effective use of African water reserves.

There is no doubt concerning the willingness of the nationalist reform group to put these plans into action. The realization that South Africa's greatest problem is that the rest of Africa is a dying continent because of IMF policies, is also growing among others circles, especially military. Therefore, many strategically minded circles are discussing the necessity of a Botha Doctrine for the development of Africa.

The difficulty lies in implementing such a strategy, given the present international political framework.

For black liberation organizations which are conscious of their responsibility, such as Inkatha, a continental-wide strategy for the development of Africa presents the obvious framework within which the necessary constitutional and economic changes in South Africa could take place, as Chief Buthelezi, the president of Inkatha and chief minister of KwaZulu, emphasized in a recent interview with *EIR*. The process of establishing equal political rights in South Africa can only be realized with the simultaneous economic betterment of previously neglected population groups, and, for that, again, an economic framework is necessary that permits the recovery and expansion of the South African economy.

### **The necessary domestic transformation**

Chief Buthelezi is striving for a federal constitution for the nation-state of South Africa. There is great skepticism concerning the feasibility of this conception among the white reformers. Experiences in the rest of Africa are pointed to, as well as the cultural starting point, so different from that in Europe. But, certainly, this underestimates the political dynamic that would be set in motion by an appropriate new definition of South Africa's national purpose. In the balance today is the survival of the South African state and the continent. In light of this threat, the conflicts of the past become minimal. At this point in time, the opportunity is offered for resolute statesmanlike leadership: South Africa must be mobilized according to the classical republican tradition, to work for the improvement of the rest of the continent and the entire community of nations.

The formulation of a grand design for the African continent as the practical political task for South Africa will make it possible for its citizens to identify with a new South Africa, and thereupon, to take a stand for the defense of the nation. Given that, a political commonality for the conflicting interests in South Africa will be attainable, in which fruitful negotiations for the solution of existing conflicts become possible. Those political groups specifically created to destabilize the nation, such as the present African National Congress, will largely lose their freedom of action as well as their credibility.

The political leadership of South Africa finds itself on a dangerous course. The risk of plunging into chaos increases daily. Therefore, honest politicians in the West had better understand now that implementing the policies indicated here is the only alternative to chaos.

## Zulu nation fights balkanization threat

Executive Intelligence Review continues this week the series of exclusive interviews with leaders of the moderate black liberation movement Inkatha, headed by Chief Minister of KwaZulu, Mangosuthu Buthelezi, whose interview appeared in the June 6 issue.

Dr. Frank Mdlalose, minister of health, KwaZulu government, was interviewed by Executive Intelligence Review's correspondents on May 4, 1986 at Mdadeni, Newcastle, Republic of South Africa.

**EIR:** Dr. Mdlalose, you have chosen Ulundi as the place for the capital of KwaZulu. Can you explain the reason for this choice?

**Mdlalose:** Ulundi was an ideal situation because of the geography, but other people said, "No, you must not forget that King Zwelithini lives at Ngoma, so you have to consider that his father lived at Ngoma. That should be considered; Ngoma ought to be the capital." But then there was a counter to this: If you are talking about the past and our culture, in fact Ulundi has it even richer. The great King Mpande, the half brother of King Dingane and half brother of King Shaka, is the one who had an issue. The present king is a descendant of King Mpande, and King Mpande lived and reigned from the Ulundi plains from what, in our language, we call the royal residence.

This royal residence is actually a few meters from the present day Ulundi Holiday Inn and is where, for 32 years, King Mpande reigned over the Zulu empire. He died there and is buried there. His son, Prince Cetiswayo, became king after the death of Mpande and reigned a few kilometers from where his father's royal residence was. Also very important, was the fact that it was at Ulundi that we fought and lost the battle with the English on the 4th of July, 1879.

So Ulundi has a very important cultural history for us, even more important than Ngoma. In addition, the water, terrain, rail routes, and car routes favor Ulundi.

**EIR:** In front of the building of the KwaZulu Legislative Assembly, you are planning to erect a statue of King Shaka. Could you explain to us the significance of King Shaka in your tradition?

**Mdlalose:** King Shaka, the son of King Senzonagona, son of King Jama, is the one man who welded the Zulu into a

single solid nation. He raised it from the level of what you would call a tribe, by fighting the neighboring tribes and conquering and integrating them into one single nation.

King Shaka put together the Zulu group with the Buthelezis, the Mtetwas, all the other tribal groups, forming a solid nation. His reign extended from a small area which was in the cradle of KwaZulu, near Ulundi in fact, where we have today what we call Mkwakosini, which is the Zulu word for saying, "At the place where the kings stay." A number of forebears of King Shaka are buried there. He expanded from that area to an empire that stretched from the border of Mozambique on the north, right down to what is now called the Transkei; and on the west to the Drakensberg Mountains, and northwest to the Vaal River, where there is now the Transvaal; and bounded on the east, of course, by the Indian Ocean. In all that vast area he reigned.

He was the first man to make the Zulus a big nation, extending their domain over a wide area. He was as well a very powerful man who invented a number of war tactics: the pincer movement, the issue of fighting in waves, and also the use of one, stabbing *assegai* [a light spear which he himself designed], instead of fighting people as a group and throwing *assegais* all over. He revolutionized the Zulus and built them up as a nation. He was a nation-builder. So we of the Legislative Assembly decided that the statue of King Shaka was the only fitting statue to be put in front of the Legislative Assembly.

**EIR:** Now, setting up this government in Ulundi with new office buildings and a Legislative Assembly is obviously a very important new phase of the liberation struggle of your country. At which point, in your analysis, have we arrived? How do you analyze the reform course of President Botha, and what do you expect to happen in the near future?

**Mdlalose:** The first thing to stress is this: The republican government of South Africa, under the National Party regime, many years ago set itself on a course of separating ethnic groups into small segments and making them take independence. The government pressured groups to take independence in Transkei, Ciskei, and Bophuthatswana; and the Vendas, independence in Venda. Now they want the Ndebele to become the independent country of KwaNdebele. They would have liked to make the Zulus take an independent kind of KwaZulu.

They wanted to make South Africa a possession of the whites only, wherein the blacks would come in only as laborers from a different country, making them strangers in fact in South Africa. And the effect would have been that 87% of the land belonged to the whites and only 13% belonged to the others, the blacks: the Tswanas, the Ndebele, the Zulus, and others, who occupy up to 13% of the land. The strategy was to separate these groups and let them rule themselves and take independence.

Many people talk as if they are not clear what the whole struggle is about. We realized the South African government



*Mangosuthu Buthelezi, chief minister of KwaZulu, addresses 80,000 people gathered at a stadium in Durban for the founding of the United Workers Union at South Africa on May 1.*

was dead earnest in pushing everybody to take independence, thereby renouncing all claims to the wealth of South Africa: to the gold mines, the diamond mines, the coal mines, and the industrial developments in Johannesburg and Capetown, Braamfontein, and Durban, and what not. They wanted us to clear out of all the wealth of South Africa, so that we could be confined to arid areas full of stones. Now, we were the ones who decided no, we shall not allow the South African government to do that. We in KwaZulu realized, if we just stay out, fold our hands and say, "We don't agree, we don't agree," we'll find ourselves eased out of South Africa and rendered impotent. The South African government will just put up their stooges to take over the KwaZulu government, which would go along with those stooges to formulate an independent KwaZulu. So what we did, those of us who resisted, we decided to grab the machinery of KwaZulu government and stop South Africa from letting KwaZulu become independent.

That is our position in KwaZulu government. We are, in fact, in the forefront of preventing the balkanization of South Africa, and we maintain that all of South Africa is one. We

are in the forefront of that struggle; that is why we in KwaZulu decided to follow this line. We have now our Legislative Assembly. We are holding it as part and parcel of South Africa; we are holding it as a province of South Africa. Pursuing this strategy, we have gone out of our way to prove that the blacks can coexist and live together with the whites, the coloreds, and the Indians.

Now, we in Natal, in KwaZulu/Natal, were actually facing the situation where if KwaZulu became independent, it would have been an area consisting of 30 little pieces. If you went from one part of KwaZulu to another part of KwaZulu, you would find that you would have to cross borders so many times and take out your passport, showing it to the authorities so many times, that you would never get to your destination in one day. That is very stupid, in our view.

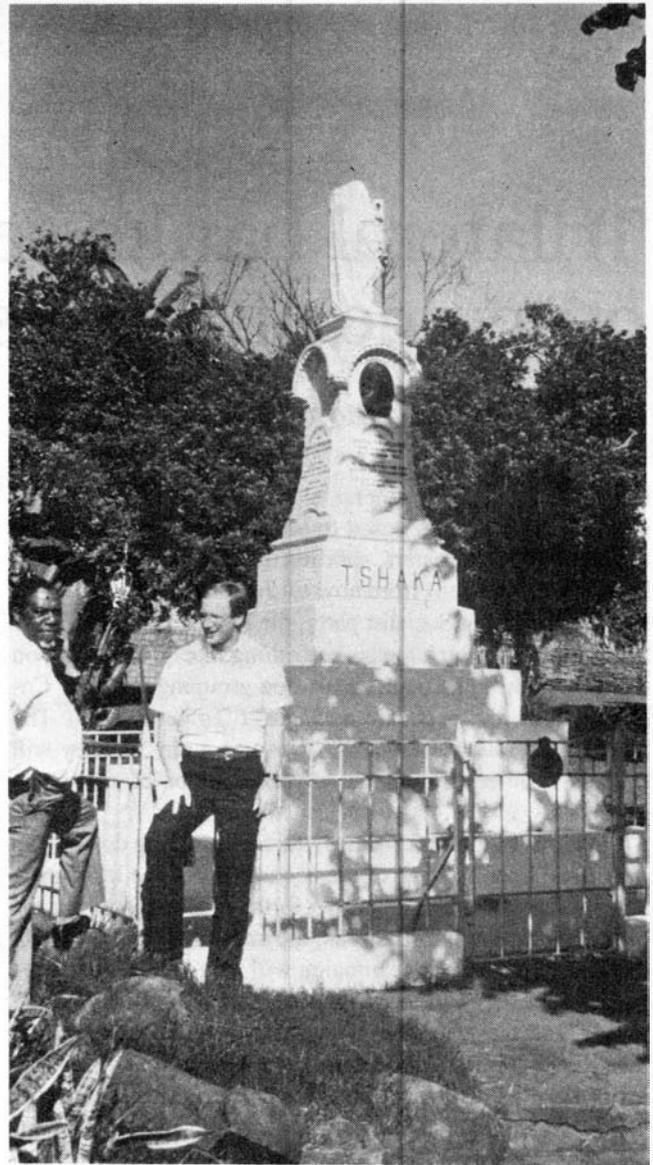
We thought that KwaZulu/Natal is one, which it is. There is such interdependence between the two, that they are really one country, KwaZulu/Natal. In terrain, weather, or any other aspect, it is one and the same. We have set ourselves to prove this to the world. The first thing is, as the KwaZulu government, now having attained both stature and the posi-

tion of having a legislative assembly, we worked with the Natal provincial administration, which is really a white administration in Natal. Voluntarily, we established contact. In health, especially in hospital services, we share many things. We share ideas of where stores may be kept, where to purchase, and how to purchase. We've shared things like ambulance systems, so many things; we are even sharing extra equipment and facilities. We find that, on a voluntary basis, we in the KwaZulu government and the Natal provincial administration, are sharing in all the departments. I mention health, only because I happen to be the minister of health in the KwaZulu government; but the same voluntary sharing applies in culture, roads, education, and in so many other things. That is phase one.

Then phase two, which we established also, was to make the thing realized; so the Joint Executive Authority (JEA) decided that for this to be developed, it had to be done by the republican government of South Africa. We appealed to them and put up what we had worked out as a model on which they could work to formulate the authority we needed to proceed. This model was accepted by the government of South Africa. I think they found that at a voluntary level it worked well. We saved a lot of money in the Department of Health alone. We have saved more than 2 million rand in a year, just by coordinating our activities, even in a non-statutory manner. Such things can be extended to all other spheres. So the Joint Executive Authority is now already in formation and action, but that does not satisfy us.

Phase three has been the coming together of the KwaZulu government administration and the provincial administration, which means the blacks in KwaZulu and the whites in Natal. It cuts off the Indians, it cuts off the coloreds; so we have now initiated what we call Indaba, which is, in fact, a convention, a convention of the peoples of Natal. Coming together are the blacks, the coloreds, the Indians, and the whites, to discuss a way of forming one single legislative chamber, so that in that chamber all these groups can take part. Now we are in the midst of Indaba and have pulled together various political parties in the country as well as various interests like business, chambers of commerce, chambers of industry, agricultural unions, and so on and so on. These groups are together and discussing. Of course, we do have various elements that will not take part.

On the left, led by the ANC [African National Congress] and the UDF [United Democratic Front], those elements will not take part; and also the Natal Indian Congress will not take part, even though they have been invited. Now the extremists on the right, like the Afrikaaner Weerstand Boewegung, the HNP, and the Conservative Party will not take part, because they say this is selling out the country to the blacks. But the mainstream of the people, the clear thinkers, are taking part in such a way that I hope we can reach a consensus and have one region in Natal, as part of South Africa. This is very important to say.



*Dr. Mdlalose (l) with a Schiller Institute representative at the tomb of King Shaka (Tshaka).*

**EIR:** Could this Indaba be a model for how things should be worked out on the national level?

**Mdlalose:** We think Indaba would be an ideal for the rest of South Africa to follow. If we come to an agreement that these racial groups can accept, working together to find a formula of coexistence in Natal, it ought to be emulated by the rest of the provinces of South Africa. Just as we did in Natal, we can do the same thing in the Transvaal, the same thing in the Free State, the same thing in the Cape. Then we would have a situation where the second tier of government in these four provinces would be run under conditions that would be acceptable to all the peoples there, and that would be a stepping stone toward having a central government that would take in all the peoples of South Africa instead of excluding the blacks.

# Trilateral banks seek to control outcome of Spanish general elections

by Leonardo Servadio

On June 1, Spain's general election campaign officially opened. Party leaders posed to be photographed pasting up the first campaign posters, sporting the slogans that will bombard Spanish citizens from now till June 22.

The governing Socialist party, the PSOE, proclaims, "Por buen camino," which means something like "Keep going on the right path." The main opposition grouping, Popular Coalition, calls for "para salir adelante" ("To get ahead"). The extreme left alliance screams, "Nos van a oír," ("They will hear us"), obviously without any expectation of significant gains.

In terms of internal politics, the word coming down from the top is: liberalization of the economy—of the labor market, the capital market, and so forth. It is repeated by the banks, the research institutions, the ministries. The true fight in the Spanish election campaign will thus not be among the parties, but between those who support this "Big Brother" policy, and those elements present in both mass-based parties, the PSOE and Popular Alliance, which support the policy of Peru's President Alan García, to stand up against the supranational financial powers and take sovereign decisions on economic policy.

The fact is that at the top, the ruling PSOE's policy is dictated by the Trilateral Commission. The new "center" party, the PRD, is purely a creature of the Trilateral Commission. And as for the Popular Coalition, made up of three parties, the Popular Alliance, the Liberals, and the Popular Democrats (Christian Democrats): Although Popular Alliance is by far the biggest of the three, it allows economic policy to be dictated by the two smaller partners, which are both closely tied to the Trilateral Commission.

## Banks pick their favorites

While the charade being offered to the Spanish voters includes several "novelties" (see box), what is the reality? The arrogance of power in Spain takes on a surprisingly open form. The Spanish Banking Association has delegated its president, Rafael Termes, to decide how much money should be given as "loans" to each party, through the seven "big

banks" of Spain. Termes has established that the PSOE will get 1.7 billion pesetas, the Popular Coalition 1.2 billion, the PRD (Democratic Reformists) 800 million, the Democratic and Social Center (CDS) of former Premier Adolfo Suárez 200 million, the United Left, 200 million, and Carrillo's Communist Unity, 100 million.

The CDS and PRD are competing for the "center." The PRD has no base and no seats in parliament. The fact that it would be granted the third largest banking support gives a measure of the power held by the highly centralized Spanish banks.

PRD's leader, Antonio Garrigues Walker, has been a member of the Trilateral Commission from the outset, and was the only Spanish representative at the Commission's 1974 Tokyo conference that handpicked Jimmy Carter for U.S. President. In other words, Garrigues is an expert in artificial political manipulations.

The Garrigues Walker family, closely linked to the Carpenter and du Pont dynasties in the United States, is a pivotal element in Spanish foreign policy. In the past, it oriented foreign policy toward the United States; more recently it has oriented toward Russia. Antonio's late brother Juan was not only the representative of Libyan interests in Spain, but played a pivotal role in opening relations with Russia in the mid-1970s.

A recent episode further clarifies what makes Garrigues Walker tick. When the Italian "one-world" ideologue Altiero Spinelli died this past May, Antonio Garrigues Walker wrote a eulogy for him in the press, in which he pledged to carry on Spinelli's work. Spinelli, an old European federalist, had a scheme for unifying Europe under a supranational oligarchy which would take over the political, strategic, and economic sovereignty now held by national governments—and give the Soviet Politburo free rein in Western Europe. It is significant that Spinelli was elected to the European Parliament on the slate of the Italian Communist Party.

This is the way Spain works: A few families, operating through technicians in the banking structure, decide who will or will not be elected. It is all done quite openly. So it is no

scandal that the clique of big banks decides how much each party is supposed to get for its election campaign, as it is no scandal that aside from the money officially given as loans, the parties will receive more funds, two to three times as much as the official funds, in the form of grants and donations.

For instance, everybody here knows that Felipe González and the group around him were hand-picked and assisted in the mid-1970s, when the elites in Spain were working to define what would happen after the death of Franco, the dictator who had ruled the country since 1939.

### Trilaterals help Gorbachov

The Trilateral Commission met in Madrid on May 17-19, and the strategy which the Spanish banks are moving on, is the one discussed in the context of that meeting. To get an idea of how deep the connection is between the Trilateral discussions and current political events in Spain—besides the case of the artificial creation of the PRD of Garrigues Walker—suffice it to say that Felipe González offered a dinner to all 200 participants at the Trilateral meeting and their wives and friends, at the building of the central bank—which can hardly be conceived as a restaurant! It was an obvious symbolic gesture: That is the center of power, and there the Trilaterals had to dine, at “their” house.

One focus of the Trilateral agenda was the evaluation that after some years of relative superiority at the strategic level, now the power of the Soviet Union has declined, and the task of the Western world was therefore to maintain this re-acquired equilibrium. This assertion was made at the height of the Chernobyl affair, when the world was aghast at the cynical way in which the Soviet leadership dealt with the biggest catastrophe in the history of nuclear energy. Never was Gorbachov so isolated internationally.

Felipe González went to the Soviet Union. The trip had been organized months in advance, but the fact is, that he left the day after the dinner at the central bank with precise guidelines for the visit.

What González did, was to rebuild the image of the peace-loving Gorbachov, with whom one can sit down and reasonably discuss long-term peace and cooperation plans. The Spanish media underlined that González had to ask to be forgiven by the Soviets, because after having signed in Moscow, in December 1978, an agreement between the PSOE and the Soviet Communist Party “against the expansion of the political-military blocs,” i.e., against Spain’s entry into NATO, his government had taken a pro-NATO stand.

So here we have the image of the first Western leader visiting Russia after Chernobyl, who humbly begs the pardon of the Soviet Union. González met in a private talk with Gorbachov which lasted four and a half hours, asking the Soviet leader to reestablish the dialogue between the superpowers. So instead of the Soviets asking please to be readmitted to a dialogue with the Western world, it was a supposed representative of the West who begged the Soviets.

### Spinelli’s dream come true

More quietly, important economic agreements were made between Russia and Spain. Two Spanish firms have been invited to establish “joint venture” operations in the Soviet Union, according to a formula the Soviets are offering to other Western countries. The idea is to establish industries with Western capital, technology, and know-how, with the labor force and raw materials from the U.S.S.R. The joint venture would naturally be between the Soviet state and Western private corporations. In other words, Spain would lead a project which is tantamount to a full integration of the Eastern and Western economies.

This occurs in parallel with the announcement by Jacques Delors, the president of the European Community, of a project to fully liberalize the movement of capital within the EC countries, to be completed by 1992. This would include the complete deregulation of financial operations, including stock exchange and bank deposits in the different EC currencies.

## The electoral line-up

The overall impression is that the PSOE will keep its relative majority in Spain, perhaps with modest losses which might make it a bit more susceptible to influence by other parties. It has governed alone since 1982, with 202 representatives in the lower house, and an opposition of 141 representatives from the center-right and 7 from the left. In the Senate, the PSOE has had 134 senators, the center-right parties 72, and the left wing 2.

The novelty of the June 22 elections is that the leftist parties, dominated by the Spanish Communist Party, have formed an electoral pact, United Left, which includes the variety of regional communist parties, the Socialist Action Party (PASOC), plus the “quaint” phenomenon of the Carlist Party, a hyper-religious and monarchist party, which has been accepted by the left. Popular Coalition is not attacking United Left, hoping that this aggregation of leftist parties will take some votes away from the ruling PSOE, which Moscow currently views as its favorite interlocutor in Spain. Popular Coalition is concentrating its fire on the “Communist Unity” of Santiago Carrillo, the former head of the Communist Party, who decided not to participate in the left-wing coalition, and who is accused of acting on behalf of Moscow.

The other novelty is the attempt to create a “center,” i.e. a third political group in the style of the German FDP, which although small, could either ally with the left or right and play a kingmaker role in forming governments.

## Report from Bonn by William Engdahl

### 'Five Wise Men' search for upswing

*Industry data show that the real German economy is far worse off than any Bonn politician admits.*

Yes, we agree that the results for the German economy for the first quarter of this year were below our expectations," a spokesman for the respected Hamburg economic think-tank, HWWA, told *EIR* the first week in June. "But these poor results were not due to *fundamentals*. They were things like weather, the dollar, oil price uncertainty. Yes, a lot of uncertainty."

The economist could not restrain his enthusiasm. "But, look at April; here are the results—industrial production, employment, retail sales—all are up. Now the upswing is renewing its course in Germany. We predict that overall the German economy will grow by 3% average."

The entire electoral strategy of the coalition government of Helmut Kohl in Bonn is based on an evaluation made last year by HWWA and four other economic research centers in the Federal Republic whose heads are the notorious "Five Wise Men" who advise the government on economic policy. That evaluation was extrapolated from a secular short-term "uptick" in export orders for German industrial goods, based, to a large extent, on a German mark some 30% more competitive than the dollar. This brief spurt appears to have vanished since the dollar began its recent precipitous fall.

Another of the five, the IFO in Munich, using the same estimate of 3% overall growth in so-called GNP, reached the opposite conclusions regarding the state of the West German economy.

"Since the middle of 1985, the German economy has been character-

ized by stagnation," a spokesman for this prestigious institute revealed. "If you look at exports, the figures for the period are actually negative. Production in the Federal Republic is not rising, and our conjunctural test says that at least for the next three months, it will not rise either. At this time, there is absolutely no dynamic to the German economy. We hope, maybe, with low inflation and low oil prices and lower interest rates—that maybe the year will finish with perhaps a 3% GNP increase. You cannot look at one single month, but at least three-month trends to say anything."

Actual industry data reveals that the real condition of the German economy is far more serious than any Bonn politician is willing to admit. The German Engineering Machinery Association, VDMA, put out preliminary figures for April, which show that the critical figure, "new orders received" by engineering firms—by far the most important export group in Germany's export-dependent economy—are down.

Unlike the manipulations at HWWA, VDMA rightly compares April 1986 with April 1985 to eliminate seasonal "weather" and related external factors. HWWA is comparing April 1986 to March 1986 to inflate the positive trend of their figures. VDMA shows all engineering manufacturing down 6% on average, and a worrisome 8% for exports. For the first three months of the year, the average decline is 8%. Similarly, chemicals, led by the giant Hoechst, Bayer, and BASF: All are reporting drops in income for the first quarter, primarily

because of the dramatic drop in the dollar.

Mannesmann, whose world sales are off 5% for the quarter, has just announced it will lay off 6,500 workers from its oil pipe division. Mannesmann's exports account for some 55% to 65% of its total sales, and the world oil price collapse has hit the company hard as new exploration projects are being stopped.

Overall demand for German steel, according to a just-released European Community study, is also expected to fall sharply over the summer. Although the report gives no figures, the EC cites the low dollar as especially damaging EC exports compared to last year. Further import quotas on certain steels by the United States will also hurt.

And what about agriculture? It seems that the HWWA, unlike some 1,372,000 German farmers and hundreds of thousands of supplier-industry personnel dependent on agricultural equipment manufacture, is not worried about the worst crisis since the 1957 creation of the Common Agriculture Policy of the EC. "Agriculture?" the HWWA spokesman asked. "That is simply not significant to the German economy. It's a political question, not an economic one. It's for the politicians in Brussels."

West Germany is the third largest producer of agricultural commodities in the European Community, after France and Italy, and recent price austerity policies are driving an estimated 100,000 to 200,000 German farmers to ruin, according to industry estimates. The impact of the widespread farm collapse could rock the regional and national banking system, to say nothing of destroying the economy of entire regions. No wonder many people stuff their ears when these "Five Wise Men" speak.

## The containment of García

*Shining Path does the dirty work of the IMF and Socialist International, keeping the President home and hamstrung.*

A powerful explosive was detonated just meters away from the official platform where Peruvian President Alan García was to preside over the pledge of allegiance to the national flag, at a special ceremony with the country's leading military figures June 7.

The explosion took place a mere two minutes before García's arrival at the Lima central plaza.

When the ceremony had ended, another bomb exploded near the platform, killing three people and critically wounding several others. Two more bombs exploded on the perimeter of the plaza shortly thereafter.

The attack against the President exemplifies a bloody terrorist escalation in the war of the Shining Path (*Sendero Luminoso*) gang against the García government. In this ongoing offensive to destabilize the government, the communist labor unions as well as the drug mafia are playing a leading role.

An immediate objective of the terrorist wave is to prevent President García from leaving Peru to pursue his organizing drive for an Ibero-American presidential summit. His trip to Panama—where the agenda of the summit was to be worked out in detail—has been postponed for the fourth time, while trips to Europe and Mexico have also been indefinitely put off.

In addition to blocking García's efforts to fight for Ibero-American integration against the International Monetary Fund, the brutal Shining Path offensive poses the danger of

triggering a "dirty war" of indiscriminate repression, Argentine-style, which could fuel Shining Path's anti-government rampages. Defense Minister Flores Torres spoke directly to this at the end of the June ceremony where the bombings had occurred:

"The armed forces are the sustainers of democracy, in the face of the escalation of violence. [Shining Path would] destroy our traditional values to replace them with totalitarian ones . . . were the armed forces to deteriorate" into lawless death squads using "disturbing methods which are repugnant to the conscience of patriots, democrats, and Catholics."

The offensive against García has escalated as the date of the annual conference of the Socialist International draws near, a conference where the anti-usury crusade of García will be pitted against the pro-IMF Socialist forces headed by its president, Willy Brandt.

That conference is scheduled to be held in Lima from June 20 to 23, where the faction controlled by Brandt is expected to defend the KGB-backed Shining Path just as it does the Green Party terrorists currently rampaging in Germany. In 1984, speaking from Lima, Brandt said, referring to Shining Path: "It would be an error to say that what is happening in the country is part of a terrorist international movement." Brandt has also gone on public record in support of the International Monetary Fund.

It is obvious how well Shining Path's current terror offensive is serv-

ing the interests of the Fund.

In fact, on March 29, in a nationwide address, Interior Minister Abel Salinas reported on the cost to the nation of Shining Path's crimes, a cost which weakens the García government's ability to sustain its battle against the IMF. Salinas said that in the past few years, the anti-terrorist effort alone has cost more than one billion soles. He reported that 285 members of the military and police forces have been killed, 116 civilian authorities assassinated, and more than 13,000 civilians fallen to Shining Path's terrorism.

With the exception of the war with Chile in the last century, Peru has never had such a costly and bloody war.

García's job in eradicating the Shining Path threat has been made that much more difficult by the support Shining Path receives among influential members of the ruling party. Exemplary is APRA Secretary General Armando Villanueva, who has insisted on "dialogue" with the narco-terrorists, despite Shining Path's own assertion that dialogue with the government's Peace Commission "would mean negotiating the [country's] historic destiny, and betraying it."

In an interview carried May 11 by the magazine *Visión*, Villanueva virtually justified Shining Path's crimes with the statement: "Shining Path is a movement made up . . . of youth. But they are youth with no comprehension of our reality. They have arrived too late with a strategy and a tactic that might have been successful 50 years ago."

Villanueva also negotiated, during his recent trip to London and Paris, a visit by Amnesty International to Peru to "inspect whether human rights are respected." Amnesty International serves as the Socialist International's arm of destabilization against targeted governments, like that of García.

## On the terrorists' trail

*Coordinated police work in India and North America has begun cleaning up some Sikh-terrorist networks.*

**E**arly in May, Delhi police busted two travel agents who were engaged in a racket to smuggle Sikhs into Mexico. These police actions demonstrate one side of a new crackdown on the international networks transporting Sikh-separatist terrorists out of India and into the United States. Significantly, the recent stepped-up effort to shut down Sikh extremism in North America, which has received steady press here, has revealed the "Dope, Inc." link in the narco-terrorist chain.

The two young travel agents in Delhi were arrested with forged documents, seals, and other evidence of their trade: forging visas and other travel documents for entry into Mexico (a principal conduit for Sikh terrorists into the United States) for the equivalent of about \$30,000-40,000 per person. Delhi police were tipped off when an international air line reported suspicion about the authenticity of travel documents for certain passengers headed for Mexico.

At the same time, in the United States, an extensive investigation run by the U.S. Immigration and Naturalization Service (INS) and the Indian government, with participation from the Royal Canadian Mounted Police (RCMP), into illegal smuggling of Sikhs into the United States from Mexico and Canada, was winding up. "Operation Asterone," the largest inquiry of its kind between two countries, has already led to the arrest of 22 individuals, most of them Sikhs who reside on the U.S. West Coast, who are charged with running the

racket to smuggle Sikhs into the United States, then legitimizing their status through fake marriages to Americans.

The U.S. kingpins, two naturalized Sikhs and a lawyer from Washington state, set up operations in 1981, and processed 131 "cases" to the tune of more than \$1 million, INS officials told Indian journalists in Washington, D.C. on June 9.

The smugglers' *modus operandi* was to instruct their Sikh customers to get to a Central American country, such as Guatemala or Mexico, on a tourist visa. From there, they would be assigned guides, who would move them north through a series of safe-houses, infiltrate them across the U.S. border, and up to the Northwest near the U.S.-Canadian border, where they are "stowed away" at one of the smugglers' base camps until a "bride" is located. According to INS officials, there is evidence that the Sikhs who were brought in this way were also kept in bondage, being made to work on Sikh-owned farms in California and other Western states.

Perhaps the most significant aspect of the case is the surfacing of fresh evidence of the direct connection between the international terrorist conduit and drug trafficking. Immigration officials reported that the smugglers' clients carried heroin as partial or full payment for their passage.

This confirmed earlier reports, and bears out the contention of the editors of *EIR* in *Derivative Assassination*, a book on the foreign hand in the assassination of Indira Gandhi, that there is

an overlap of the narcotics and terrorist apparatus internationally, an overlap that is apparent in the case of Sikh terrorism as well. As *EIR* pointed out, the Sikh-separatist connection to Ecuador, in the news about a year ago, is characteristic.

The immigration crackdown was just one part of an intensified North American clean-up operation. At the end of May, a week after four terrorists were arrested near Vancouver, B.C. for the attempted assassination of Punjab State Planning Minister Malkiat Singh Sidhu, then visiting Canada, a plot to blow up an Air India jumbo jet was exposed in Canada. Five people were arrested in conjunction with the plot of the Baddar Khalsa terrorist cell in Montreal, which placed a plastic explosive time-bomb on a plane scheduled to carry the Indian foreign and finance ministers and 300 others to India from New York.

The dragnet may prove successful in nabbing Talwinder Singh Parmar, the founder of the Baddar Khalsa, who is wanted for murder in India. Parmar currently resides in Canada, where he was given safe passage in an as-yet-unexplained unilateral action by West German authorities who were negotiating his extradition in 1984. Parmar was arrested by Canadian police last November in connection with the sabotage of the Air India jumbo jet that took more than 300 lives in June 1985, but was released on April 19 for "lack of evidence."

Days earlier, in a New York Federal Court, Gurpratap Singh Birk was sentenced to seven years in prison for plotting to assassinate Rajiv Gandhi and to sabotage industrial installations such as the Bhabha Atomic Research Center in India. Birk had recruited 100 commandos, 30 from Canada and 70 from England, for training. The plan was to smuggle the commandos back into India via Pakistan.

### Hunting submarines and killers

*After a period of relative lull, Swedish men-of-war have again opened fire on a "foreign" submarine.*

There were months of relative peace in Swedish-Soviet relations, due to a long, icy winter unsuitable for submarine incursions, and the Social Democratic regime's resolve not to let anything upset the prime minister's visit to Moscow in April. But on June 6, Sweden's National Day, Swedish warships opened fire on an intruding submarine.

Although lesser incidents in what the Swedish government euphemistically terms "foreign underwater activity" are reported continuously, this is the first actual submarine hunt since 1984, when 2,000 men tried for over a month to catch a submarine near the Karlskrona naval base, site of the famous 1981 "Whiskey on the Rocks" incident, in which a Soviet submarine of the Whiskey class ran aground in militarily restricted waters.

Two days after Navy exercises began on June 2 in the archipelago north-east of Stockholm, sonar contact by patrol boats and observation by private persons indicated the presence of a foreign submarine. After new sonar contacts on June 6 and 7, several depth charges and some 50 anti-submarine grenades were launched.

No evidence is available to suggest that the submarine was hit. But the very fact of a new submarine hunt, occurring after weeks of publicity about Soviet plans to kidnap the Swedish king and plots by Soviet spetsnaz commando units to kill Air Force pilots, catalyzed public outrage.

This coincided with the results of a grass-roots fund-raising drive for the

Navy. Initiated after the "Whiskey on the Rocks" incident by pensioner Nils Arvidsson in the little village of Åseda, tens of thousands of small contributions have accumulated a sum of Skr 1.2 million, officially given to Navy Chief Bengt Schuback at the National Day parade in Åseda, in a live broadcast on national TV.

"We who during World War II had the world's fifth strongest navy, today can no longer protect ourselves from coastal intrusions," said Arvidsson, explaining the reason for his initiative.

This sentiment was also reflected in newspaper editorials calling for upgrading military defense, particularly making it a national priority to acquire the capability to either sink a Soviet submarine, or force it to the surface.

"The situation of the submarine hunt can be compared to the hunt for Olof Palme's murderer," *Svenska Dagbladet* editorialized on June 9. "The unreserved, operative goal of the police is to catch the murderer and have him convicted. The unreserved, operative goal of the Swedish military is to catch red-handed those who are preparing a military assault on Sweden."

The paper promptly backed off from the implication of Soviet involvement in *both* cases: "The difference between the hunt for the murderer and the submarine hunt is that in the latter case, we know who is guilty. . . ."

A less concealed connection between the authorship of the Palme

murder and the submarine incursions had already been made the day before by Navy Commander Hans von Hofsten, known as the spokesman of the "Swedish officers' revolt." In a June 8 *Dagens Nyheter* op-ed, Hofsten, formerly the chief officer of the destroyer *Halland* and now the head of the Navy Staff's Nautical Department, listed the Palme murder as part of a series of Soviet pre-war operations against Sweden.

Without even mentioning the word "Soviet," Hofsten made his point plain, polemicizing against the official doctrine that there will be plenty of warning-time before any attack:

"An authoritative military source has said that 'I definitely do not believe in anything like a coup assault as a bolt from a clear sky.' This must be axiomatically true. But *is* our security political sky clear?"

"Is it clear, when foreign naval forces operate one year after another on Swedish territory?"

"Is it clear, when our defense forces get involved in week-long operations with live ammunition inside the bases and ports of the Navy?"

"Is it clear, when you see a foreign power probably planning the assassination of our fighter pilots?"

"Is it clear, when the superpower on the opposite shore retools its fighter formations to fighter bomber formations?"

"Is it clear, when foreign jet fighters make grave and repeated intrusions?"

"Is it clear, when the prime minister is assassinated?"

"What else has to happen to make the sky seem cloudy? After all unanimous talk of the strongly increased strategic significance of the Nordic countries, you don't have to be an alarmist to recall Churchill's words of *The Gathering Storm*."

# International Intelligence

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## Norway premier talks of 'global village'

Norway's new Prime Minister Gro Harlem Brundtland addressed a U.N. Commission on May 27 and called for a re-evaluation of national sovereignty in the wake of the Chernobyl nuclear accident. She asserted that Chernobyl "has shown in the most dramatic fashion how the world is a global village."

The phrase "global village" was invented by the leading institution of the genocide lobby, the Club of Rome, whose goals include Soviet domination of one-world government and vastly reduced populations.

"Has any country the right to use technology that exposes its neighbors to risks, even if the likelihood of an accident is slight?" The prime minister called for an international agreement on environmental issues that "could well run counter to existing thought on sovereignty and national interests."

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## Israel's Sharon under attack

Israel's former defense minister, Ariel Sharon, has come under editorial attack from the military correspondent of the *Jerusalem Post*, for the role he played in the 1982 Lebanon war. Sharon has never been held accountable for his actions then, says Hersh Goodman.

"Ariel Sharon, and a handful of believers, manipulated the entire nation in pursuit of goals deemed unattainable and undesirable by the country's intelligence chiefs, most of the cabinet, and the senior military echelons," Goodman writes in the Friday, June 6 edition. Wondering how Sharon manages to retain today a prominent position in the Herut Party in Israel, the government of Shimon Peres, and with Jewish audiences in the United States, Goodman accuses Sharon of responsibility for "three years of agony that left battalions of dead, brigades of wound-

ed, and Israel economically debilitated, morally sapped and internationally isolated."

He also accused Sharon, the current industry and trade minister, of "falsehoods that left this nation crippled." Says Goodman: "That Sharon remains in the wheelhouse of power, though not yet at the helm, makes a mockery of the concept of accountability."

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## German expert: SALT 'worst treaty ever'

Juergen Todenhöfer, security expert of the ruling Christian Democratic Union in West Germany, has denounced the SALT-II treaty as "the worst treaty ever negotiated." He also had some very unkind words for the very appeasement-minded German foreign minister, Hans-Dietrich Genscher, who has been critical of President Reagan's decision to declare the SALT treaty dead.

"The efforts of many Western politicians to polish up their public images with especially warm contacts with potentates of the East bloc is politically reprehensible. It is not this government which has any problems with the U.S. [decision on SALT], it's only Mr. Genscher."

Other Christian Democrats have been hailing Mr. Reagan's decision. CDU parliamentary chairman Alfred Dregger accused Moscow of violating the SALT-II treaty in "at least ten cases." The CDU state secretary in Genscher's foreign ministry, Lutz Stavenhagen, declared: "After all, the United States continued to comply with SALT II for a long time, despite Soviet violations."

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## Soviets can jam NATO communications

According to *Jane's Military Communications 1986 Yearbook*, released in June, the Soviets consider disruption of NATO communications a top priority in an East-West conflict, and there is "ample evidence" they

have the ability to jam allied communications centers.

The yearbook also says that "bureaucracy and the ultra-conservatism and inevitable confusion in the military hierarchy" are preventing the West from taking full advantage of its "sizable technological lead" over the East bloc.

The editor of the report, Bob Ragget, said the West is more dependent on command, control, communications and intelligence systems because of its gradual shift to a decentralized military structure. The Soviets, in contrast, have a highly centralized command, and while they have "a large number of radios in their inventory, they still make much use of messengers and employ line communications wherever possible.

"Their massive emphasis on offensive electronic warfare clearly indicates that they consider their first priority in any East-West conflict is to make the electromagnetic spectrum as unusable as possible. There is ample evidence to suggest that the Soviet Union now has the capability to subject Western European Command centers to intense broadband jamming."

The *Yearbook* also says that this has sparked a debate within the alliance, with some commanders lobbying "for a massive increase in research and development expenditures to counter this threat."

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## LaRouche calls Waldheim affair 'gigantic hoax'

In a statement released June 9, declared Democratic presidential contender Lyndon LaRouche stated that Soviet-linked organized-crime channels were behind allegations that Kurt Waldheim, the former U.N. secretary general just elected President of Austria, has a Nazi past.

"Essentially," stated LaRouche, "informed circles inside the United States and Western Europe view the 'Waldheim Affair' as a gigantic hoax. Here in the U.S., disgusted insiders regard the behavior of the Department of Justice in the matter as the

## Briefly

● **THE THURN & TAXIS** birthday party turned into a sex-cult ceremony, when Princess Maria Gloria presented her birthday cake for the prince. To the shock of some of the nobility present, the cake was composed of 60 red maripan penis. Next, Princess Gloria performed a self-composed rock song: "He is an oldie, but I call him Goldie." Prince Johannes, one of the world's richest (and most vulgar) men, celebrated his birthday at the family castle in Regensburg, West Germany.

● **GUSH EMUNIM** terrorists attempted to storm the Temple Mount on June 6, splitting off from a 12,000 strong Gush Emunim march celebrating the 1967 capture of Jerusalem. Jerusalem police chief Chaim Albalades was slightly injured, as he and a police squad successfully blocked the fanatics.

● **SOVIETSKAYA** Rossiya carried a major article on AIDS on June 8, repeating the *Literaturna Gazetta* line that AIDS comes "from secret bacteriological warfare" work of the CIA. The article asserts that, in contrast to the Soviet Union, where it is asserted that no problem exists, AIDS is proliferating in the United States, caused by the sexual revolution, the legalization of vice, drug addiction, and prostitution. The article says there is no truth to "Western reports" that say that AIDS originated in Africa.

● **CIVIL WAR** in Germany, if nuclear technology is not abandoned is being "foreseen" by Ortwin Runde, left-wing chairman of the Hamburg city section of the German Social Democrats. Pointing to the June 15 elections in Lower Saxony, he warned the Christian Democrats: "If Chernobyl does not have consequences for [Lower Saxony's state governor] smiling Albrecht, we will soon have a situation reminiscent of civil war. Next Sunday [June 15 elections], there will also be a decision on the question of violence."

worst sort of politically motivated hypocrisy. The important question now being asked is: Who actually cooked up this scandal, and with what ominous strategic objective in view?"

Noting that the charges were first leveled by Edgar Bronfman of the World Jewish Congress, a Meyer Lansky-linked organized-crime figure, LaRouche continues: "The campaign against Waldheim . . . was stirred up by Moscow-linked circles associated with the Bronfman-Lansky interests. The chief conduits for the allegations in the U.S. were Moscow-controlled channels associated with Neal Sher of the Department of Justice's Office of Special Investigations."

LaRouche notes that Waldheim is "not exactly a LaRouche favorite." However, he continues that, with Bronfman a frequent traveler to Moscow under sponsorship of Armand Hammer: "The affair has 'made by the KGB' written all over it. So, intelligence investigators in the U.S. and Western Europe are asking: 'Why did Moscow rush to defend newly elected President Waldheim from his 'Zionist' and U.S. persecutors?' Leading circles inside the Western intelligence community are asking: 'Doesn't this add up to part of Moscow's attempts to bring about the strategic decoupling of the United States and Europe?'"

### ***García says bombs won't change policy***

Peruvian President Alan García has had only one comment since powerful bombs killed three people and wounded others at a patriotic ceremony he attended in Lima June 7. Two days later, in the northern city of Chiclayo, he swore: "No matter how many bombs they toss at us, no matter how many difficulties we have, no matter how big the historical crisis they leave us with, the APRA [party] government will not reverse itself."

The escalation of terrorism by the *Sendero Luminoso* gang and their partners in narcotics traffic has prevented García from leaving the country to attend meetings on the continent's foreign debt problem with

other leaders. But, he told West Germany's *Der Spiegel* magazine, "History is moving in the direction of a Latin American common front" against the International Monetary Fund. "It is only a question of time."

His finance minister confirmed in a TV speech June 8 that Peru will keep up García's policy of using only 10% of export revenues to pay foreign debt.

### ***Will U.S. overthrow Panama's Noriega?***

The Reagan administration has decided to overthrow Gen. Manuel Noriega, Commander of Panama's Defense Forces, a front-page article in the *New York Times* asserted June 12.

*Times* writer Seymour Hersh, fills an entire page with charges from "senior State Department, White House, Pentagon and intelligence officials" from both the CIA and Defense Intelligence Agency, that "highly classified intelligence" exists that Noriega is "extensively involved in illicit money laundering and drug activities," helped arm the Colombian M-19 terrorists, has links with Cuba, and—of course—was responsible for the death of "political opponent" Hugo Spadafora.

Where are the facts to back this up? Hersh conveniently reports that the facts are "classified." *EIR* investigations have already established that Hersh's charges are false.

General Noriega, a nationalist in the tradition of Omar Torrijos, is therefore hated by the drug-banking crowd. An *EIR* "White Paper on the Panama Crisis," scheduled for release from the printer on June 18, contains the facts on how the sources of the "information" on Noriega, the so-called "Democratic Opposition Alliance," are drug-runners and terrorists.

The Panamanian Democratic Revolutionary Party issued a statement in support of General Noriega on June 12, Panamanian journalists report. The PRD charged that the "information" contained in the *New York Times* attack on Noriega was politically motivated.

## Pasteur's method revived for study of life processes

by Warren J. Hamerman

On June 6 and 7 the Fusion Energy Foundation (FEF) of France staged an extraordinary two-day international conference entitled "The Importance of the Method of Louis Pasteur for Conquering AIDS and Other Pandemics." The conference, attended by over 120 scientists, students, and citizens from France, West Germany, and the United States was held at the Société Immobilière du Corps médical français and was well attended by international press—including three U.S. TV stations, ABC, CBS, and Worldwide TV News, the Italian agency ANSA, UPI, Radio France International, *Le Matin de Paris*, the weekly *Jeune Afrique*, and two medical papers, *Pratique Médicale Quotidienne* and *Impact Médecin*.

The conference was organized in four main panel sessions: I. Pasteur, His Method and his Scientific Roots; II. Optical Biophysics and the Concept of Negentropy; III. The Menace of AIDS: Biological, Economic, and Strategic Aspects; IV. A Biological Strategic Defense Initiative (BSDI): New Technologies to Conquer Disease.

In addition to the main conference panels, the conference had a beautifully-designed "Pedagogic Museum" on the contributions of Pasteur. A sampling of the exhibits presented in the museum included: an original oil painting portrait of Pasteur as well as displays of the talented Pasteur's own paintings of his mother and father, done when he was a teenager; a polarimeter and accompanying crystal models through which the conference participants could "redo" Pasteur's principal experiments in molecular dissymmetry; a display of the geometric arrangement and color beam sequences of the Chartres Cathedral windows; a presentation on the contributions of the scientists of the Ecole Polytechnique to the modern un-

derstanding of polarized light and rotational action.

Christine Bierre of the French FEF opened the conference with greetings for best success from Jacques Chirac, the new prime minister of France and an ardent supporter of the Strategic Defense Initiative (SDI), and from Lyndon LaRouche, who called for the revival of the Pasteur method in science (see box).

Laurent Rosenfeld, president of the French FEF, then reminded the audience that 100 years ago, Pasteur made his famous speech announcing the success of his rabies vaccine and the creation of the Pasteur Institute. Noting the recent gift made by the Duchess of Windsor to the Pasteur Institute, Rosenfeld called for the creation today of an optical biophysics laboratory with those funds.

This writer had the honor of presenting the keynote address, an overview of Pasteur's scientific contributions, entitled: "Louis Pasteur, the Father of Geometric Optical Biophysics":

"The discovery and elaboration by Louis Pasteur (1822-1895) that *optical activity* is the unique geometric characteristic of living processes is the foundation upon which the modern scientific frontier variously known as *optical biophysics*, or *non-linear biological spectroscopy*, is based. Pasteur's method of *geometric biological spectroscopy*—most explicitly evident in his groundbreaking early studies on molecular dissymmetry and fermentation—stands in refreshing contrast to the otherwise completely pragmatic and reductionist orientation which is pervasive in biochemistry and molecular biology today. Pasteur traced his own heritage to the method of scientific hypothesis-formation associated with

the *constructive geometry* program of the 1794 Ecole Polytechnique of Gaspard Monge and Lazard Carnot and its scientific continuation into the 19th century through the Société D'Arcueil."

The next presentation was given by Dr. David from the Mérieux Institute, who described his work as the leader of a "Bioforce," a rapid deployment health strike force specifically designed to intervene in Third World countries. To avoid immediate biological catastrophe, the Bioforce intervenes in critical areas for rapid mass vaccinations, as in Peru now against rabies.

Closing the first morning session, Mr. Maurice Valery-Radot, who was educated by Pasteur's daughter, the historian Marie Louise, spoke on Pasteur as a politician. He particularly insisted upon the fact that Pasteur detested what today would be called liberalism, i.e., anarchic democracy, the worship of mediocrity. Pasteur demanded that anything not susceptible of precise scientific knowledge be excluded from the political domain.

## On optical biophysics

The second panel opened with a speech by Dr. Jonathan Tennenbaum, European coordinator of the Fusion Energy Foundation, on Bernhard Riemann and the relevance of his groundbreaking work on geometry to the study of living phenomena. Dr. Tennenbaum situated the continuation of Riemann's work in the 20th century by the American economist Lyndon LaRouche, who developed the concept of "negentropy" based upon his studies of the scientific work of Riemann and Georg Cantor.

In the next presentation, Prof. Jean-Michel Dutuit, a paleontologist from the Paris Museum of Natural History, spoke on the theme of "the rise to power of the living process." Dutuit stated that if we are to believe the most current notions, biological evolution would be a strange story, consisting of choices operated by successive ecologies over hundreds of millions of years—choices picked up amid innumerable solutions haphazardly "proposed" by living forms. The organo-physiological mutations proposed by the living to the environment, thus, would not be correlated to the contemporary modifications of this environment.

To illustrate the problem with such a conception, Dutuit went back to the emergence of the very first germs of life, 3.5 to 4 billion years ago, the solar system and the Earth having appeared about 5 to 6 billion years ago. Photosynthetic bacteria appeared about 2.5 to 2 billion years ago; that is, unicellular beings with a primitive nucleus. Their existence is shown by the appearance, at that time, of organo-sedimentary formations called stromatolites. These stromatolites are considered the fossil evidence of photosynthetic microbial communities; they are additional witnesses to the existence of oxygen in a free state. After that, the Ediacar fauna (Australia), which dates from about 750 million years, seems to witness the existence of metazoans, of beings with

several cells. Eukaryotes (cells with an advanced nucleus) could have appeared about 1 billion years ago. So, what is the lesson to be drawn from these historical elements?

Very early in its history, 2.5 billion years ago, life began to modify durably the Earth's crust. Next to the stromatolites, which represent the most direct witnesses of this remote history, the "Banded Iron Formations" (BIFs) are more indirect evidence of such production of oxygen by life. Photosynthesis rapidly gained such an importance that thick layers (the "red beds" of all ages) bear its signature. Thus, we have a sense of the enormity of the energy flux which goes through the process, even while only unicellular beings with a primitive nucleus exist on Earth.

Life must be seen as a "process in work"—process, in the sense that life is no mere succession or juxtaposition of animal and vegetal forms. Consequently, Professor Dutuit explained, the object of our reflection is the mode of growth of life conceived as a whole, capturing and transforming universal energy. So conceived, life corresponds to a change in metrics of universal evolution. Life is not juxtaposed, or opposed to the inanimate world, nor is it a parasite on that world, as other conceptions claim, but it represents the carrying out of the history of the inanimate world, through other more efficient means and the use of different laws.

Professor Dutuit then proposed an attempt to quantify the essential phase-changes in the evolution of the vertebrates. The first stage of reference taken is that of the most advanced fish, before they acquired carrying members. This was about 400 million years ago, and we talk here of an energy level of 1. Between the first level and the second level, a fundamental change in metrics occurs, with gravity intervening in the animal economy (amphibians appear). This goes back to about 300 million years ago. Amphibians, adapted to an Earthly mode of life, represent a change of at least a factor equal to 10 (gravity) multiplying the energy expenses linked to support and locomotion (in the water environment, gravity was balanced by the Archimedes force).

Level 3 encompasses two stages of organization between which one of the most fundamental changes in metrics has occurred: the transition to endothermy. This was about 200 million years ago. The first stage corresponds to the evolution of advanced reptiles toward the mammalian direction, and the second, with the transition to endothermy. The body temperature is now regulated at an optimum degree of functioning. Endothermy increases the possibilities of action upon the environment. It allows the conquest of all possible environments of life within a widespread thermic range. Increased possibilities of transformation of the universe mean, obviously, a strongly increased global energy "budget."

Level 4 corresponds to the mammalian organization. Finally, Level 5, which is the level of the emergence of hominids, corresponds to a new metric based on the acquisition of the tool—that is, thought of a reflective type, creative thought. The metric based on endothermy is inadequate to

appreciate the energy of the new system. It is physical economy, technology, which must serve as references. The time landmark for that is about 3 million years ago. There is no need to insist on the fact that growth is exponential.

Thus, the mode of regularly accelerated negentropic growth which is that of life, the growing intertwining of the coming into being of the organic and inorganic worlds, and more clearly, the relations of an economic sort between these two worlds, show that there exists between them two-way correlations, and that the programmatic transformations of life are not arbitrary. Life is not a blind process, no fatality weighs on it. It would be stupid and criminal if, now that it has become conscious with Man, evolution was being bent or reversed, whether the cause be a war, economic shortages, or a cocktail of viruses and bacteria, which would mean a rather rapid return to the origins.

Dr. Fritz Popp, from the Kaiserslautern Technology Center, then spoke on the role of DNA in ultraweak photon emission of biological systems. Today, he said, it is an admitted fact that living systems emit a very weak photon radiation, that is called "low-level luminescence." The following characteristics of low-level luminescence have thus been demonstrated today, he said: 1) The intensity can go from several to a thousand photons per second and per square centimeter. 2) The spectral range spreads at least from infrared to ultraviolet. 3) Proliferating cell cultures radiate more intensively than those in which growth has stopped. 4) Dying cells show a relatively intense photon emission, regardless of the cause of death, such as refrigeration, heat, centrifugation, or treatment with toxic agents. 5) There are no known agents which do not influence the photon emission.

Dr. Popp and a group of researchers have worked out a model through which this "low-level luminescence" is explained in terms of a nonequilibrium phase transition including the possibility of a surprisingly high coherence of this radiation. And now, one essential question arises: Is the DNA the primary source of this low-level luminescence? This fantastic question, Dr. Popp, explained, has been the one which pushed him, back in 1972, to investigate further the field of low-level luminescence.

In 1980, researchers of the Max Planck Society in Germany came out with the notion that the source of the weak photon emission from living tissues could only be chromophores. But Dr. Popp believed just the opposite. If the ultraweak photon emission is assigned to a coherent electromagnetic field, which is the most fundamental communication basis for living tissues, then, the best candidate for its source would be the biomolecule with the highest potential information density, namely the DNA.

In conclusion, Dr. Popp said: 1) There is no doubt that ultraweak photon emission from biological systems is a sensitive indicator of biological states. 2) This photon emission originates probably from a delocalized coherent electromagnetic field within the cell population, working as a powerful information basis within and between the cells. And, 3) there

are ample indications that the DNA forms the informational center of this field, both from the standpoint of potential information and from that of actual information. This field may work as the sensitive antenna to the external world as well.

## On AIDS

The keynote speech of the Third Session was given by Dr. Mark Whiteside of the Tropical Institute of Medicine in Miami, Florida. Dr. Whiteside presented overwhelming evidence, utilizing the case of Belle Glade, for the fact that brutal economic collapse conditions, or environmental factors, are crucial to the uncontrolled propagation of AIDS in the tropical regions of the world. Following Whiteside, one of France's leading virologists, Dr. Fleury, presented the evidence that at least three new deadly diseases besides AIDS have broken out of animal reservoirs into man in Africa—the viral hemorrhagic fevers called Marburg Fever, Ebola Fever, and Lassa Fever.

To conclude the panel, Garance Phau presented the contributions of Pasteur's student, Charles Nicole, who was the founder of the Pasteur Institute in Tunisia and who had developed a theory of epidemics.

## A tribute to Pasteur

*These greetings came to the conference from Lyndon H. LaRouche, Jr., of Leesburg, Virginia.*

It is widely known that I have a very special admiration for the memory of the great "Organizer of Victory," Lazare Carnot. Carnot and his collaborators saved France from the imminent defeat and dismemberment facing it in 1793, by accomplishing a revolution in military science within an astonishingly short period of time. This revolution was made possible by the collaboration between Carnot and the great Gaspard Monge, the founder and leader of the 1793-1814 period of the great Ecole Polytechnique. It is a little known, but important fact of modern science, that it was the collaborators of Carnot and Monge who prepared the ground for the revolution in physics accomplished by the collaborators of Alexander von Humboldt and the great Karl Gauss.

In the history of modern science as a whole, there are four great watersheds. Unfortunately, the debt of all modern science to the fundamental discoveries of Cardinal Nicolaus of Cusa, is little recognized today; but we do recognize the vast array of branches of science set into motion by such students of Cusa as Luca Pacioli and Leonardo da Vinci. The second great watershed, is the elaboration of the work of Leonardo and of Johannes Kep-

## The BSDI

The final session of the Conference outlined the program of the Fusion Energy Foundation and *Executive Intelligence Review* for a Biological Strategic Defense Initiative (BSDI), and noted that recently Dr. Edward Teller of the United States had begun to discuss the need for a crash research effort to combat AIDS in the context of the SDI program.

Dr. Charles Gregg from Los Alamos, explained the significance of the CIDS machine (circular intensity differential scattering) and the potential for developing this work in optical biophysics, research in which Pasteur himself was the original pioneer. Gregg presented a description of CIDS and its more sophisticated successor, Multiparameter Light Scattering (MLS), from the historical, theoretical, and instrumental viewpoints. CIDS is a special case of the more general MLS technology. CIDS and MLS spectra for a variety of organisms and biological materials were selected from data taken in the Life Sciences Division of the Los Alamos National Laboratory, and in the laboratory of Mesa Diagnostics, Inc., and these methods for identifying micro-organisms were compared with other rapid identification methods. It is clear that more than supercoiling of DNA is involved in production of MLS spectra.

Another very efficient method of identifying closely related diseases was shown by Dr. James Frazer from the University of Texas, a pioneer in nuclear magnetic resonance (NMR). Frazer presented a history of basic biophysics research since the end of World War II.

The final presentation of the conference was given by Jacques Cheminade on the political relevance of Pasteur's life works for today's world. Cheminade also presented a resolution to the body which was unanimously endorsed: A declaration to Prime Minister Chirac calling upon France to defend Science in the face of the brutal irrationalist attacks on Science epitomized by the anti-nuclear energy terrorists in West Germany, the anti-space program propaganda in the U.S.A., and the attacks on basic biological research at the Pasteur Institute in France. What the anti-science Jacobin mob did to Lavoisier must not be repeated.

Another resolution, proposed by Cheminade, was also unanimously adopted. It called for the creation of a laboratory of optical biophysics at the Pasteur Institute, and a commitment to making groundbreaking discoveries within the 10 years leading up to the 1995 centennial of Louis Pasteur's death. This resolution received long and unanimous applause.

ler by the great scientific enterprise organized by the great French minister Jean-Baptiste Colbert, the great contributions of such giants as Huyghens and Leibniz. The third great watershed, is the "crash program" in scientific and technological progress set into motion by Carnot, Monge, and their collaborators. The final great watershed of modern science, is centered around the collaboration between the circles of Carnot and Monge, and Humboldt and Gauss in Germany.

When we ask today, who in post-1815 France best represents the quality of the Ecole Polytechnique under Monge's leadership, there is no name which compares with that of the great Louis Pasteur. In every principal specialty, in physics, in chemistry, and in biology, the world is greatly indebted to this man of grand scientific optimism, this man of consummate scientific rigor.

Today, as optical biophysics promises, at last, to assume its proper leading position in the study of living processes, we are obliged more than ever to study afresh the mind of the great Louis Pasteur at work. Optical biophysics obliges us to look at the pioneering work of Pasteur with more profound insight than ever before. Not only do we do our moral duty to the living, to honor the great of the past; we learn valuable knowledge from Pasteur's work, as Huyghens, Leibniz, and Gauss learned from studying the incompleting projects of Leonardo and Kepler.

In modern times, pre-scientific education in secondary schools and university education, have come to depend

excessively on the practice of substituting textbooks for the student's reliving of the work of the great discoverers from both the classical Greek period and those who contributed the crucial experimental insights supplied over the period from Nicolaus of Cusa through the greatest contributors of the nineteenth century. There is too much attention to the hindside of important discoveries from the past; there is too much plausible but mythological explanation of those discoveries, in textbooks and classrooms, and far, far too little reliving of the step by step process of rigorous inquiry by which the greatest of those discoveries were actually accomplished.

So, often, the work of Louis Pasteur, is explained too simply, with too little attention to the way in which he worked to effect his discoveries, too little attention to those matters which Pasteur explicitly pointed out as urgent work of his successors. Not only does Pasteur's memory benefit from such reflections; we, the living, and our posterity, will benefit in practical ways.

Not the least of the benefits, is the spiritual benefit to be gained. Let us uplift the spirits and talents of many among today's youth; let an accurate memory of the work of the great Pasteur inspire those youth to abandon cultural pessimism for scientific and cultural optimism. Let them understand, that scientific and cultural optimism have a sound practical foundation, only when the mind is disciplined by a rigorous scientific and moral conscience, as we see in the process by which the great Pasteur effected his great contributions.

## CSIS 'conservatives' propose sell out to Soviet Union

by Nicholas F. Benton

Henry Kissinger's Georgetown University Center for Strategic and International Studies (CSIS) held its annual leadership conference in Washington, D.C. June 9-11 on the theme of "The Future of U. S. Security: Strategy, Resources, and Technology." Here, the braintrust of the Eastern Liberal Establishment charted out its approach to forcing the Reagan administration to accept as inevitable a massive geopolitical shift in favor of the Soviet Union over the next 12 months—the so-called "New Yalta."

Although this Liberal Establishment crowd has been advancing this strategic objective for years—which they fantasize will bring about a bi-polar "one-world oligarchic order" at the expense of autonomous national governments, most specifically the United States—this time the conference agenda made it clear that Gramm-Rudman budget cuts and the Packard Commission reorganization of the Defense Department are considered major new assets for implementing the plan. As global events are now unfolding, their objectives will be carried out within a year, handing virtually the entire Eurasian land mass and Africa over to the Soviet sphere of influence, unless some massive changes occur in the thinking of key leaders of the Western Alliance in the meantime.

Acting to shape the course of world events above the level of any government, the Eastern Liberal Establishment, together with its European oligarchic counterparts, uses the CSIS as one of its important institutions to compel governments, including that of the United States, to comply with its strategic objectives. While the likes of Kissinger, former Secretary of Defense James Schlesinger, former National Security Adviser Zbigniew Brzezinski, and Sen. Sam ("Pull the Troops Out of Europe") Nunn (D-Ga.) direct the CSIS operation, influential government policy makers and captains of industry compose the participants at the annual "leadership

conferences."

Their task, in this conference, was defined by the fact that two key leaders in the United States, President Ronald Reagan and Defense Secretary Caspar Weinberger, are men who reflect a commitment to national U.S. interests inherently opposed to any "New Yalta." The conference's purpose, therefore, was not only to clarify objectives, but also the methods by which Reagan and Weinberger will, in the coming months, be increasingly hamstrung by the pressure of events into accepting the "inevitability" of policies they would otherwise oppose. In addition to the fiscal pressures of Gramm-Rudman and the Packard Commission reforms, anti-defense and anti-SDI pressures from Congress, Soviet low-intensity warfare in Europe, and other surrogate operations, fabricated crises in Central America, and actions by the Soviet leadership, itself, are designed to work together to achieve this end.

### How it will work

How do the CSIS gamemasters project this will work? Three examples from the conference make the point:

- 1) the speech by Zbigniew Brzezinski;
- 2) a "crisis management" strategic-confrontation psychodrama that was performed; and
- 3) the role which Reagan and Weinberger were drawn into playing, themselves, at the conference.

The message from former Carter adviser Zbigniew Brzezinski, based on his soon-to-be-released new book, *Gameplan: Managing the U.S.-Soviet Contest*, was "let the Russians have the Eurasian land mass, and the United States can survive."

Brzezinski called for undercutting Reagan's original vision of the Strategic Defense Initiative as a "long-term com-

mitment to the defense of populations,” instead turning it into a short-term “point defense” of U.S. strategic military sites. In this speech, he pursued the following line of thought:

1) The real basis of U.S.-Soviet conflict is ideological and geopolitical, and the strategic arms race is a secondary consequence of this.

2) The geopolitical conflict is over control of the Eurasian land mass; namely, that the Soviets want to control it entirely, believing the United States has no business whatsoever in Europe, Asia, and Africa, which they covet as “their turf.”

3) On the basis of expanding their control over this area, Russia has been growing at the rate of “about one Vermont, or Belgium if you prefer, a year for the last 250 years.”

4) Because of this continuing geopolitical tension, the Soviets are also engaged in massive, preemptive nuclear first-strike preparations, which if they continue at their present rate of growth will give them 16,000 to 24,000 nuclear warheads by the mid-1990s, half of which will be capable of being used in a preemptive first strike.

5) Faced with this reality, President Reagan has to “bite the bullet” and make some “critical choices.” He must either:

a) Launch a massive missile build-up of MX and Midgeman missiles to match the Soviets, a pathway which the Congress will never allow, or,

b) He must re-direct the SDI “from a long-term, total population defense [to] a limited strategic defense of our missile sites and national command authority,” which would offset the Soviets’ first strike capability.

Thus, confronted with this scenario and these options, the inevitable if unspoken conclusion Brzezinski arrived at is: In exchange for ensuring our survival by this redeployment of the SDI, the United States must be willing to “negotiate away” the Eurasian land mass into the hands of the Soviets, giving them what they really want most, anyway. Thus, global tensions are reduced, and our survival is secure.

Voilà, the “New Yalta!”

Of course, as many experts have stressed, redirecting the SDI to point defense, thereby abandoning its role as an umbrella protecting the entire West—an umbrella, as Defense Secretary Weinberger has put it, not over the West, but over the Soviet Union, aimed at preventing any Soviet missile from moving out farther than its boost stage without being destroyed—would effectively abandon Eurasia to the Russians in and of itself.

The strategic-crisis psychodrama game cast in the role of President of the United States Carter administration undersecretary of the Navy James Woosey. Democratic chairman of the House Foreign Affairs Committee Les Aspin played White House chief of staff; Eugene Rostow, undersecretary of state in the Johnson administration, was secretary of state; Robert McFarlane, former Reagan national security adviser, was secretary of defense, and Ford administration National Security Adviser Gen. Brent Scowcroft (ret.) played national security adviser.

They were confronted with a terrorist scenario in which they committed themselves to massive retaliation against the Libyans, but then were forced to publicly acknowledge that Syria was instead the guilty party. The psychodrama—close enough to the kind of pressures the Reagan administration faces in the real world—forced them to risk direct military confrontation with the Soviets, who were prepared to defend Syria.

Their conclusion: impotent economic sanctions against Syria. The message: When push comes to shove, you cannot risk war with the Soviets to stop Soviet-inspired terrorism. Apply that to the Middle East, Africa, Asia, or Europe, and, behold, the “New Yalta!”

### **A philosophical flaw**

Finally, although they both are on record vehemently opposing components of the “New Yalta” framework, both President Reagan and Weinberger were, in a sense, deceived into supporting the framework for that scenario by, themselves, participating in the CSIS conference. So was SDI director Lt. Gen. James Abrahamson, who took part in a panel on the impact of budget constraints on national defense.

The CSIS achieved this by asking both Reagan and Weinberger to limit their speech topics to Central American issues, which they did. Thus, although neither would agree with any scenario for handing over the Eurasian land mass to the Russians, they both reinforced the “structural framework” of exactly this scenario by allowing themselves to be fit in, in a very restricted way, to point out the “importance” of conflict points within our own hemisphere.

Weinberger, during his speech, exposed a philosophical flaw in his concept of “democracy” which proved so appealing to the New Yalta crowd that the Moonie-run *Washington Times* reprinted the speech in full the week of June 9. In short, it reflected the very “defeatist” mentality pervading the West over the last 20 years that Lyndon LaRouche’s recent document, *The Essential Role of the Concept of Victory in Defining ‘Grand Strategy’ of Our Alliance*, was written to correct. Weinberger did this by counterposing communism as an “unreachable utopian ideal based on the perfectibility of man” to democracies, which, as he put it, “have no illusion that man can be perfected, so it has no desire to eradicate all evil.” In reality, as LaRouche asserts, democracy as defined by the U.S. Constitution, is counterposed to all oligarchic tyrannies, including communism, by offering the best pathway toward fully realizing the “divine spark,” the perfectibility, if you will, of mankind, and the eradication of evil.

Thus, the sinister machinations of the gamemasters controlling the CSIS successfully wove a deceptive, self-constraining web around both the President and Weinberger at the conference, a foretaste of how the gamemasters intend to cause world events in the coming months to compel them to conform to the “New Yalta” as an “inevitability” on the stage of the real world.”

# The Pollard spy scandals: Will George Shultz resign?

by Joseph Brewda

A bitter faction fight has erupted in Washington, as a result of events surrounding Israeli Mossad spy Jonathan Pollard's admission of espionage before U.S. District Court Judge Robinson on June 4. Pollard's guilty plea, and the release of some of his confessions to the press, have highlighted the truth of *EIR*'s charges made since Pollard's arrest last November. Pollard is merely a minor asset of a vast corrupt Mossad network within U.S. intelligence and government, of whom former Israeli defense minister Ariel Sharon is the key figure. This network could not exist without protection by such individuals as U.S. Secretary of State George Shultz, who has repeatedly betrayed American interests to please his Israeli allies. Moreover, as *EIR* has documented in its March 1 Special Report, *Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia*, the Israeli network which deployed Pollard has a strategic deal with Moscow to betray the United States.

How this faction fight is resolved could well determine the fate of Shultz, who has staked his entire career on a continuing and increasingly desperate effort to sweep the Pollard affair under the rug. Shultz has continued his dangerously exposed effort, because he knows that any public airing of the true nature of the Pollard network would destroy him politically, as well as the Reagan administration faction which includes Assistant Secretary of Defense Richard Perle, Undersecretary of Defense Fred Ikle, Ambassador to Indonesia Paul Wolfowitz, and former Secretary of State Alexander Haig among others. In short, the same appeasement crowd pushing a "New Yalta" accord with Moscow.

The question before patriots in the U.S. government is: Will Shultz, finally, be forced to resign?

## A new Watergate

Within hours of Pollard's arrest at the Israeli embassy in Washington with a suitcase of U.S. classified documents in November 1985, the Israeli government and the U.S. State Department began a massive disinformation campaign which centered on the line that Pollard was a "rogue agent," unsanctioned by Israeli authorities. The State Department argued, as did Israel, that Israel never has, and never will field intelligence operatives in the United States. To assist in this campaign, Shultz drew on the services of the Anti-Def-

amation League of B'nai B'rith, which had compelling reasons of its own to destroy the Justice Department case.

Fearful that the "rogue agent" hoax could not be sustained, Shultz dispatched State Department legal director Judge Abraham Sofaer to Israel to "investigate" the matter, in such a fashion that the actual Justice Department investigation of Pollard would be aborted. Sofaer, a long-time friend of Ariel Sharon, accepted Israel's "explanation" and got an "apology" which denied any responsibility for Pollard's actions. Shultz pronounced himself "satisfied."

Nevertheless, the U.S. Justice Department continued its investigation of the Pollard network, over the bitter, if covert, objections of the State Department, which wanted to bury the case permanently on "diplomatic" grounds.

Despite State Department interference in this judicial matter, U.S. Attorney Joseph diGenova released a set of documents at Pollard's plea before Judge Robinson, which proved Israel—and Shultz—a liar.

Specifically, Justice charged that the alleged "rogue," Pollard, regularly carried classified documents from his Suitland offices to an Irit Erb, a secretary of the Israeli embassy, who xeroxed them, and that Pollard was "handled" by Yossi Yagur, the scientific attaché at the Israeli consulate in New York, and by Brigadier General Aviem Sella—both career intelligence officers. These charges were based on Pollard's own confessions. Moreover, Pollard confessed, and the Justice Department charged, that this entire network had been supervised by senior Mossad official Rafi Eitan, also a long-time associate of Gen. Ariel Sharon.

In arrogant, Watergate-style response to the Justice Department documents, George Shultz directed State Department spokesman Bernard Kalb to hold a press conference one week after Pollard's hearings. At that press conference, Kalb, directly contradicting Justice, asserted that the United States had "no evidence of any espionage ring involving Israeli officials." More absurdly, Kalb asserted that "the indictment and successful prosecution was made possible through the cooperation of the Government of Israel." Naturally enough, these statements were drafted by the same Judge Sofaer who had earlier stonewalled the Pollard investigation under Shultz's orders and in collusion with General Sharon.

Until the Pollard plea, Shultz had been confident that his suppression of the Justice Department had been successful. Commenting on this perception, Peter Goldman, the executive director of Americans for a Safe Israel, one of Sharon's main support groups in the United States, complained to one reporter: "I met with Shultz two weeks ago. He told me that Sofaer had straightened the whole thing out. One month ago a deal had been struck. Pollard was to quietly plead guilty, and not get a severe sentence. Both Israel and the U.S. would avoid an embarrassing trial, which both sides had reason to sweep under the rug. But there were not supposed to be any articles or leaks! . . . Some group in the Justice Department is out to get Israel."

### **What Shultz fears**

Now that the Justice Department has seized the upper hand in the Pollard case, and is proceeding with a serious investigation, Shultz is desperate that the real truth behind Pollard will come out. Shultz fears that decades of sanctioned Mossad operations will be exposed, activities protected by the U.S. government, but espionage which has also benefited the Soviet Union.

For the last 20 years, Pollard's confessed controller, Rafi Eitan, has managed a vast spy operation in the United States, stealing everything from communications intelligence, nuclear technology, Soviet communications jamming and interception techniques, to U.S. Naval codes. Eitan's operations have been so colossal in scope, that John Davitt, a former director of Internal Security of the Justice Department, has commented that Israeli intelligence is "more active than anyone but the KGB" in the United States.

One indication of the protection of Eitan is the case of Steven Bryen.

In 1979, Steven Bryen, currently the deputy assistant secretary of defense, was discovered in a conversation with Zvi Rafiah, then Eitan's Washington station chief, where Bryen was overheard offering Rafiah U.S. classified documents. Despite subsequent admissions by Bryen that he "knew" Rafiah, and Justice Department investigators' observations that Bryen acted like a "subordinate" towards him, the investigation of Bryen was brutally crushed. In 1980, Bryen was appointed to his present position, over bitter Justice Department objections. There, he worked directly under his long-time associate Richard Perle, who had earlier been caught discussing classified information with the Israeli embassy in 1970.

It will now shortly come out, according to well-placed *EIR* sources, that Jonathan Pollard has named Bryen as a Mossad agent, and has confirmed meetings with him.

The basis upon which such individuals as Bryen have been infiltrated into government, is a series of top secret protocols signed between the United States and Israel, and dating back to before the Camp David agreements of 1978,

which provide for the placement of Mossad agents in sensitive positions within the U.S. government—such as the Perle-Bryen cell in Defense. Under one secret deal, negotiated by former Secretary of State Alexander Haig and then Israeli Defense Minister Sharon, Israel would sell arms to countries which the U.S. State Department wished to assist, but covertly—such as Iran. To implement this deal, Sharon's main U.S. financial supporter, Meshulem Riklis, detailed his aide, Arie Ganger, to become the director of procurement at the Israeli Defense Ministry under Sharon. Riklis, together with his own "godfather," Burton Joseph, is also among the major financial backers of the ADL, which has always been associated with arms traffickers.

It has been asserted that Riklis and his cronies have made bundles through the illicit sale of costly weapons systems to Iran, a business dramatically aided by the receipt of classified information from Pollard, according to some sources.

One of the organizations formed to manage this, and other secret U.S.-Israeli agreements, was the Jewish Institute of National Security Affairs (JINSA) of Washington, directed by Bryen's wife. JINSA has also been the base of former Israeli air force operative Yossef Bodansky. Bodansky has also been cited as one of Pollard's controllers, according to sources.

George Shultz has reason to fear that the Pollard case will blow these secret arrangements. Shultz's concerns have been further aggravated by the unexpected arrest of Israeli Gen. Avraham Bar-Am on April 22 for conspiring to sell over \$2 billion in arms to Iran, and the arrest of Israeli Lt.-Colonel Zevi Reiss on April 24, for attempting to sell Iran 2,000 TOW missiles. Bar-Am has threatened to tell all, if Israel does not secure his release. Naturally, Israel has described Bar-Am and Reiss as unsanctioned rogue operatives.

In addition to covertly managing arms sales to Iran, the Perle-Bryen crowd at the Department of Defense also oversees a vast empire which has crucial policy input into such areas as the Strategic Defense Initiative, NATO policy, and terrorism. But the prize possession of the cell is its Technology Transfer Group, which has far-reaching powers regarding the sale of U.S. technology abroad.

Ostensibly, the Technology Transfer Group was created to prevent Moscow from getting U.S. military technology under the cover of civilian trade. In this, it has failed miserably. Moscow is second only to Israel in getting whatever items it wants on its shopping list, regardless of the degree of U.S. government restrictions.

The reason for Moscow's success is not hard to discover. Sensitive, restricted-access technology is channeled through neutral countries, or U.S. allies, as intermediaries. The same system is used to get arms to Iran. The primary middleman in both cases is Israel.

If the story breaks internationally, it could be the end for Shultz.

## Justice Dept. brief on Pollard case

*The following selections are taken from a Justice Department document released June 4, billed as a "Factual Proffer." The facts completely contradict the Shultz line that Pollard was a rogue agent.*

In the spring of 1984, an associate of Mr. Pollard's indicated that the associate had recently met a high-level officer in the Israeli Air Force. . . . Shortly thereafter, the associate arranged for the Israeli officer, Col. Aviem Sella, and Mr. Pollard to meet. . . .

Thereafter, Aviem Sella and Mr. Pollard arranged a meeting in Washington, D.C., in the early summer of 1984. During the meeting Mr. Pollard informed Aviem Sella that he (Mr. Pollard) wanted to work as an agent for the Israeli government and to provide United States classified information and documents to the Israeli government.

Shortly thereafter, Mr. Pollard and Aviem Sella again met in Washington. At that meeting, Mr. Pollard provided to Aviem Sella classified documents. Aviem Sella informed Mr. Pollard that he (Sella) would arrange for Mr. Pollard to be paid for providing any such additional information to the government of Israel, and discussed with Mr. Pollard a possible "cover" story to explain Pollard's possession of sums of money beyond his United States government salary.

Later in the summer of 1984, Mr. Pollard again met with Aviem Sella in Washington. Aviem Sella informed Mr. Pollard that he was returning to Israel and that Pollard would therefore be assigned a new Israeli "handler". . . .

Pursuant to Aviem Sella's direction, Mr. Pollard traveled to Paris, France in November of 1984. During his week long stay in Paris, Mr. Pollard met for approximately two days with Aviem Sella, Rafi Eitan (or Eytan), and Joseph (Yossi) Yagur. Eitan, introduced to Mr. Pollard as the head of the operation, had been for many years an Israeli intelligence official. Yagur, at that time, was science consul at the Israeli embassy in Washington D.C., a position he held at least until his flight to Israel the day following Mr. Pollard's arrest.

During the above-mentioned meetings, Sella, Eitan, and

Yagur provided Mr. Pollard with detailed "tasking," i.e., specific requests for the classified documents and information which Mr. Pollard was to obtain for the Government of Israel. . . .

After the Pollards' return to the United States, Mr. Pollard met with Yagur. . . . At that meeting, which was also attended by another Israeli identified as "Uzi," Mr. Pollard delivered a suitcase of classified documents. Further, Mr. Pollard was briefed on: (a) procedures to be followed thereafter for the routine delivery of United States classified documents (to be made at the Washington D.C. apartment of an Israeli embassy employee); (b) emergency procedures to be used by Pollard in the event of unexpected developments in, or detection of, the espionage operation. . . . (c) additional "tasking" on specific documents to be obtained.

Pursuant to the foregoing operational instructions related to Mr. Pollard by Joseph (Yossi) Yagur, Mr. Pollard obtained United States classified documents and delivered them to his handlers in accordance with the following routine:

1) Approximately three times a week, Mr. Pollard would remove from his office at the Naval Investigative Service the various classified national defense documents and materials which he had gathered for the Government of Israel. . . . Thereafter, approximately every two weeks, Mr. Pollard would deliver a suitcase containing these documents to the apartment of Irit Erb, an Israeli citizen who worked at the embassy of Israel in Washington, D.C. . . .

3) In addition to these biweekly deliveries, on the last Saturday of each month, Mr. Pollard would meet with Yossi Yagur in another apartment within Erb's apartment building. The second apartment was used as the copying center for the materials which Mr. Pollard delivered. . . . It was at these monthly meetings that Yagur paid Mr. Pollard in cash. . . .

4) During the detailed monthly review with Yagur of the classified information which Mr. Pollard had delivered, Yagur would advise Pollard of specific instances in which the information had been utilized by various branches of the Israeli military. . . .

During the summer of 1985, Mr. Pollard was once again invited by Yagur and Eitan to travel overseas. . . . While in Israel, Mr. Pollard met with Rafi Eitan, Joseph (Yossi) Yagur, Aviem Sella and the previously mentioned "Uzi." Mr. Pollard discussed various aspects of the espionage operation with these individuals (i.e., the Government of Israel's need for greater quantity of classified documents and a commensurate increase in compensation to Mr. Pollard). . . .

In the fall of 1985, Joseph (Yossi) Yagur showed Mr. Pollard an Israeli passport, bearing Pollard's photograph, in the name of Danny Cohen. According to Yagur, Danny Cohen was to be Mr. Pollard's new name when he eventually moved to Israel, and the passport was a demonstration of gratitude for services rendered in that it identified Mr. Pollard as a citizen of Israel. . . .

# California results confirm NDPC impact

by Stephen Pepper

Some people are fortunate in their choice of friends; LaRouche Democrats of the National Democratic Policy Committee (NDPC) have been extremely fortunate in their choice of enemies. Without the spectacular reactions of Adlai Stevenson in Illinois, for example, the victory of two candidates supporting Lyndon LaRouche for secondary statewide offices in the Illinois Democratic primary would hardly have occasioned worldwide headlines. Without the personal commitment of Texas Democratic State Chairman Bob Slagle to defeat the NDPC's candidate for county chairman in Bexar County (San Antonio), Don Varella, the fact that Varella finished first with 38% of the vote, would hardly have required a special meeting of the county executive and the presence of the second in command of the Democratic National Committee.

Now comes the California results, and the debacle suffered by Orange County chairman Judge Bruce Sumner in the 40th Congressional District makes everything that came before, including Custer's Last Stand, look like a victory in comparison.

Sumner's decision to enter the race as a write-in candidate against the NDPC-backed Art Hoffman turned what would have been a minor victory for the LaRouche Democrats into a major national test. After the Illinois results, Democratic National Committee chairman Paul Kirk ordered a search-and-destroy mission against NDPC candidates with the result that the Orange County Democrats "discovered" that not only had they neglected to run against the Republican incumbent, Bob Badham, but the LaRouche Democrats had filed in that contest. At this point, Sumner and his county executive embarked on the ill-fated write-in campaign, thus compounding an error of omission with an error of commission.

Sumner and his people devoted over \$100,000 to defeat Hoffman, and ran against him as they had never run against their Republican conservative opponent. The result hardly justified the means. Hoffman, who spent \$466, campaigned on the issues, and according to the official canvass came out ahead with 15,138 to 14,876 votes or a margin of 262 votes. As soon as the result is certified by the secretary of state, Sumner has vowed to ask for a recount.

Whatever the final outcome, Sumner and the regular organization have acted deliberately to give the campaign international significance. On the night of the election, erroneous reporting had appeared to give Sumner the victory.

Imprudently, the judge congratulated himself on turning back the LaRouche menace, and declared the outcome a "repudiation of Lyndon LaRouche." The judge was reversed in his judgment by an appeal to the voters, but neither he nor any of his collaborators have now acknowledged that the new result is a confirmation of Lyndon LaRouche. Indeed, three days after the election, when the corrected results became known, former Orange County chairman Richard O'Neill said that the nomination of Hoffman would not embarrass the Democratic Party, "Since we already won on election night. . . ."

## Debate with LaRouche

This statement tells much about the outlook and purposes of the Democratic National Committee (DNC) and its assorted local followers. The actual result is less important than the perception of the outcome, not only in the local arena, but even more significantly for national and international consumption. This became clear in the debate that the Sumner forces requested take place before the election between their man, and Lyndon LaRouche, one of the founders of the NDPC, and the only announced candidate for the Democratic nomination for the presidency in 1988. By this means, Sumner the Democratic nomination for the presidency in 1988. By this means, Sumner deliberately chose to make the election a referendum on LaRouche.

In the debate, the strategies of the contending parties became crystal clear. LaRouche, in agreeing to the debate, had insisted that it focus on issues, and not retail warmed-over press garbage regarding LaRouche or his movement. In keeping with this format, LaRouche addressed the strategic crisis exemplified by the threat of Soviet takeover of the Middle East, and his own support for Prime Minister Shimon Peres's call for a Middle East Marshall Plan. On the domestic side, he hammered away at the impending banking crisis.

For his part, Sumner, having agreed to the issue-oriented format, promptly tore up his agreement, and embarked on a verbatim reading of drug-pushing scribbler Dennis King's pastiche of LaRouche's views clipped and pasted from various sources. Whereas LaRouche's intent in agreeing to the debate was explicitly to alert and prepare the electorate for the crises our nation faces, Sumner's was to give the impression that he was taking on LaRouche. When asked afterward why he did not address the issues, Sumner admitted, "If I had done so, I would have made LaRouche look like a moderate."

What lies behind this perception game is the DNC's commitment to protect the drive by the liberal establishment to achieve a "New Yalta"-style agreement. LaRouche and the NDPC are recognized worldwide as the principal opponents of this policy. To avoid giving renewed credibility to LaRouche and his supporters is the exclusive policy goal of the DNC, and therefore any and all lies or manipulations are justified in the short term.

# Bush: war on drugs at the crossroads

by Jeffrey Steinberg

Speaking before the press in Houston, Texas on Saturday, June 7, Vice-President George Bush announced that the Reagan administration has officially declared “for the first time . . . that the international drug trade is a national security concern” linked directly to international terrorism. Bush issued a partially declassified version of a National Security Decision Directive on Narcotics and National Security that was signed by President Reagan on April 8 of this year. It gives the military a far broader role in the War on Drugs, particularly within the Western Hemisphere.

“The narcotics threat—primarily a health and welfare issue in the '60s, evolving into a civil and corruption issue in the '70s—is now recognized as a national security concern,” Bush stated in a press release issued along with a six-point summary version of the Decision Directive (see *Documentation*).

Those six points detail an expanded role for U.S. military forces and military-directed technologies in bilateral and multilateral anti-narcoterrorist programs with other sovereign governments of the hemisphere. They are virtually identical to a proposal for a hemispheric war on drugs issued by Lyndon H. LaRouche, Jr. at a conference sponsored by *Executive Intelligence Review* in Mexico City in March 1985.

Despite the vice-president's powerful words, a number of U.S. intelligence and federal law-enforcement sources contacted by *EIR* acknowledged that the presidential directive has a double edge. In effect, the Bush public announcement of the tough new administration stand against narcoterrorism reflects a long-simmering factional brawl within the administration: Will the war on drugs actually go in the direction of the LaRouche proposal and become the cornerstone of a revived Monroe Doctrine, or will it be the cover for a revival of “Roosevelt Corollary” gunboat diplomacy to collect the private bankers' debt from Latin neighbors already bled near to death by the IMF.

Several officials interviewed characterized the decision to release the declassified version of the presidential directive in Houston—near the Mexican border—as a concession to those in the administration who are intent on bashing Mexico into further submission to IMF looting. These forces would wish to use the Mexican role as a transshipment point in the cocaine and marijuana traffic into the United States to tar the

ruling PRI with the same “corruption” label that brought down Philippines President Ferdinand Marcos in a State Department/CIA-sponsored coup d'état earlier this year.

On Thursday, June 12, *New York Times* reporter Seymour Hersh, often a mouthpiece for the bankers' faction of U.S. intelligence tied to former CIA director William Colby, published a 3,000-word frontpage piece falsely accusing Panamanian National Guard chief Gen. Manuel Antonio Noriega of being at the center of drug trafficking and arms sales to the M-19 Colombian terrorists.

Both Mexico and Panama have been targeted for State Department and “bankers CIA” destabilization this summer as part of Wall Street's drive to smash any movement towards an Ibero-American debtors' cartel, and to create a mess on the U.S. southern border to provide a stronger argument for Henry Kissinger's policy of decoupling America from Western Europe. In a recent article under Kissinger's byline in the London *Observer*, the former secretary of state called for U.S. forces to be pulled out of Europe. Kissinger cronies such as Deputy Defense Secretary Fred Iklé have called on the United States to plan to station 100,000 American troops in the Mexico-Central America corridor within 2-3 years.

## Drugs and debt

In his remarks in Houston, Vice-President Bush cited the November 1985 M-19 raid on the Colombian Judicial Palace, resulting in over 100 deaths, as hard proof of the connection between narcotics traffickers and terrorists. In that raid, the M-19 destroyed all of the court records on 80 Colombian dope-smugglers scheduled for extradition to the United States for trial.

The involvement of U.S. military and related technologies, including satellite surveillance photos pinpointing locations of production areas, clandestine air strips, and laboratories, if utilized on a large scale, would create the conditions for a successful routing of the narcoterrorist apparatus. U.S. training and equipping of special anti-narcoterrorist units of the Ibero-American military and police agencies would dramatically augment those capabilities and end the conditions in which many Ibero-American governments now find themselves: Their own armed forces are outstripped by narcoterrorist armies with modern weapons, communications, and transportation.

For the Presidential Decision Directive to translate into an actual hemispheric War on Drugs, the Reagan administration “Gang of Three”—Donald T. Regan, George Shultz, and James Baker III—would have to be fired. Until that happens, and until the administration breaks free from the stranglehold of Wall Street and the IMF, the internal war over the implementation of the directive will continue, and may very well be turned into its very opposite: a booster for the dope cartel through a U.S.-sponsored destabilization of two of its key neighbors to the South—Mexico and Panama.

# Bush statement on drugs and terrorism

*The following is excerpted from the opening statement by Vice-President George Bush at a press conference in Houston, Texas, June 7, 1986.*

. . . This spring, the President issued a directive, recently declassified in part, that explicitly recognizes the threat to U.S. national security from drug trafficking. For the first time, through the directive, the U.S. Government specifically states that the international drug trade is a national security concern because of its ability to destabilize democratic allies through the corruption of political and judicial institutions. It is also an important source of financing for some insurgent and terrorist groups.

Anyone who doubts the seriousness of this threat should remember the November 6, 1985 takeover of the Colombian Palace of Justice by M-19 guerrillas. When the fighting was over, more than 100 individuals had lost their lives, among them 12 Colombian Supreme Court Justices. According to the Colombian Government, many of the principal documents sought out and destroyed during the bloody takeover were U.S. extradition requests for major Colombian drug traffickers. As Chairman of the Administration's Task Force on Combatting Terrorism, I can tell you that the demonstrable role drug trafficking played in the massacre is anything but an isolated event.

Accordingly, we have declared it United States policy to aggressively join with other nations to halt the production and flow of illegal drugs, to reduce the ability of terrorists to derive support from drug trafficking, and to strengthen the ability of individual governments to confront and defeat this insidious threat.

I'll explain why this presidential directive is important. First, the directive mandates that narcotics control objectives should be fully integrated into this nation's foreign assistance planning efforts. Those goals must be given high priority in discussions by administration officials with their foreign counterparts. Also, the directive significantly improves the

ability of the Department of Defense and our intelligence agencies to support our war on drugs subject to readiness and statutory constraints. More generally, the directive reaffirms for the international community, in the strongest possible terms, this nation's resolve to find solutions to a problem that knows no borders. . . .

I hope that making the presidential directive public will . . . make every American understand the very real link between drugs and terrorism. Too many families are already painfully aware of the connection between drugs and terror in our homes, in our streets, and in our schools. Now we must convey that when you buy drugs, you could also very well be subsidizing terrorist activities overseas. The message is one which deserves to be just that simple and direct.

*The following is excerpted from a Fact Sheet drawn up by the National Narcotics Border Interdiction System.*

On April 8, 1986, the President signed a National Security Decision Directive (NSDD) on Narcotics and National Security. That document assessed the threat from the international narcotics trade and directed specific actions to increase the effectiveness of U.S. counter-narcotics efforts. Some of its major points are:

- Criminal drug trafficking organizations can corrupt political and economic institutions and weaken the ability of foreign governments to control key areas of their own territory and populace.

- Some insurgent and terrorist groups cooperate closely with drug traffickers and use this as a major source of funds.

- It is the policy of the United States, working in cooperation with other nations, to halt the production and flow of illicit narcotics, reduce the ability of insurgent and terrorist groups to use drug trafficking to support their activities, and strengthen the ability of individual governments to confront and defeat this threat.

- Among the actions directed by the President were:

- Full consideration of drug control activities in our foreign assistance planning.

- An expanded role for U.S. military forces in supporting counter-narcotics efforts.

- Additional emphasis on narcotics as a national security issue in discussions with other nations.

- Greater participation by the U.S. intelligence community in supporting efforts to counter drug trafficking.

- Improvements in counter-narcotics telecommunications capability.

- More assistance to other nations in establishing and implementing their own drug abuse and education programs.

- The Attorney General, as Chairman of the National Drug Enforcement Policy Board, shall submit a report to the President giving the status of plans and accomplishments under the Directive.

# One of the most scandalous political enemies operations in history

by Suzanne Rose

Two recent events have galvanized the so-called leadership of the Democratic Party and the organized-crime linked Anti-Defamation League to combine their efforts into one of the most scandalous political enemies operations in history. The events in question are the March victory of two "LaRouche Democrats" for high office in the state of Illinois, and the April re-publication in English of the *EIR* best-seller, *Dope, Inc.*, commissioned by Lyndon LaRouche.

In early May, the securities commissioner of the State of Maryland issued a cease-and-desist order against Caucus Distributors and two of its volunteer fundraisers, Kathy Wolfe and Paul Gallagher. The ADL-backed Democratic attorney-general, Steven Sachs, who is opposing LaRouche Democrat Lawrence Freeman for the gubernatorial nomination, is attempting to characterize political loans made by political supporters to fund a "war on drugs" as investment "securities"! Under attack in Maryland is a major financial backer of *Dope, Inc.* and related projects, whom the securities commission hopes to make an example of to prevent others from doing likewise. The enemies of the war on drugs, which has proven so successful in Latin America, intend to knock out its financial and logistical support by waging an assault on the corporations which publish and distribute *Dope, Inc.*

Sachs' approach to political enemies is different than to Consolidated Mortgage Realty Services, Inc. Consolidated is a dummy company owned by Michael Clott. Its predecessor company, First American Mortgage, went bankrupt and was charged with issuing multiple securities against the same mortgage and misappropriating funds.

Sachs' office issued a cease-and-desist order against Consolidated, which had assumed many of First American's debts. But the order permitted them 15 days to request a hearing to respond to the charges before the order would take effect. Caucus Distributors was not granted any such amenities. The cease-and-desist order was final and its exemption as a not-for-profit corporation under Maryland law was summarily revoked, despite its own request for a hearing.

## Press complicity

In the case of Caucus Distributors, a nationwide AP wire was issued at the same time, which illegally disclosed confidential information regarding a Boston grand jury investiga-

tion, which had been initiated earlier in the year against Caucus Distributors and the campaign committees of Lyndon LaRouche by the drug bankers' favorite prosecutor, U.S. Attorney for Massachusetts William Weld. The responsible AP reporter was William Welch, who has been acting as the point-man for the ADL's Irwin Suall and drug lobbyist Dennis King in the pursuit and extortion of major financial backers of the political activities of Caucus Distributors.

The states of Washington, Illinois, Alaska, and Minnesota have since followed suit. Each time a cease-and-desist order is issued, the state and other states are blanketed with publicity about LaRouche-connected "fraud," or "impending bankruptcy."

The Minnesota order went so far as to characterize a loan made to Independent Democrats for LaRouche, his 1984 presidential campaign committee, as a security.

## A campaign loan is a security?

At the Maryland hearing, which began June 6 and concluded June 9, the lawyer for Caucus Distributors, Patrick Moran, ridiculed the idea that a political loan was a security. Under Maryland law, there are exemptions automatically granted to securities registration if the transaction at issue is a bona fide loan, or, if the transaction should be classified as a security sale, it is exempt from registration if the issuer is a not-for-profit corporation, which is the case with Caucus.

In the Maryland case, the complainant was a woman who made a large loan to Caucus, but whose children disagreed with her politics and sought the return of the money for themselves. They harassed her until she gave in. At the hearing, even though the woman had been drilled to call her loan an investment, she stated clearly on the record that she had made the loan out of political conviction, not for commercial gain.

On the first day of the Maryland hearing, June 5, the only audience was AP reporter William Welch, the on-the-scene coordinator for *Dope, Inc.* henchmen Dennis King and Irwin Suall. Welch's job is to meet with large contributors and/or other interested parties such as hysterical children and bankers, and convince them they have to publicly "expose" the associates of LaRouche if they are going to get their money back—that they need the assistance of whatever state or

government agency they can bring in. He then tailors his articles to suit whatever claim the ADL will be making in a particular state and to give maximum publicity to any individual action or complaint so that other supporters reading it will panic and cause a run on the Caucus accounts.

In the case of the Maryland action, the assistant securities commissioner, Mrs. McCafferty, personally called all the states where Caucus now faces securities investigations and encouraged them to do the same, while the ADL tried to generate complaints into the securities commission or attorney-general's office at the same time.

### Funding the battle with narco-terrorists

*EIR* banking editor Kathy Wolfe testified at the first and second day of the hearing. Mrs. Wolfe had raised a large loan from a Maryland resident to support Caucus's efforts, and explained the political context in which the loan was solicited. The anti-drug Alan García had just been elected President of Peru. The anti-drug Jorge Carrillo had become labor minister of Colombia. It was the assessment of *EIR*'s editors that a major push should be made to target the controllers of narco-terrorism through publications and other materials, because the political will was developing to attack the problem on the part of governments.

The project was defined as circulating the information contained in *Narcotráfico, SA* (Spanish-language *Dope, Inc.*) throughout the continent; translating the book into English, and reissuing it; and putting out a special report and tape on the case of Guatemala, whose government wished to collaborate. This required a considerable mobilization of resources. A call went out for funding.

The effectiveness of these efforts was attested to by two *EIR* editors, Dennis Small for Ibero-America and Jeffrey Steinberg, an author of *Dope, Inc.* and counter-intelligence editor of *EIR*. Small testified that the biggest cocaine busts in history were carried out under the new Peruvian President in August, while *Narcotráfico* was being serialized in the nation's leading press. As a consequence, there were death and kidnapping threats made against the circulators of the book. Manuel Ulloa, former prime minister of Peru, sued *EIR* over the book. Major legal expenses were incurred.

At the same time, the Guatemalan government, facing destabilization by narco-terrorists, offered to collaborate on a documentary film and report on this issue. Three government officials came to the United States for filming and meetings with Drug Enforcement and Pentagon representatives. The film was produced in late August, and was shown simultaneously on three Guatemalan TV stations. The special report was prepared and circulated throughout the United States and Latin America. Follow-up trips to Guatemala were made by the editors to push a proposal for a military approach to stopping drugs, which was first articulated at a conference in Mexico City in 1985. A 10-day trip was made in late October which resulted in the carrying out of a massive drug

bust, *Guatusa-I*. A transcript of the TV report appeared in the government newspapers a week before the nation's elections.

Paul Gallagher, executive director of the Fusion Energy Foundation, also testified at the hearing. He accompanied Mrs. Wolfe to a meeting where funds for this project were solicited. Gallagher's testimony described the national-security implications of a war on drugs, and the fact that the failure to undertake a high-technology approach to Third World economies had relegated many of them to growing drugs to pay their debt.

At the time of the meeting, *EIR* had just launched its attack on White House Chief of Staff Don Regan as a drug banker, documented in the re-published *Dope, Inc.* Co-author Steinberg testified that the approach of *EIR* to drugs as a national security issue was now being realized after years of organizing, as in a recent presidential memo stating that drug pushers are financing terrorism and drugs are a national security threat.

### 'So what?'

The response of the Securities Commission was basically, "So what?" You have not proved that the lender's check went specifically for these purposes. However, the examiner, who initially agreed with that formulation, had changed his mind after hearing all the testimony. When the Caucus lawyer objected that the securities approach was inappropriate for this business, he agreed. The examiner noted there had been no testimony on the issue of the exemption to which Caucus was entitled, as a non-profit corporation under Maryland law, even if the transaction were affirmed to be a security sale. But Mrs. McCafferty said, "Even if they qualify for an exemption, it is our position that they are not entitled to it because of the way they've been behaving." She said they needed a "great deal more fact finding before they agreed that Caucus was indeed a not-for-profit corporation." The examiner requested that a further affidavit concerning the transaction be submitted by Caucus within the week and that briefs on the points of law involved should be submitted within 30 days. His ruling two weeks later would constitute merely a recommendation to the Securities' commission.

It is believed that Democratic Party hacks are behind similar suits filed in Illinois, Washington state, and Minnesota. The Illinois attorney-general, an outspoken opponent of LaRouche Democratic nominees Mark Fairchild and Janice Hart, has announced through the press his intention to seek an injunction against the distribution of political materials by Caucus Distributors. This could backfire politically.

Five years ago, the Illinois attorney-general shut down the Illinois Anti-Drug Coalition which was distributing the publications *Dope, Inc.* and *War on Drugs* magazine. The state's population thus learned who was interested in protecting *Dope, Inc.*—in part reflected in later victories by the "LaRouche Democrats."

### Hype won't save steel industry

*The steelworkers are demonstrating to "save jobs," but they lack a program for an economic recovery.*

On June 21, the United Steelworkers of America, joined by five of six large steelmaking companies, will sponsor "Save American Industry and Jobs Day." The nationwide million-dollar extravaganza will feature as many as 100 simultaneous rallies at industrial or formerly industrial sites, all hooked up to a live satellite teleconference which will originate in Washington, D.C. At 2 P.M. (EDT), for 90 minutes, the rally sites will be joined together for a teleconference, to be broadcast from the main stage event in Washington.

The purpose of this giant show, according to the USWA, is to make the nation "aware of the plight facing America's steel industry, and the ripple effect it is having on other lives within steel communities." A congressional resolution, H.J.R. 590, officially designates June 21, 1986 Save American Industry and Jobs Day.

The June 21 event caps an 11-week "citizens' lobbying effort," titled "Communities in Distress," in which busloads carrying hundreds of steelworkers, their families, and community representatives have been traveling to meet with congressmen in Washington, D.C.

The background on which this unprecedented lobbying campaign has been staged is the ongoing contract negotiations between the USWA and the six major steel companies, and the aluminum and copper industries. To date, only LTV, National, and Bethlehem Steel have settled new contracts, while U.S. Steel opened negotiations on June 12 with the union. The

steel companies' participation in the June 21 event was predicated on the USWA concession allowing early reopening of the contracts for "give-backs." In exchange, the companies, except U.S. Steel, agreed to put some money into the "awareness" extravaganza.

Meanwhile, the steel industry has all but collapsed. The union, confronted with a dying industry, has refused to confront the "post-industrial society" dogmas ruling U.S. institutions, including the steel companies, who have been diversifying out of steel and into everything from real-estate speculation to fast-food stands as fast as they can. The USWA whines for protectionist legislation and "full employment" while granting huge concessions to the companies to keep them afloat. Since 1983, the union has given back \$1.7 billion in wage and benefit cuts, and this year's settlements have not changed the pattern.

Steel industry figures bespeak the total devastation of the nation's most important industry. Since 1977, steel employment has decreased by 56%, from 452,000 to approximately 200,000 today. As of 1984, the basic steel industry had a total debt of \$7.9 billion, and is now borrowing, not to modernize, but simply to maintain current operations.

U.S. Steel, the largest American steel company, and typical of the industry as a whole, has been losing millions of dollars per year on its steel operations. During the past six years, the company's steel division claims pre-tax losses of \$2.37 billion, ac-

ording to an audited statement prepared for its contract negotiations.

As Rep. Don Ritter (R-Pa.) pointed out at a USWA news conference in early May, kicking off the "Communities in Distress" program, "The demise of the smokestack industries is the demise of the United States' ability to defend itself." According to a September 1985 report by the Federal Emergency Management Agency, the U.S. industry's capacity for steel plate, required for all forms of military hardware as well as tanks and ships, in 1983 was only 9.2 million tons per year, about 18% below what would be required for an emergency war mobilization. Since 1983, the industry's overall steelmaking capacity has dropped an additional 15%.

The situation in the nation's aluminum and copper industry is no better. Employment in the copper industry has declined from 45,000 in 1982 to 12,000 today.

The kind of spectacular lobbying effort the USWA is putting on will undoubtedly attract a fair number of newspaper headlines and crying-towel commentaries about abandoned workers, but by itself will do nothing to reverse the process of deindustrialization. The point is not that steelworkers, or management, are deserving fellows who ought to be "saved," but that the United States cannot survive economically or militarily without a steel industry. Certainly, the U.S.A.'s \$3 trillion infrastructure deficit (bridges, highways, dams, for starters), its need for emergency defense buildup, nuclear energy plant construction—all require large amounts of steel. Top to bottom economic reforms in U.S. credit and tax policy are necessary to mandate massive investments in new plant and equipment, and to improve productivity in an industry which is now a junkpile.

## Boren: Tax reform will wipe out independents

In a striking display of candor, Sen. David Boren (D-Okla.) declared that the issue of the radical tax-reform proposal being debated on the floor of the Senate Jan. 12 was "whether or not there will be an independent sector in the U.S. economy, or whether Americans will find themselves dependent on only foreign interests and a handful of giant corporations. It is a fundamental question of what kind of country we are going to have in the future."

Boren was referring to the devastating effect the removal of incentives to invest in the nation's independent oil and gas industry will have on the national economy. The Senate tax-reform proposal removes the "shelter" (that is, basically, the ability to deduct losses from total income) for "limited partnership" investments adding up to an estimated total of \$50 billion in the current overall national economy.

In addition to real estate, this will be particularly devastating to the independent oil industry, where the risk factor is very high because the odds of winding up with a "dry hole" are always great. Therefore, without the incentive of being able to write off losses from such ventures, almost no one will dare to put their money into such a risky business.

The Senate tax-reform law does permit an investor to write off losses from oil and gas ventures, provided he participates not as a "limited partner," but as a "working interest," accepting the full liability for his investment. In

fact, the oil and gas industry was the only case in the Senate bill where this minor exception has been made.

However, Sen. Bill Bradley (D-N.J.), who opposed this exception in the Senate Finance Committee but was outvoted 11-9, said he was confident that this exception would be eliminated once the Senate and House began to sit down and work out a compromise on a tax-reform bill.

Therefore, the tax reform Sen. Bob Packwood (R-Oreg.) crowns will be "the most radical change for the average American in 50 years," may live up to its billing, but the way it will change life for the average American may be quite different than we are now being led to believe.

## Press snakes rattle Reagan with psy-war

President Reagan was destabilized by a question from Jeremiah O'Leary, correspondent for the "conservative" *Washington Times*, at his Jan. 11 nationally televised press conference. O'Leary asked whether by lumping together Mikhail Gorbachov, Fidel Castro, and Muammar Qaddafi, in a speech earlier in the week, the President had not undermined the possibility for productive negotiations with the Soviet leader.

The technique perfected by the Washington press corps—quoting out of context—caught the President off-guard, particularly as it came from a newspaper presumed to be "friendly" to the administration. Unable to recall the point at hand, the President muttered, "Gee, I must have goofed on that one." He never heard the next question he was asked, and had to have it repeated for him, and proceeded to give the wrong answer. Asked about the Supreme Court ruling on abortion,

he answered by commenting on the Supreme Court's ruling on the "Baby Doe" case.

Seeing his success in confusing the President, O'Leary and a journalist sitting next to him winked, elbowed, and chuckled with each other. Another journalist was overheard snickering that the President was "senile."

Despite his confusion, Reagan did say a number of important things. He affirmed that U.S. unilateral compliance with SALT was "dead," the first time he has said this to a national audience since he made the decision May 27. True, after becoming rattled, he gave an indecisive response to NBC reporter Leslie Stahl, which the *New York Times* played the next day as a signal that the President had "backed off" on his decision. However, his earlier statements and a further clarification by Larry Speakes the next day made it clear that the SALT decision stood.

Reagan also called for the construction of a fourth orbiter to replace the Shuttle Challenger, praised the Rogers Commission report on the Challenger accident, and defended NASA against attempts by ABC's Sam Donaldson to demand criminal prosecution of NASA officials involved in the decision to launch the fateful flight.

Finally, in his answer on the "Baby Doe" decision, Reagan affirmed his opposition to the "death lobby," which in this case has won the right to murder children. "We are talking about a human life," he said. "If our Constitution means anything, it means that we, the federal government, are entrusted with preserving life, liberty and the pursuit of happiness. Well, where do we draw the line? Can we say to someone, it's all right for you to, in whatever way you choose, dispose of this human life? . . . I just don't think we've finished with the problem at all."

## Congress moves to eliminate SALT-free diet

A key congressional committee approved a resolution June 12 calling on President Reagan to change his mind about abandoning SALT II. By a vote of 29-11, the House Foreign Affairs Committee endorsed the non-binding resolution, which is expected to go to the full House next week.

Committee chairman Dante Fascell (D-Fla.), who recently met with Mikhail Gorbachov and other top Soviet officials in Moscow, motivated the measure on the ridiculous grounds that U.S. abandonment of the unratified treaty will "open the door" to a Soviet military build-up.

The committee vote came the day after the President's senior arms control adviser, Paul Nitze, warned another House panel that congressional attempts to "seek through legislation to determine the negotiating policy and tactics" of the United States would be a "serious mistake." Nitze said that passage of any of the various measures introduced into Congress recently, aimed at getting Reagan to backtrack on his no-SALT decision "would be inimical to our foreign policy and defense programs in general, and unhelpful to our arms control negotiating objectives in particular."

One of the House resolution's chief sponsors is Rep. Norm Dicks (D-Wash.), who has also recruited 121 co-sponsors for a measure that would prohibit funding for any weapons that would take the United States above the limits of the unratified SALT II Treaty.

A similar bill was introduced on the Senate side June 11 by Sens. Joe Biden (D-Del.) and William Cohen (R-Maine). "We face the functional equivalent of a national emergency in the conduct of our strategic policy,"

said Biden, who appears to be trying to ride Soviet coattails to the Democratic presidential nomination. Biden charged that the administration harbors a "small group of right-wing advisers who have sought for years to topple the entire structure of arms control," and have now taken "control over the arms control policy of the United States."

Saying this group wants to terminate the SALT process and the ABM Treaty, he accused them of "seeking to use militarily insignificant treaty violations as an excuse to destroy the entire strategic framework with which they never agreed in the first place."

## Will the United States survive Congress?

American defense capabilities are being ripped to shreds in the U.S. Congress—assisted by White House Chief of Staff Don Regan.

House and Senate conferees opened negotiations June 9 on fiscal year 1987 military funding levels, and after just two days of negotiations, it became abundantly clear that the defense budget was in for a wallop.

Senator Pete Domenici (R-N.M.), chairman of the Senate Budget Committee, declared June 12 that "defense is going to have to suffer rather dramatically," if the White House persists in refusing to agree to new taxes.

The only question is, by how much? The Reagan administration had requested \$320 billion for the Pentagon—a real increase of only 3% over last year's budget. The Senate slashed that figure to \$301 billion, and the House to \$285 billion.

The most likely scenario is that

Congress will agree to about \$290 billion, roughly halfway between the Senate and House figures.

The "get defense" mood on Capitol Hill was underscored when nearly 200 House Democrats wrote to House Budget Committee chairman Bill Gray (D-Pa.), just as negotiations opened, reaffirming their "strong opposition to any significant increase in the defense funding level over that adopted by the House."

Until now, the administration, especially President Reagan and Defense Secretary Caspar Weinberger, have insisted they will fight tooth and nail against any reductions in the Pentagon budget.

Weinberger delivered a strong warning June 9 about the effects of the cuts contemplated by the Congress. "I am concerned at how frequently the threats to our freedom and world peace are ignored when considering the President's defense budget requests," he told a meeting of the American Stock Exchange. "Unfortunately, political expediencies seem to blind Congress to the very real threats faced by this nation."

But Don Regan, as he did last year, has thrust himself into the role of chief administration negotiator on defense, and is now trying to orchestrate a presidential capitulation. On June 11, Regan telephoned Domenici to inform him that the White House is willing to accept the Senate defense figure—\$19 billion less than the administration request.

According to *EIR's* sources, Regan is holding up the spectre of the Gramm-Rudman bill to convince Reagan he has no choice but to accept a significantly lower Pentagon budget. The former Wall Street banker is reportedly warning the President that should he refuse to accept deep de-

fense spending cuts, a budget deadlock will ensue. That will, in turn, trigger Gramm-Rudman's automatic-cuts provision, and lead to defense cuts in the range of \$60-70 billion.

Unfortunately, this scenario happens to be true—and serves to highlight Regan's treachery, since it was he who personally helped conceptualize Gramm-Rudman and then pawned it off on Reagan as the only way to crack the budget deficit.

## Hart's new ideas have old sources

Senator Gary Hart (D-Colo.) offered a whole slew of "new" ideas—all of them thoroughly rotten from the standpoint of American national security—in a series of highly publicized speeches at Georgetown University in mid-June.

Written under the watchful eye of such prominent liberal Establishmentarians as Sol Linowitz, Paul Warnke, and Jimmy Carter's CIA director Stansfield Turner, Hart's speeches propose that the United States adopt a policy of "enlightened engagement."

The main elements of this policy fit to a tee the "New Yalta" prescriptions of his patrons at CSIS and the Aspen Institute.

On NATO, Hart said the alliance should move toward having the United States assume more responsibility for air and sea defense of Western Europe, leaving land defense to the Europeans. An interesting way of saying the United States should pull out its troops—all 330,000 of them—out of Western Europe.

Hart cloaked his proposal for

handing Europe to the Soviets by babbling about the need for European "independence." Recognizing the alliance "as a real partnership, rather than an aggregation of subservient states, can only result in a stronger, reinvigorated alliance," he said. But the bottom line was clear: "We must make it clear we are not the Romans. We do not intend to stay in Germany for 300 years, or until we are driven out."

On arms control questions, Hart advocated a nuclear test ban and deep cuts in weapons of surprise attack. He also proposed that the Soviets and United States agree "to set limits on the testing and deployment of defensive systems."

Hart also came out strongly for economic sanctions against South Africa, another country high on the Soviet "hit list" for destabilization and takeover.

## Committee votes tough South Africa sanctions

A bill that would require the United States to impose tough new sanctions against South Africa sailed through the House Foreign Affairs Committee June 10, intersecting a massive new insurgency by the Soviet-backed African National Congress against the Pretoria government.

By a 25-13 vote, the committee approved the 1986 Anti-Apartheid Act, which mandates sweeping new punitive measures against South Africa.

The measure, which the full House is scheduled to vote on within a week, would immediately end all new U.S. investments in South Africa, prohibit all commercial bank loans, withdraw

landing rights from the South African airlines, and prohibit imports of South African coal, steel, and uranium.

## Specter: cut off aid to Peru, Mexico

Senator Arlen Specter (R-Pa.) fired off a letter to Secretary of State George Shultz June 6, warning that he may introduce an amendment to cut off U.S. economic aid to five nations, charging they have failed to stem domestic narcotics production. The targeted countries include Colombia, Mexico, Ecuador, Pakistan, and Peru.

"I believe it is time to demonstrate our seriousness by reducing or eliminating foreign aid to, and perhaps even trade with, nations that have failed to adequately alleviate this deadly export," Specter pontificated.

A spokesman for Specter told *EIR* the Senator will "wait and see how the State Department responds" to the letter, which requested a status report on the five countries in question, before introducing legislation.

Last year, a delegation of U.S. congressmen, which traveled through Ibero-America to study the drug problem, concluded that lack of financial resources was the biggest obstacle to effective anti-drug operations in these nations.

With that in mind, one wonders exactly what Specter hopes to accomplish by moving to terminate what little U.S. aid goes to these countries, or why, if he's so serious about fighting drugs, he doesn't take after the major U.S. money-laundering banks, without which the drug trade could not exist?

Well, Senator?

# National News

## Rogers report hits NASA cost-cutting

Former Secretary of State William Rogers, chairman of the presidential commission investigating the Space Shuttle Challenger accident, on June 9 presented the committee's report.

The Rogers report is critical of the budget-gouging fiscal pressures which demanded that the Shuttle program be "cost effective," calling these a major factor in the accident. In congressional testimony on June 10, Rogers said, "Yes, budget cuts were responsible for the deterioration of safety in the Shuttle."

The report includes a series of photographs which clearly demonstrate the failure of Challenger's solid rocket booster joint from the point of takeoff in the sub-freezing weather of Jan. 28. It acknowledges "a serious flaw in the decision-making process leading up to the launch" that day—but the report also devotes a chapter to "pressures on the system"—cost-cutting pressures on NASA.

Apollo astronaut Neil Armstrong, vice chairman of the commission, said at the June 10 congressional hearing that the "imbalance between the goals and resources available to NASA" ultimately led to the accident. "NASA's excellence in inspiring goals was contrasted to the resources given to attain those goals, throughout the design stage of the Shuttle in the 1970s, and into the 1980s."

## SDI budget cuts could prove fatal

Strategic Defense Initiative Director Lt.-Gen. James A. Abrahamson told the *Defense Daily* in early June that he does not have the options this year that he had in the past when Congress made major reductions in President Reagan's Strategic Defense Ini-

tiative. The cuts that are now being demanded by Congress could cause fatal delays in implementation of the program, he warned.

After previous cuts, Abrahamson had been able to select lower-priority programs and marginal-progress programs to cut. Now, the situation "is profoundly different," and Abrahamson warned that work would have to be stopped in every one of the five major areas of SDI development, with "chunks" being taken out of priority areas.

Abrahamson emphasized that he was not talking about a delay measured in months, but in years. In order to make an early 1990s decision on whether to proceed to development, SDI must be funded at the requested level of \$4.8 billion. The last two years have seen cuts of 25% and 21%, respectively.

On June 13, the Senate Armed Services Committee's Strategic and Nuclear Forces Subcommittee approved a \$4.1 billion SDI budget—against the administration's request of \$4.8 billion.

## Supreme Court rules in favor of euthanasia

In a victory for advocates of euthanasia, the Supreme Court on June 9 struck down guidelines the Reagan administration had designed to require life-prolonging medical treatment for severely handicapped newborns. The decision ignored the fact that Nazi doctors were hung at Nuremberg for the practice of euthanasia, which was judged a "crime against humanity."

The administration regulations at issue in the Supreme Court case had been implemented in response to the 1982 case of "Baby Doe," a Bloomington, Indiana, child born with Down's syndrome. The child's parents, backed up by the Indiana courts, refused to give permission for surgery to connect the newborn's esophagus and stomach. As a result, "Baby Doe" starved, after six days of receiving neither food nor water.

Basing itself on 1973 federal prohibitions on discrimination against the handicapped, the administration developed the "Baby Doe" regulations to require that hospitals and state child-protective agencies seek

medical treatment for handicapped infants, and give federal investigators expedited access to hospital records and facilities.

But the Supreme Court ruled, 5-3, that the administration lacked the authority to adopt and enforce regulations to save the lives of handicapped newborns. "The administrative record does not contain the reasoning and evidence necessary to sustain federal intervention into a historically state-administered decisional process that appears to be functioning in full compliance with [the law]," Justice John Paul Stevens wrote for the majority.

A dissenting opinion, authored by Justice Byron White, and joined by Justice William Brennan, Jr., warned that hospitals and doctors might discriminate against handicapped infants in advising parents whether to consent to life-prolonging treatment, and in deciding whether to report parental refusals to authorize treatment to state child-protective agencies.

## Janice Hart campaigns in West Germany

Janice Hart, the "LaRouche Democrat" who won the party's nomination for secretary of state in Illinois in March, held a press conference in Bonn, West Germany, on June 11, to call attention to the threat facing Western civilization from the Soviet-backed Green Party there.

UPI quoted her warning of the consequence of a "Red-Green coalition" emerging in the aftermath of the June 15 state elections in Lower Saxony. She denounced the Greens as "Nazi-like" and the left-wing of the Social Democrats as "Soviet sponsored." Moscow, she said, is "ordering its shock troops within the Greens and the Social Democrats to unleash terrorism in the nation."

The day after her press conference, Mrs. Hart attended a rally of the Patriots for Germany party in Braunschweig, Lower Saxony. One hundred and fifty "green" hooligans, armed with slingshots and stones, stormed the meeting hall, and threatened the participants, causing the event to be shut

down. Only with police protection could the participants be led from the premises.

While driving away from the scene, Mrs. Hart and her companions were pursued by a carload of "punksters," who pulled up at a stoplight and held a gun to the head of Mrs. Hart, before the driver of her car managed to escape. The punksters were detained by police, and then released.

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## Studds takes lead in anti-Panama drive

Representative Gerry E. Studds (D-Mass.) announced June 11 that the House Foreign Affairs Committee's Subcommittee on Western Hemisphere Affairs, of which he is a member, will call for investigations into the *New York Times'* charges that Panamanian Gen. Manuel Noriega is involved in drug-running activities. Interviewed by the *Times* on June 12, Studds commented that "clearly we are well beyond the rumor stage, and it's time to do something."

Studds, who is notorious for his homosexual involvement with young boys, said that he considered Noriega "bizarre."

Noriega is a nationalist leader, the head of Panama's defense forces, and an opponent of the International Monetary Fund's austerity policies.

In 1983, the U.S. House of Representatives passed a motion of censure against Studds, after he admitted on television, that he had been involved in a homosexual affair with a 17-year old aide who worked in his office. Studds responded to the censure by becoming a leading gay activist.

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## Weinberger: Congress ignores Soviet threat

"I am concerned at how frequently the threats to our freedom and world peace are ignored when considering the President's defense budget requests," Secretary of Defense Caspar Weinberger said, speaking to the Wash-

ington Conference of the American Stock Exchange on June 9.

"Unfortunately, political expediencies seem to blind Congress to the very real threats faced by this nation," he said. Noting that Congress has cut \$329 billion from Reagan's defense requests since 1984, Weinberger stated: "The threats to our nation and our allies are no less today than in 1981." The Chernobyl tragedy demonstrated that the Soviet Union is "so insecure and insensitive that it would refuse to acknowledge the danger facing its own population and fail to warn neighbor states of radioactive winds sweeping toward them."

Many congressmen, said Weinberger, find excuses to vote against defense budgets so they will not appear to be against defending the nation. But those who wish to be informed of the Soviet threat do not have to look far: Poland, Afghanistan, Nicaragua, Cuba, Libya, and Syria, all show "the evil designs of governments that embrace terrorism as an instrument of national policy."

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## TRO issued against Illinois Democrats

Judge Anthony Scottillo ruled in Chicago on June 12 that Illinois Democratic Party officials cannot ban LaRouche Democrats from attending the state Democratic Party convention which opened in Springfield on June 13.

A suit filed on behalf of Mark Fairchild and Janice Hart, Democratic nominees for lieutenant governor and secretary of state, against State Sen. Vince Demuzio, chairman of the Democratic Central Committee, sought an injunction to prevent Demuzio from barring them from addressing the convention.

In his decision to grant the TRO, Judge Scottillo said: "I think it's unfortunate that the case had to be filed here. The public has made a decision as to who their candidates are. That happens to run contrary to what the Democratic Party leaders wanted."

Despite the court order, the party leaders refused to allow Fairchild to attend the convention.

# Briefly

● **'ALL LATINS** are volatile people," Sen. Jesse Helms (R-N.C.) said in an interview in early June. "Hence, I was not surprised at the volatile reaction" of Mexico, he said, to his campaign against the alleged corruption of Mexican officials, launched through Senate hearings.

● **IN A GESTURE** of solidarity with West Germany's effort to resist Soviet low-intensity warfare operations currently underway, the mayor of Gambell, Alaska, H. Vernon Slwooko, has announced that Gambell is adopting the West German town of Schnakenburg, near the East German border in Lower Saxony, as its sister city. Gambell is a tiny island only 20 miles from the U.S.S.R.

● **THE DEPARTMENT** of Health and Human Services released results in early June of the work of its special task force on AIDS. They expect 179,000 American deaths by 1991, out of a total of 270,000 cases. "The numbers speak for themselves," says the HHS, which estimated that \$8-16 billion would be expended in medical costs in 1991 on AIDS. About 74,000 new cases are expected to show up in 1991 alone.

● **GEORGE SHULTZ** departs for a 10-day trip to Asia on June 20, during which he will meet with Philippines President Cory Aquino and other regional leaders. From the Philippines, he will travel on June 28 to the tiny Pacific island of Palau, possible future site of U.S. military bases, should the bases on the Philippines be closed down.

● **THE U.S. GOVERNMENT** will give the World Health Organization \$2 million during the current fiscal year to combat AIDS worldwide. Half the money will help WHO set up a global monitoring system and provide consultants to member countries trying to ensure the safety of their blood supply. The other half will go to WHO's Brazzaville, Congo office to support surveillance and educational activities in Africa.

## Editorial

# *Liberal traitors attack Noriega*

Liberal traitors in the Reagan administration have launched a campaign to overthrow, and possibly assassinate, the Commander of Panama's Defense Forces, Gen. Manuel Noriega. The end result of such an operation will be only one: to hand over Panama, and the strategic Canal, to the Soviet-linked narco-terrorists who head Panama's opposition movement.

The destabilization campaign is well advanced. The major media controlled by the Eastern establishment—the *New York Times*, *Washington Post*, *Boston Globe*, *Washington Times*—have pumped out “news” on Panama to fit their plans. American citizens have been told that Panama is under the grip of a corrupt, drug-running dictatorship, run by the General Noriega.

Economic aid to Panama from the World Bank, International Monetary Fund, and U.S. government agencies, has been restricted, first held up on “technicalities,” then conditioned on acceptance of laws demanded by bankers, now withheld until “political changes” occur. A new U.S. ambassador to Panama was appointed, who promptly announced that his assignment is to force the military back into their barracks, and the government to “democratize.” Hearings into “corruption” and “instability” in Panama have been called in both the U.S. Senate and House of Representatives.

North Carolina's Sen. Jesse Helms, sounding every day more like a “human rights” advocate from the heyday of the Carter administration, has made himself the champion of the “Panama in crisis” campaign, linking his attacks on Panama to a similar campaign against the government of Mexico.

Members of Panama's “opposition movement” have been promised full U.S. government support for their efforts to overthrow the government of Panama. They have been given time on U.S. national television, interviewed by the U.S. press, consulted regularly by U.S. State Department personnel, and brought before U.S. congressional hearings.

U.S. promotion of this “opposition” movement has

reached the level of national scandal. Documentation of the drug mafia activities of leaders of the “democratic opposition” is all available in court papers and government documents in the public domain inside the United States, as are the connections of the mafia's “opposition” movement to the networks of Gnostic terrorists deployed by the drug mob throughout the Central American-Colombian region. *EIR* has assembled this documentation in a new Special Report, released June 18.

This opposition is not “anti-communist.” It is part of a South American narcotics business whose current headquarters is in Fidel Castro's Cuba, where Colombian cocaine czar Carlos Lehder's business partner, American mobster Robert Vesco, receives state protection. More than the Soviets and their Cuban allies are involved in the drug trade, but the Soviets and the Cubans have placed the resources of their states behind the narcotics mafia—of which leaders of Panama's opposition movement are a part—as their main weapon of warfare on the Americas.

The opposition's campaign against General Noriega and “drug-traffic” in Panama echoes the smear campaign launched by the Colombian mafia against Colombian Justice Minister Rodrigo Lara Bonilla, shortly before a mafia hit-squad assassinated that courageous anti-drug fighter on the streets of Bogota. Is the same thing in store for Noriega?

The opposition has declared that it is willing to use violence, terror, and sabotage to impose its will on Panama. Leaders of the Christian Democratic party, principals in the mafia's opposition movement, state outright that they are already “preparing the soil for a new El Salvador or Nicaragua” in Panama.

Conditions of civil conflict in Panama are precisely those under which a Soviet-directed terrorist hit upon the Canal could be carried out, with the least political penalty. State Department officials are not only aware of the security threat, but they state outright that they are willing to sacrifice the security of the Canal to further their political goals. The time to stop them is now.

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