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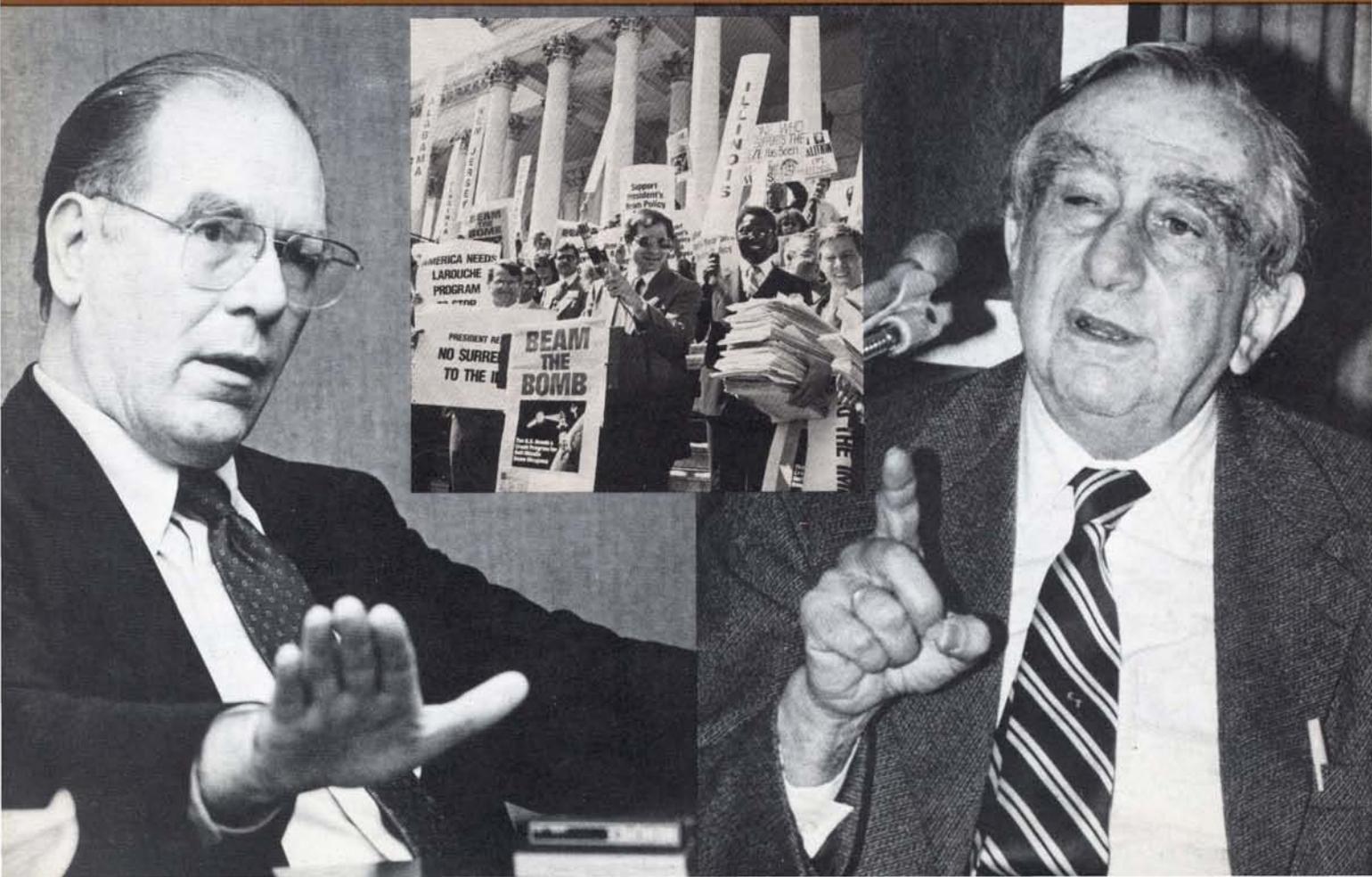
Executive Intelligence Review

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Computer study: how AIDS can wipe out U.S.  
The economic time-bomb in Central America  
Trilateral Commission picks Sam Nunn for President

**Differences between LaRouche's  
and Teller's role in creating SDI**



**Guns for Khomeini and terrorist groups are supplied through the Israeli defense ministry! So says Gen. (ret.) Avraham Bar Am, one of the top military men arrested by U.S. Customs agents in Bermuda on April 22, on weapons-smuggling charges. Our report exposes this network, which is directed by Ariel Sharon—its espionage and organized crime activities, and its deal with Soviet intelligence services.**

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From

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# EIR

## From the Editor

On each of the policy issues which has moved into center stage in the brawl going on in Washington, *EIR* has been consistently right, and our opponents have been consistently wrong.

Take the mushrooming scandal around the billions of dollars' worth of arms illegally shipped, with U.S. government complicity, to the "moderate mullahs" in Iran, via the Ariel Sharon faction of the Israeli Mossad, which then proceeded to forward the bucks to the "Contra" guerrillas in Central America. Didn't we warn you about all of this in last spring's *Special Report*, "Ariel Sharon and the Israeli Mafia"?

And didn't *EIR* publish a cover feature seven full months ago in the May 9 issue, entitled "Arms for Iranian terrorists: the U.S.-Israeli connection"? That feature included the following statement: "EIR has been accumulating evidence for several years indicating that one of the key features of the 1979 Camp David accords between Israel, Egypt, and the United States was a series of secret clauses giving Israel carte blanche to sell U.S. military hardware to such clients as Khomeini and the Sandinistas—customers the United States obviously did not wish to be directly linked to, despite the complicity of the Carter administration in putting those renegade regimes in power in the first place."

And didn't we—by the way—make it clear a long time ago that there is no such thing as a "moderate mullah" in Iran, in numerous articles and, in great detail, in the 1984 *Special Report*, "How Moscow Plays the Muslim Card in the Middle East"?

This week's cover Feature goes to the heart of the reason we have been consistently right: the economic conceptions that enabled Lyndon LaRouche, in early 1982, to put forward what later became President Reagan's SDI program. Note that *EIR* had an article in early March 1982 by LaRouche, stating the principles of the SDI (see page 25).

If you want to know what to do about Central America, now that the "Contra option" is dead, turn to page 10. If you want to know the basis for understanding the AIDS threat, turn to page 36. If you want to grasp what must be done to insure the SDI is implemented, study pages 24-35, and compare the article on page 64. If you want to save the West, help our readership grow!

*Nora Hamerman*

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Lyndon H. LaRouche, Jr. (left), Edward Teller (right), pictured during a visit to New York University in spring 1983, shortly after President Reagan's March 23 speech. Inset: LaRouche political supporters rallied at the Capitol in Washington in April 1983, to demonstrate support for an economic boom based on the SDI.

### 24 The difference between LaRouche's and Teller's role in creating SDI

The authorship of the Strategic Defense Initiative is primarily the work of Dr. Edward Teller and Lyndon H. LaRouche. The difference between the narrower scope of Dr. Teller's contributions, and LaRouche's own broader considerations, is key to understanding why the Soviets blame the latter most bitterly, rather than Dr. Teller, for this policy.

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## Steel shutdown reveals 15-25% industrial decline

by David Goldman

*EIR* warned in December 1985 that the U.S. physical economy would begin a 15-25% annual rate of decline sometime early in 1985, and declared in June 1986 that such a decline had begun in the primary manufacturing sector, e.g., metals, as of May. Events in the steel industry demonstrate the accuracy of this judgment. Although the financial press headlines Nov. 28 made much of LTV's announced \$2.08 billion loss for the third quarter, one of the worst in U.S. corporate history, the more important news was buried. LTV's sales of steel during the quarter fell by 24%, from \$1.35 billion during the second quarter to only \$1.02 billion during the third quarter—and this despite the continuing strike at the nation's largest steelmaker, USX.

As the USX strike moves towards its fifth month, steel inventories have not fallen, imports have not risen, and sales of other companies have, on the whole, stagnated. USX, the former U.S. Steel, accounts for one-fifth of former U.S. primary steel capacity, and will probably close permanently half the capacity it had left before the lockout.

An uptick in orders for the other companies (among the major manufacturers, only Bethlehem reported some improvement, while LTV showed a devastating decline) would have occurred under normal circumstances. Imports also would have risen. In fact, the elimination of most USX primary-steel capacity over four months merely forestalled a price collapse in the industry. Primary metals orders (to the extent the Commerce Department figures can be relied upon) fell by 3.9% in September, and by an additional 1% during October. Raw steel output, at about 8 million tons during March 1986, and at 9 million tons in March 1985, averaged less than 6 million tons between August and October of this year.

Yet, steel imports fell during August to 1.53 million tons, about a quarter less than July's 2.1 million tons. Steel "demand" has collapsed, because the principal steel users, namely construction and automobile, are winding down drastically, especially in the commercial construction sector, a heavy user of basic steel products.

The continued fall in orders, the failure to reduce steel inventories, and the low import level all demonstrate that American basic industry is operating at a lower level of the depression ratchet than last spring. Measured by steel consumption, the level has fallen off by roughly 25%; it is impossible to calculate, on the basis of existing data, how far down primary production has fallen, but the underlying level of activity appears to have been declining at an annual rate consistent with the 15-25% annual band projected by *EIR*, starting with the third quarter of 1986.

What complications may ensue for the steel industry is evident in the huge LTV financial write-off, motivated largely by a \$2.1 billion special charge for unfunded pension liabilities. The object of the write-off is to force the bankruptcy courts to, in turn, force the Pension Benefit Guarantee Board to pick up the bill for LTV's unfunded pension plans.

### 'Not optimistic'

As in the story of the desperate vaudevillian who offered to commit suicide on stage, the steel industry will have trouble arranging an encore to LTV's performance. The brokerage house Oppenheimer and Co. had already warned Sept. 11, "Unfortunately, integrated steelmakers have experienced difficult volume, price cost and earnings conditions for the past five years. . . . The likelihood of successful steel industry reorganizations, whether achieved through bankruptcy,

employee-ownership or other changes in ownership, has been diminished due to recent legislation and court rulings strengthening the rights of labor unions during bankruptcy proceedings. . . . In addition, we expect the ability of companies to terminate their pension plans and transfer large liabilities to the Pension Benefit Guarantee Corporation will be greatly reduced by future legislation, as such practice would exhaust the PBGC's assets and is viewed very adversely by policymakers. . . . We are not optimistic about the prospects for steel industry reorganization."

In fact, the \$236 million of unfunded liabilities which the pension agency assumed in September, plus the additional \$336 million LTV has already demanded it assume—both for steel division pensions—pretty much exhaust the agency's assets. Rather than allow the steel companies to dump enough pension liabilities onto the unfortunate PBGC to force Congress to put money in directly, legislators will more likely take legislative precautions against this. The problem is that the steel industry really is going under. This suggests that its only alternative is to undertake massive workforce and capacity reductions, and eliminate potential pension liabilities, in advance.

### **The broad industrial decline**

Steel's underlying strategy, supported by the Reagan administration, involves layoffs and capacity reduction in advance of the underlying collapse of steel utilization by the rest of industry. The immediate objective is to prevent a price collapse in the industry, which seemed inevitable before the USX lockout began last July. However, judging by data available, the collapse of steel output is proceeding only slightly in advance of the collapse of the sectors which utilize steel.

Commercial construction is now running about 30% below previous-year levels, as the 25% national vacancy rate turns into a rout in most of the important urban markets. Construction activity has virtually ceased in the oil-producing states, where even ongoing projects have been abandoned midway, and real-estate interests in the East Coast boom areas are more concerned with forestalling a collapse of existing building prices, than with bringing new ventures onto an already-saturated market.

More broadly, October's data for durable-goods orders and for the manufactures trade deficit indicate how rapidly this unraveling is, in fact, proceeding. Despite administration nonsense about a supposed improvement in the trade deficit, the deficit for manufactured goods actually rose in October, to \$11.1 billion, from \$10.5 billion in September. This was attributed to the increasing deficit with Japan, which rose by nearly a quarter, from \$4.1 billion to \$5.0 billion. Since the dollar-yen rate deteriorated during September, a certain portion of the increased deficit may be attributed to currency changes, but the huge size of the increase testifies to the American economy's continued dependence on what amounts,

after all, to a foreign subsidy in manufactures.

The modest decline in the month-to-month size of the deficit, from \$13.3 billion in August to \$12.6 billion in September, occurred mainly in exchange with the developing sector. Oil imports by volume fell by 15% over the month, reflecting the already-overflowing level of above-ground oil stockpiles accumulated in the United States; this saved about \$300 million on the deficit. Another \$200 million reflected declining imports from Mexico, and imports from developing nations fell generally. Although the complete breakdown is not yet available, the pattern likely reflects lower consumption of raw materials by American industry, and higher imports of finished goods.

### **Drop in capital goods**

That would help make sense of the largest-ever drop in durable-goods orders—6%—posted during October. Without defense capital goods, orders fell by "only" 2.7% in virtually every category. Non-defense capital goods fell by 7.2%—not a surprise, since October was the first month in which the elimination of the investment tax credit under the President's "reform" program was taken into account as a matter of law.

However, the 43.1% drop in defense orders may reflect more than a monthly blip. Defense Department procurement spending appears to have peaked in fact, after a year in which the Pentagon ran largely off earlier-year spending authorizations. The cuts in the defense budget which began in 1985 may have choked off a substantial portion of defense orders.

### **More layoffs in auto industry**

The auto industry's disappearing act continued through Nov. 26, when General Motors announced a new set of layoffs, this time at its Detroit Fiero plant. Six hundred hourly workers will be laid off, following the earlier announcement of 28,000 permanent layoffs at GM.

Overall, the industry has produced 6% fewer cars this year than last (through the third week in November). Counting only the American producers, the fall would have been 8.2%, since the Japanese producers all showed large increases. For General Motors alone, the decline was 16%.

Although most public attention has centered on the floundering of GM management, Ford and Volkswagen are restructuring their overseas operations in a fashion with potential implications for domestic U.S. production. They will integrate their Argentine and Brazilian operations into a single new company, Autolatina, with capacity to build 900,000 cars per year. The merger will promote "permanent technological advance, greater operating efficiency, and greater utilization of existing productive capacity," a joint press release said. Since an increasing portion of basic auto components, including motors, transmissions, and electrical systems, are out-sourced to Ibero-America, the rationalization has implications for the world automobile market.

# Ivan Boesky and the Mossad arms smuggling connection

by Joseph Brewda

When Wall Street corporate raider Ivan Boesky was indicted for "insider trading," on Nov. 14, *EIR*'s would-be journalistic competitors insisted that Boesky was an "outsider," whose spectacular criminal scams in no way typified standard Wall Street practices. Despite the fact that Boesky's operations were dependent on a \$1 billion-plus credit line from the elite Drexel Burnham investment house, and had the active cooperation of such powerful establishment firms as Merrill Lynch and First Boston Corporation, Boesky was repeatedly termed a "maverick."

One year earlier, these same media parroted similarly absurd claims by the U.S. State Department and Israeli government that U.S. Naval intelligence employee Jonathan Jay Pollard was only acting as a "rogue operative," when he was caught red-handed delivering U.S. classified documents to the Israeli embassy in Washington last November.

In fact, Mossad spy Jonathan Pollard and Ivan Boesky have much more in common than being victims of the standard intelligence-agency and banking-house trick of portraying one's captured underling as an "unsanctioned rogue." It is this ignored, common feature of Pollard and Boesky cases, taken in the context of the breaking scandals surrounding U.S. National Security Council-Israeli Mossad arms smuggling to Iran, which indicates the actual magnitude of Boesky's arrest.

By all rights, Boesky could have been indicted a year ago November when Pollard was nailed as a spy. He could have been nailed when Israeli Gen. Avraham Bar-Am was indicted by the U.S. Justice Department last April with 16 British, Israeli, German, U.S., and Greek nationals for conspiring to ship over \$2 billion in arms to Iran.

Despite his depiction as a mere greedy scam artist, Boesky was right in the middle of the "Israeli Mafia" Wall Street financial apparatus. That network was exposed in a special report published by *EIR* last March, "Ariel Sharon and the Israeli Mafia." That report, as well as subsequent *EIR* coverage, proved that the Israeli Mafia-Mossad network of former Israeli Defense Minister Ariel Sharon, partially revealed by Boesky's arrest, also controlled Jonathan Pollard and Bar-Am. It is this banking apparatus, prominently including the network mutually controlled by the Swiss banking giant *Crédit*

*Suisse* and the Wall Street firm Merrill Lynch, moreover, which managed the sanctioned Mossad-NSC arms smuggling to Iran.

## The insider trading system and 'Dope, Inc.'

The Securities and Exchange Commission can now prove, if it wants to, that Dennis B. Levine, late of Drexel Burnham Lambert, was merely doing his job in passing insider information to Ivan Boesky and other arbitrageurs. Whether he knew he was doing his job, or merely thought that he was cheating the house, is irrelevant, and might be impossible to determine. However, U.S. Attorney Rudolph Giuliani is now investigating what has been obvious to market participants all along, namely, that Drexel made a habit of leaking information about hostile takeovers to the "arbs," in order to build up a market avalanche to crush the defending management.

"Investors" do not, in general, buy junk bonds to obtain the high interest rates. Buying junk bonds is the penalty that participants in a takeover syndicate cough up, in order to participate in the syndicate. Michael Milkin of Drexel's Beverly Hills office—sometimes referred to as the king of the junk-bond market—depends on the "arbs" to sell his high-interest, high-risk paper. Of course, there are a few bankrupt savings and loans who have nothing to lose, and will take the risk to obtain the high return. More often, the S&Ls or insurance companies who buy junk paper are captive cash sources for the syndicate.

"Insider trading" is the *premise* of the entire business. Milkin sits in his office with a short list of heavy hitters, capable of picking up 1 to 5% of any deal he brings to

## Who is Ivan Boesky?

When Ivan Boesky was indicted on Nov. 14 for insider trading, and agreed to pay \$100 million in fines and cooperate with federal authorities, little attention was paid to the actual basis for his rise to the status of a "daring" Wall Street scam artist. Boesky, a son of a Detroit delicatessen owner, first made his connections in the early 1960s, when he was employed by the United States Information Agency (USIA) in Teheran, Iran. It is believed, but not yet confirmed, that Boesky first made contact with Mossad arms smuggler Yacob Nimrodi in Teheran in that period. Nimrodi, who was a main weapons supplier for the Shah (just as he now is for Khomenei), was a central figure in General Bar-Am's arms smuggling ring (see *EIR*, Vol. 13, No. 19, May 9, 1986).

Boesky's marriage into the Silberstein family, a family tied to the notorious mafia kingpin Max Fisher, was also

instrumental to his subsequent career. Fisher, a one-time bagman for the Cleveland-Detroit-based Purple Gang, has been a key money launderer to Israel, and involved in the dope trade for decades. Through the financing of his in-laws, Boesky parlayed a small New York investment firm, Ivan Boesky and Company, from a fledgling scam in 1975 to the premier corporate raider outfit in 1986.

As the Boesky case broke, anxious press accounts noted that Boesky's credit lines extended from Wall Street's Drexel Burnham, and that that financial house also has been the backer of the equally "daring" corporate raiders Meshulam Riklis, Victor Posner, and Carl Linder. All of the members of this ring are both Fisher-tied and frequent partners of Boesky in various corporate raids. The network includes:

- Meshulam Riklis, owner of Rapid American Corporation and the funder of Gen. Ariel Sharon's political cam-

them. With this list, he can (or could) put together multi-billion-dollar financing for hostile or other takeovers, faster than the largest banks could offer the same money in the form of bank loans.

The people who buy Milkin's junk paper have huge amounts of ready cash to commit, and, as a pack, can act faster than the largest commercial banks. These people do not intend to make money by holding high-interest paper; they make money on the stock market, the way Ivan Boesky did. Most of their names are well known; they are market operators, often with a loose organized-crime association, who elbowed their way into control of major corporations. The top of Milkin's list reads:

Lawrence Tisch (Loewe's Corporation, and now CBS); Saul Steinberg (Reliance Insurance, and various British merchant-bank connections); Kirk Kerkorian (MGM); Carl Icahn (TWA); Victor Posner (Sharon Steel); Carl Lindner (Great American Insurance); T. Boone Pickens (Mesa Petroleum); the Belzberg brothers (Vancouver); Meshulam Riklis (Rapid-American); Marvin Davis (20th-Century Fox); Charles and Herbert Allen (Allen and Co.); Maxwell Rabb (currently U.S. Ambassador to Italy); Sir James Goldsmith (Generale Occidentale); Sir James Hanson (Hanson Trust); Kenneth Bialkin (Wilkie Farr Gallagher, and Warburg-Pincus); and various savings and loans, insurance companies, mutual funds, and other money-dumps associated with them.

These men all know each other, do deals together, take participations of each others' companies, socialize together, and (very possibly) will do time together.

After one of the pack has targeted a company, offshore funds covertly purchase stock, usually below the 5% mark, after which shareholdings must be reported to the Securi-

ties and Exchange Commission. But where does their ready cash materialize from? That is where Drexel's special role leads the investigator to the \$500 billion per annum flow of new dirty money into the markets. Drexel is controlled by the Lambert family, the Belgian Rothschild cousins; through their holding company, Pargesa, in Switzerland, and Pargesa's ties to Banque Paribas, France's largest *banque d'affaires*, they play a prominent role in the Swiss-Italian insurance combine. The Lamberts have a seat on the board of the Italian insurance giant, Assicurazioni Generali of Trieste, possibly reflecting Paribas' substantial shareholding in the Generali.

"This monster has devoured North American finance," Jeffrey Steinberg and this writer wrote in the second edition of the bestselling textbook on narcotics traffic, *Dope, Inc.* We noted that \$50 billion entered the United States during 1985 in the form of "errors and omissions," i.e., untraceable capital transactions. Since the Treasury made reporting of foreign purchases of U.S. securities *voluntary*, following staff cuts, U.S. officials believe that most of the errors and omissions reflect unreported securities purchases from offshore funds, and that the source of most of these funds is the \$500 billion international narcotics traffic.

Not merely the takeover syndicate, but the U.S. Treasury, now depends on America's \$150 billion a year in foreign borrowings. Why should the Drexel syndicate function differently? It merely happens that, while Japanese institutions buy Treasury securities, the network which includes Ivan Boesky depends on access to the sources of dubious cash channeled by the likes of Drexel Burnham, Merrill Lynch, and First Boston.

—David Goldman

paings. Riklis is at the center of arms smuggling to Iran.

- Carl Lindner, the Christian fundamentalist former owner of the "bankers' CIA" United Fruit Company, who installed Max Fisher as chairman of that drug-and-weapons smuggling firm.

- Victor Posner, now under U.S. federal indictment for fraud. Often termed the successor to Meyer Lansky, Posner has been under formal U.S. government investigation for possible patronage by the Soviet KGB.

- Saul Steinberg, whose Reliance Corporation, has been implicated in both the New York City municipal scandal, and also involvement with the Brooklyn-based Soviet Jewish mafia.

- Sam Belzberg, the Canadian-based real estate operative tied to the Bronfman family.

- Lawrence Tisch, who worked with Boesky to take over CBS. Sen. Jesse Helms (R-N.C.), who is funded by Fisher and Boesky, provided the flimsy conservative cover for this operation, by arguing that this Mossad raid against CBS somehow targeted the "Eastern Establishment."

## New York Mossad money

When Jonathan Jay Pollard was caught red-handed stealing U.S. classified documents for Israel, investigations by *EIR* quickly confirmed that Pollard was "handled" by Israeli spymaster, and former Sharon campaign manager, Rafi Eytan, and that the New York crowd including Riklis and Boesky, used the Eytan network to smuggle U.S. secret documents to Iran, among other locations.

Boesky was identified by our sources at the time as a leading figure in the Israeli Mafia-Mossad's financial apparatus in New York, whose key fronts, include the various firms associated with Riklis, Tisch, Belzberg, et al., as well as the New York branch of the Israeli-based Bank Leumi. This Mossad financial network also includes several key Zionist and Jewish philanthropies, most notably the United Jewish Appeal (UJA) and the Jewish National Fund, who hide behind their charitable and politically sensitive status, to run several unwholesome operations.

Since emerging as a major Wall Street player, Boesky has positioned himself in several of these Mossad-"banker's CIA" linked philanthropies, including a two-year stint as campaign chairman of the United Jewish Appeal-Jewish Federation of New York fundraising drive. Boesky's patron, Max Fisher, had earlier gained notoriety in Israel, when it was discovered that a sizable chunk of UJA cash was diverted away from Israel, during the long period he chaired the organization. Boesky has also been a major fundraiser and board member of the Simon Wiesenthal Center of Los Angeles, and Yeshiva University of Los Angeles. Both institutions were founded by Boesky's partners, the Belzberg brothers. Every key scam artist associated with Drexel Burnham is on record as a lavish Wiesenthal Center contributor.

It is also a matter of record that these same charities and

banks have been at the center of laundering funds for U.S. National Security Council-protected Israeli arms sales to Iran. In fact, Jonathan Jay Pollard was first put in touch with his first Mossad controller, Col. Avraham Sella, through a Wall Street-based Israeli Bonds drive organizer. The financing for General Bar-Am's \$2 billion arms sales to Iran was partially conduited through a network of New York based yeshivas (religious schools). These same yeshivas, and insurance companies, are also heavily involved in laundering funds for narcotics interests controlling Bronx Democratic boss Stanley Friedman, convicted in late November of racketeering.

## The Fisher machine

The most revealing Mossad post which Boesky has held, however, is as financial director of the Republican National Committee's National Jewish Coalition. The NJC and its predecessor organizations had been formed by Max Fisher—the NJC's honorary chairman—largely to ensure that the Reagan administration would never try to buck the Mossad faction headed by Ariel Sharon.

Some *EIR* readers may recall the curious role that Max Fisher played at the 1980 Republican National Convention, when he insisted that former President Gerald Ford be named as Ronald Reagan's running mate in the 1980 general election. Fisher, and his associate Henry Kissinger, also became notorious for demanding that Ford become Reagan's "co-President," with jurisdiction over foreign policy. Although Fisher lost out in that battle, the incoming administration was forced to accept a number of Mossad-linked operatives in key posts, as part of a compromise with the Fisher faction of the Republican Party. Among the individuals which the administration accepted in this deal was Michael Ledeen, who went from being Alexander Haig's assistant during Haig's tenure as Secretary of State, to being a consultant to the National Security Council (NSC) on Iran. Ledeen was the key go-between for the Mossad-NSC arms sales to Iran, now being exposed in the "Iran-gate" scandals. He was also, it is believed, central to the diversion of Mossad-NSC funds and arms to the Contras.

One of the key mechanisms used by the Fisher-Mossad network in maintaining the capacity for installing such figures as Ledeen in the Reagan administration, is the Boesky-funded NJC. The NJC is the architect of the so-called "new right Jewish voting block," which has been swung to vote Republican in exchange for administration support of Israel on its terms. One example of NJC operations is the conversion of Sen. Jesse Helms into a strong supporter of Israel's Sharon, after receiving massive funds from the NJC and from Boesky personally.

Vigorous pursuit of the Boesky case, combined with exposure of the true story of the Bar-Am, Pollard, and NSC rings, could shape the outcome of the factional warfare now raging in Washington, and whether the administration will break with the Mossad factions which have penetrated it.

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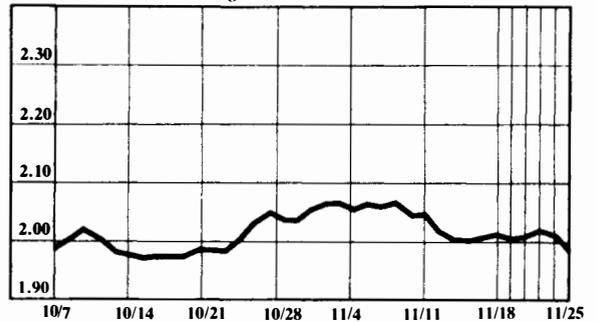
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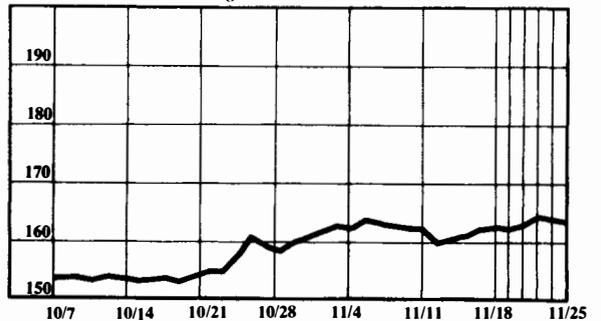
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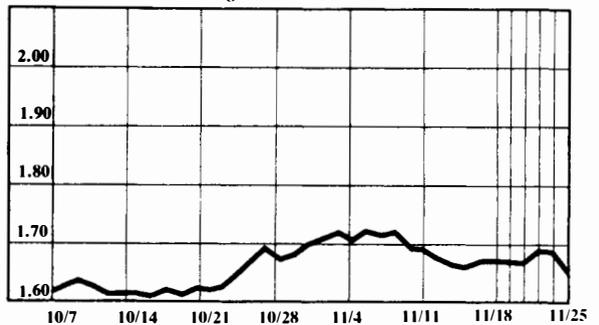
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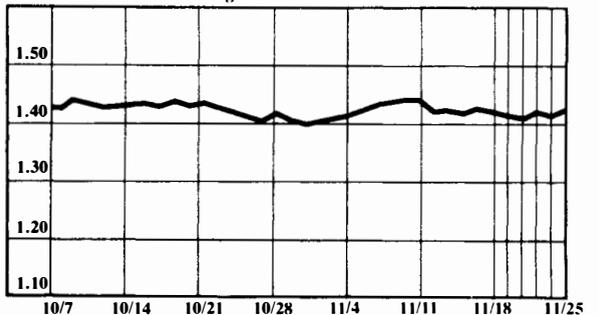
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### The British pound in dollars

New York late afternoon fixing



# U.S. policy and the economic time-bomb in Central America

by Gretchen Small

Two events, one after the other, have struck down any remaining facade that the Reagan administration has a strategy to stabilize Central America. The first blow came on Nov. 14, when U.S. State Department officials reported that a \$300 million special economic assistance package for U.S. allies in Central America had been cut from the budget. The aid was promised last spring as proof that the United States has a broader commitment to helping Central America defend itself from Moscow's Nicaraguan client-state, than simply supplying and commanding the rag-tag, drug-tainted Contra "army."

Assured of extra economic aid, the Central American governments joined the United States in backing the "Contra" operation. The Contras got their \$100 million, but U.S. allies in Central America have been sacrificed to "budget cuts."

Then, on Nov. 25, came the revelation that profits from the sale of U.S. military equipment to the Sandinistas' terrorist allies in Iran financed Contra weapons-buying, before the U.S. Congress had approved U.S. support for the Contras.

More shocking scandals lie ahead, if congressional investigators take up the unresolved *Pia Vesta* case, the Danish ship found to be carrying 200 tons of Soviet-made weapons when it was stopped in Panama in June 1986, en route to El Salvador. The Contras were the final destination of those Soviet weapons, and U.S. National Security Council staffer Lt.-Col. Oliver North's name was associated with the deal, investigations in Panama and Peru subsequently determined.

Soviet-made weapons, sold by the East German state trading company to reputed CIA-arms dealer David Duncan, to arm the Contras? In its Aug. 29 issue, *EIR* published the details of the *Pia Vesta* scandal, but the news met with silence, a story "too incredible" to touch. Now, nothing can be called "too incredible" in Washington.

The collapse of the Contra option forces the U.S. government back to the drawing board, to develop a viable strategy to stop Moscow's advance in the Western Hemisphere. The policy change is long-overdue. Supplies have been wasted on the Contras, while the armed forces of the rest of the region have not received the aid and training needed, so that, if required, they could confront the military threat of Nica-

ragua—well-armed indeed by Moscow. Likewise, the U.S. military has been held back from providing the equipment and logistical and intelligence support required to crush the drug-traffic which supports every terrorist insurgency in the region.

And while the military balance worsens between Nicaragua and its neighbors, so have the insurgencies inside Central America, growing in strength in proportion to the collapse of their economies. Without an economic strategy, the United States finds itself locked into Moscow's box: either directly intervene against Nicaragua, or discard Central America to the mercies of the Sandinistas. With either of those two options, it is Moscow's global strategy of driving the United States out of Europe, and into wars against the southern hemisphere, which wins.

The 100th Congress must restore the \$300 million special economic assistance fund for Central America. Then, international support for economic reconstruction must begin. Here, the advocates of Hong Kong-style "free-enterprise" policies must be pushed aside, and more attention paid to proposals by U.S. military men responsible for the area, who, like Gen. John Galvin, have argued quietly for a solution to the "debt problem," and aid to the necessary "nation-building" projects around which military and civilian forces can unite.

Here we demonstrate how Central America has been drained of resources, by Western usury and malfeasance. The first step to restoring economic health must be to rechannel those resources into internal improvements of Central America's infrastructure and economies. Without freezing debt payments, and renegotiating long-term, low-interest payments, no growth or development can occur. That step alone can begin to turn the tide on the crisis, as President Alan García has demonstrated in Peru.

## Debt freeze for El Salvador

The "García option" is under discussion among the governing circles in each of the four Central American countries Guatemala, El Salvador, Honduras, and Costa Rica. In mid-October, Costa Rica initiated steps toward limiting its debt payments, when Treasury Minister Fernando Naranjo in-

formed international private banks that Costa Rica will pay no more than \$5 million a month in interest on its foreign debt, while negotiations continue on rescheduling its \$1.5 billion debt. Only if payment of its debt is stretched out over 25 years, with 7 years grace, can Costa Rica accelerate growth rates to levels at which social disintegration can be avoided, the treasury minister explained.

In the case of El Salvador, rapid U.S. action is urgent. Although no longer in the international news, governing institutions in that nation stand more endangered now, than in the immediate wake of the earthquake which destroyed one-third of San Salvador, the country's capital, on Oct. 10. The nation rallied behind the government right after the quake. 1,300 people died, and an estimated 30,000 were injured.

Many of the injured are now recovered, but a quarter-million people still live in the streets, their homes destroyed. The quake and more than 1,000 aftershocks hit the poorest areas of the city the hardest, where homes were poorly constructed. Because 50 to 60% of San Salvador's schools were destroyed, schools are not scheduled to reopen until February. Forty percent of the National University of San Salvador was destroyed; the buildings housing the Faculties of Economics and Odontology collapsed entirely.

Total damage has been estimated at between \$1 and \$2 billion. Many streets are still impassable, wrecked by flooding when water pipes broke throughout the city. While El Salvador's two cement factories have been able to keep up with the demands of reconstruction, the country has run out of wood, which the government is now importing from Honduras, Costa Rica, and Guatemala.

After the earthquake, President José Napoleon Duarte told the press that El Salvador should ask for a postponement on its foreign debt, calling it "a magnificent opportunity to do it," because El Salvador has "always been good paying clients." The idea, however did not prosper, and El Salvador's central bank now argues that there is no need for any postponement.

Initial international help, both medical and financial, did allow El Salvador to get through the immediate crisis, and delegations of private businessmen are now seeking loans and investments in the United States, Europe, Taiwan, and Japan. But nowhere near the \$1 billion needed has been made available.

El Salvador must reconstruct, under conditions of general warfare. War has steadily spread throughout the country since 1979, when Soviet-backed forces, "liberationists" run by the Society of Jesus and the CIA's American Institute for Free Labor Development (AIFLD), joined forces to trigger civil war under the protection of "population war" fanatics in the Carter administration. Now, the defense ministry absorbs 40% of the national budget. Agriculture has been destroyed by the combined effects of credit restrictions, collapse in commodity prices, and disruptions of transport, field, and labor by war. El Salvador began importing cotton this year,

until recently the country's second *export* crop! Over 50% of the population is unemployed or subemployed (in such "jobs" as selling trinkets in the streets).

The morale of the population is now at a turning point. Immediately after the quake, Communications Minister Julio Rey Prendes had identified this time as the beginning of the most serious crisis. We have survived the first shock, Rey Prendes warned, "but in one, two, or three months, when things do not improve, I don't know what could happen. Things could get very ugly."

How quickly a debt moratorium is granted, and how much Western nations commit to the country's rebuilding, may determine how long the government survives. The premise of the insurgent forces is that the West will provide only token aid. A political spokesman for the Faribundo Marti Liberation Front, Guillermo Ungo, stated bluntly on Oct. 16, "The government has no possibility of overcoming the crisis." Ungo was in Bonn, West Germany at the time, attending a conference of the Socialist International. The General Command of the FMLF issued a "Message to the People," outlining their strategy for recruitment and victory. "This onslaught by nature again highlights the subhuman conditions under which millions of Salvadorans live," the message stated, promising that they will defend the interests of poor urban workers whom the government will abandon to live in the streets.

Will recent history repeat itself? An earthquake devastated Nicaragua's capital, Managua, in 1972. The city was never rebuilt, and today, it is the Sandinistas who rule over the monuments to Western economic failure.

## The narcotics threat

While El Salvador's situation is desperate, a less mentioned but equal danger faces the other countries of the region: takeover of the entire regional economy by the narcotics empire. As productive economies shrivel up, drained of resources, the narcotics trade has moved in.

Private-sector leaders in El Salvador reported to *EIR* in September that large landowners have turned to marijuana production, to make a fast buck; cotton and coffee no longer are profitable. Costa Rican officials believe their nation has become the third-largest drug-money laundering center in Central and South America, according to the *Midyear Report* of the U.S. State Department's International Bureau of Narcotics.

Cocaine Czar Juan Ramon Matta Ballesteros, a partner of the Sandinistas in the cocaine trade, has relocated his headquarters to Honduras. In April 1986, Honduran Economics Minister Reginaldo Panting declared, "We welcome the dollars that Mr. Matta Ballesteros has brought to invest in Honduras. . . . If we have an investor who brings dollars, then this will help us in our balance of payments," according to *El Tiempo* of Bogota. Panting told *EIR* at the time that he was just "joking around" when he made those comments.

# The facts: what the IMF robbed

by Dennis Small

The earthquake which struck El Salvador on Oct. 10 left the nation's capital devastated, with the damage done to the Salvadoran economy estimated at over \$1.5 billion—more than one-third of the country's GNP.

But no one has yet commented that the level of devastation produced by the Salvadoran earthquake, although horrifying, is less than *one half* of that wreaked on the war-torn economies and social fabric of Central America *every year*, by the International Monetary Fund (IMF) and the region's international creditor banks. Concretely, new calculations made by a Schiller Institute research team show that between 1978 and 1985, out of a total average regional yearly Gross

Domestic Product of about \$28 billion, almost \$4 billion per year—or 13%—was looted from the Central American economies.

This IMF "earthquake," this man-made disaster, is also profoundly destabilizing the region and creating the conditions for the spread of Soviet-inspired insurgencies. The IMF is, without doubt, the Soviet Union's best strategic ally in the whole region. As Fidel Castro recently confided to an Ibero-American diplomat: "No, we have no need to export revolution any longer; the IMF does it for us."

Why then, one rightly asks, does the Reagan administration fully back IMF policy in Central America, in all of Ibero-America, and in the whole developing sector?

This was the question most insistently asked of Schiller Institute representatives who traveled to the Central American nations of Guatemala and Honduras in October to present these findings, and to publicize the recently issued Schiller Institute Spanish-language book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000!* at meetings with local businessmen, government officials, military leaders, and others.

Perhaps the most shocking finding of the *Ibero-American Integration* book is the fact that the region's *legitimate* debt was calculated to be only \$20.5 billion—about 5% of the total *official* foreign debt of \$370 billion. The remainder was

FIGURE 1  
**Honduras: legitimate and illegitimate foreign debt 1978-85**

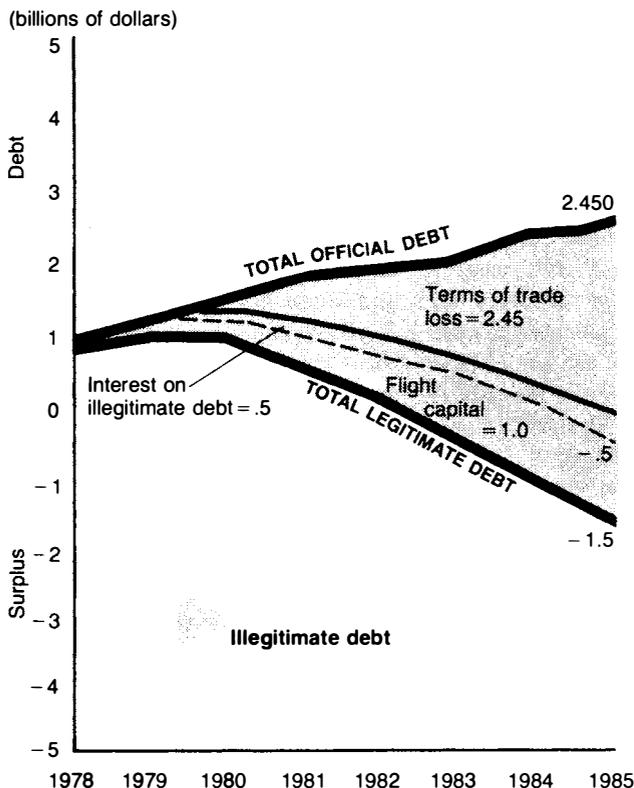
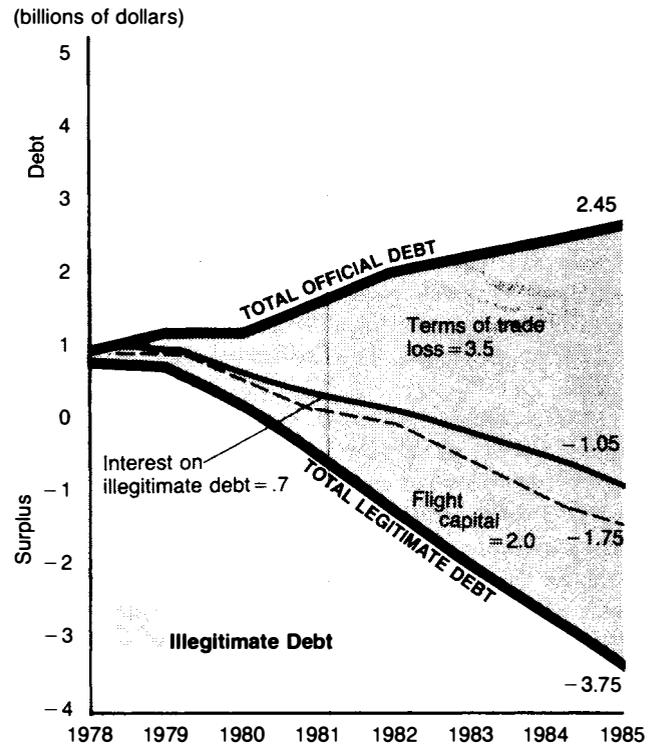


FIGURE 2  
**Guatemala: legitimate and illegitimate foreign debt 1978-85**



determined to be the product of four factors, which piled up billions of dollars of illegitimate debt on the Ibero-American nations:

1) *Deteriorating terms of trade*: From 1978 to 1985, the nations of Ibero-America lost billions of dollars because they had to pay more for the same physical volume of imports, and received less for their exports;

2) *Usurious interest rates*: International interest rates skyrocketed after 1977, which cost the debtors further billions in these interest overcharges;

3) *Flight capital*: Taking advantage of the lack of exchange controls, countless billions fled Ibero-America between 1978 and 1985; and

4) *Interest on the illegitimate debt*: Compound interest payments on the above three categories also accounted for a sizeable growth of the overall indebtedness.

Applied to Ibero-America as a whole, these four categories accounted for almost 95% of the official debt—leaving only \$20.5 billion as the legitimate remainder. Yet for most of the nations of Central America, the results are even more dramatic: The “legitimate debt” figure turns out to be

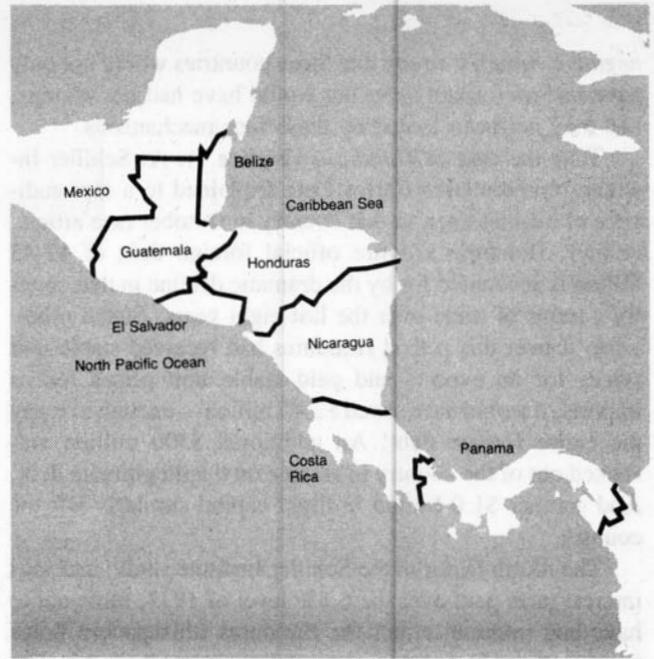


FIGURE 3  
**Nicaragua: legitimate and illegitimate foreign debt 1978-85**  
(billions of dollars)

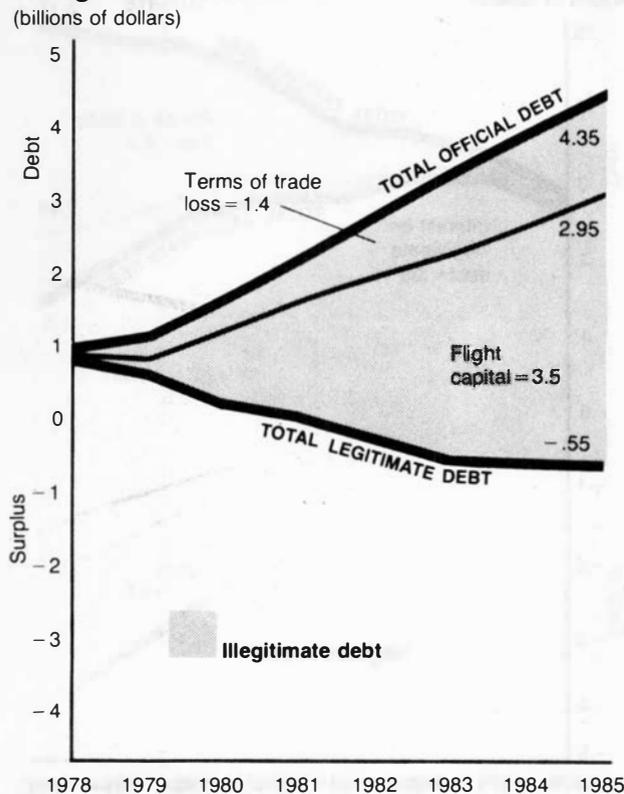
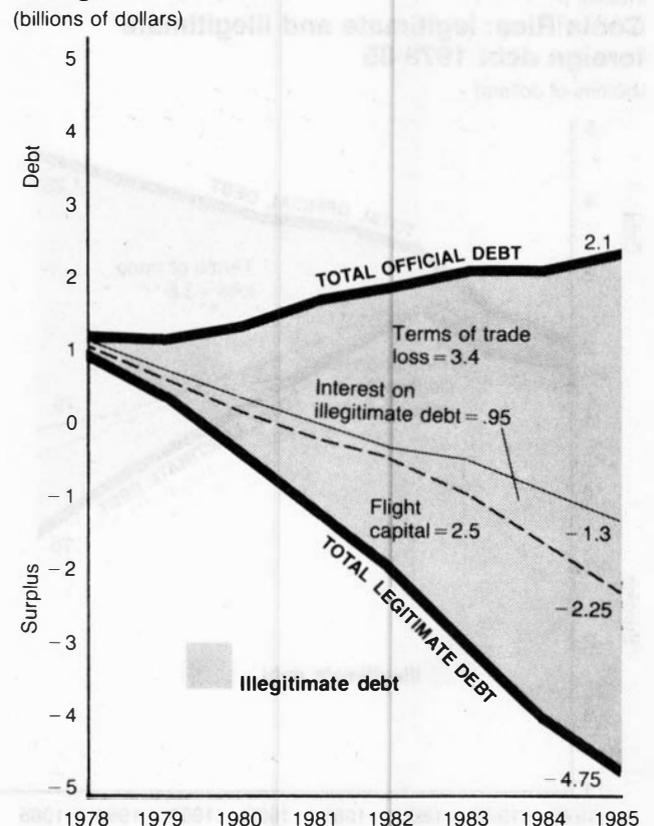


FIGURE 4  
**El Salvador: legitimate and illegitimate foreign debt 1978-85**  
(billions of dollars)



negative, which is to say that those countries would not only have had no foreign debt, but would have had net savings, had they not been looted by these four mechanisms.

Take the case of *Honduras* (Figure 1). As Schiller Institute representative Carlos Cota explained to a rapt audience of businessmen in that country in October (see article, below), Honduras's entire official foreign debt of \$2.45 billion is accounted for by the dramatic decline in that country's terms of trade over the last eight years. Stated otherwise, if over this period Honduras had received stable unit prices for its exports and paid stable unit prices for its imports, it would have saved \$2.45 billion—enough to repay the entire foreign debt! An additional \$500 million was sucked out of the country in service on the illegitimate debt. And another \$1.0 billion in flight capital similarly left the country.

The fourth factor in the Schiller Institute study, usurious interest rates paid over the 6.8% level of 1977, turns out to have had minimal effect for Honduras (this pattern holds for the other Central American nations as well, and is thus excluded from all the graphs). All in all, had it not been for these factors in generating an illegitimate debt, Honduras

today wouldn't have a foreign debt of \$2.45 billion, but would have savings in the bank of \$1.5 billion.

Stated otherwise, Honduras had \$4 billion looted out of its economy between 1978 and 1985 through these mechanisms, out of a total cumulative GNP of \$24 billion—that is to say, 17% of what the country produced was simply stolen by the IMF and the international creditor banks.

The situation was not much better in neighboring *Guatemala* (see Figure 2). The most populous of the Central American nations, and by far the largest economy, Guatemala's total official debt in 1985 was \$2.45 billion. It too suffered a dramatic deterioration in its terms of trade, leading to net loss over the eight-year period under consideration of \$3.5 billion. And about \$2 billion left the country through capital flight in this period, according to conservative estimates by local bankers and businessmen. These factors, along with compound interest on the illegitimate debt, means that—under an equitable international economic order—Guatemala would today have \$3.75 billion saved.

The situation in *Nicaragua* and *El Salvador* is even worse (see Figures 3 and 4). Besides suffering a terms of trade

FIGURE 5  
**Costa Rica: legitimate and illegitimate foreign debt 1978-85**

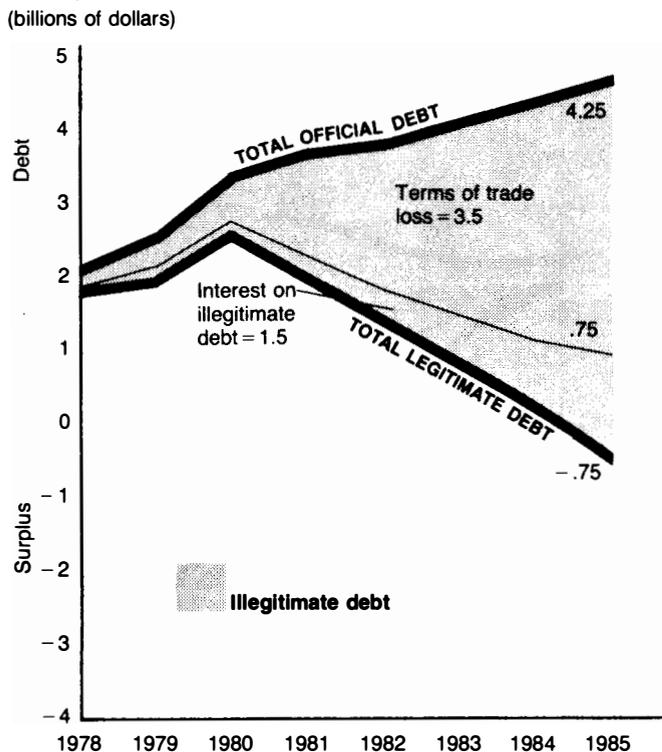
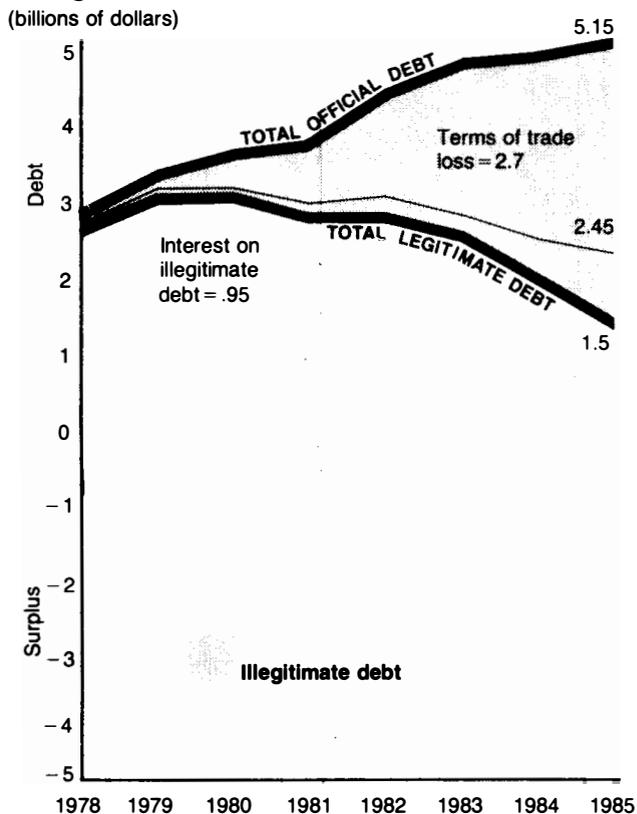


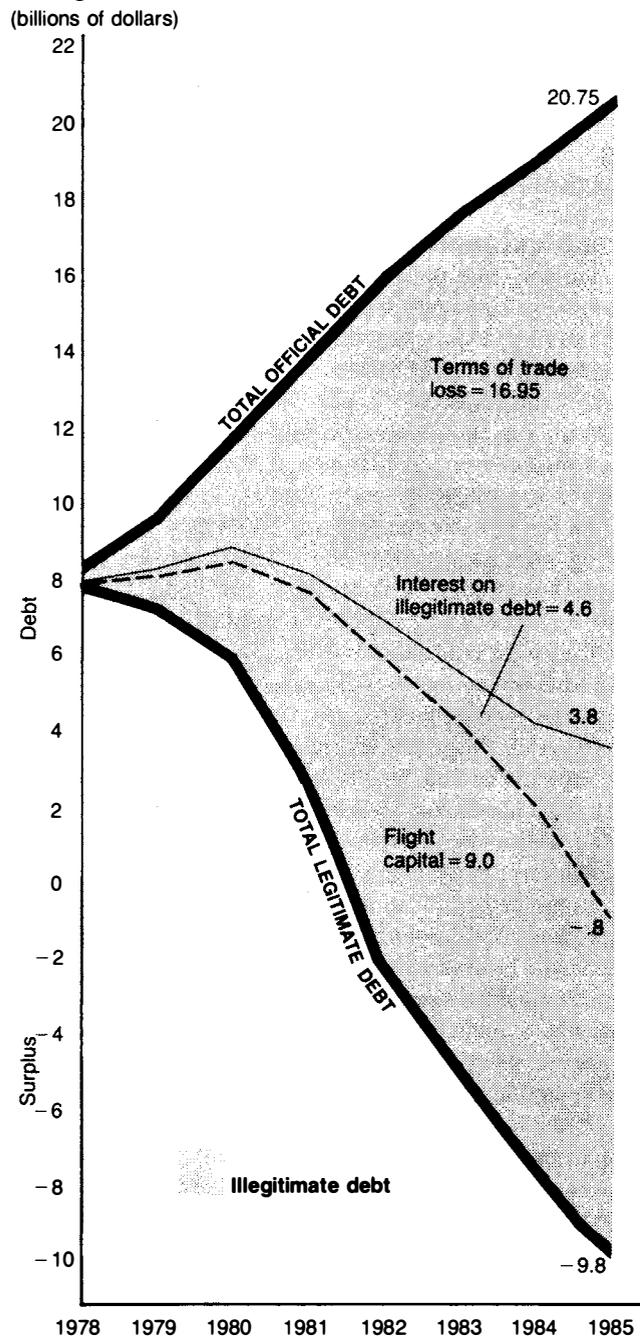
FIGURE 6  
**Panama: legitimate and illegitimate foreign debt 1978-85**



drain like their neighbors, these two countries have had relatively enormous amounts of capital flight, since they are the countries most directly affected by civil war. Thus, Nicaragua's foreign debt has grown by \$3.35 billion under

the Sandinistas, while a similar amount of capital fled the country during this same period. And in El Salvador a total of \$6.8 billion of illegitimate debt was generated—the largest amount of any country in the whole area. This corresponded to a drain of nearly a quarter of each country's GNP over the 1978-85 period.

FIGURE 7  
**Central America: legitimate and illegitimate foreign debt 1978-85**



The picture in *Costa Rica* and *Panama* (see **Figures 5 and 6**) is skewed by the fact that both countries are important centers of international financial activity, much of it reportedly related to the South American drug trade, and they therefore show capital inflows at least equivalent to outflows during the period under review. Thus, in our graphs we have depicted no net flight capital for these two countries. The terms of trade decline, however, hurt them both badly.

If one adds up the figures for the six countries of the Central American isthmus (see **Figure 7**), there was a total official foreign debt in 1985 of \$20.75 billion. A total of \$16.95 billion was lost due to the terms of trade effect; \$4.61 billion was interest on the illegitimate debt; and \$9 billion left the impoverished region as flight capital—adding up to a total illegitimate debt of \$30.5 billion. Had Central America not been looted in this fashion, to the tune of 13% of its total GNP, it would today have almost \$10 billion in deposits, rather than a large and growing foreign debt.

This \$30.5 billion is an enormous bite out of the regional GNP, as **Table 1** shows. In fact, fully 13% of total Central American production over this eight-year period was looted out of this already impoverished and war-torn region—almost twice the average for all of Ibero-America.

TABLE 1  
**Illegitimate debt and GNP 1978-1985**

(billions of dollars)

Country	Total illegitimate debt	Total GNP	% GNP looted
Costa Rica	5.0	32.8	15%
El Salvador	6.8	32.8	21%
Guatemala	6.2	79.7	8%
Honduras	4.0	24.0	17%
Nicaragua	4.9	22.4	22%
Panama	3.6	35.2	10%
<b>Total</b>			
Central America	30.5	226.9	13%
<b>Total</b>			
Ibero-America	349.5	5,238.0	7%

# Honduras on the brink of catastrophe

by Carlos Cota Meza

On Oct. 15, this writer was invited to address the First Honduran Business Management Conference as a spokesman for the Schiller Institute, which had recently published the book *Ibero-American Integration: 100 Million New Jobs by the Year 2000*. The conference represented, in microcosm, an ongoing battle within Honduran leadership circles over how to save the country from the economic and social catastrophe spreading throughout the region. The battle lines were clearly drawn: The Schiller Institute urged breaking the stranglehold of the International Monetary Fund over the Honduran economy; arch-monetarist Luis Pazos demanded the dismantling of any state-owned companies and insisted on continued adherence to IMF dictates.

Honduras is a country of 5 million people. Of its 1.3 million economically active population, 900,000 are underemployed or unemployed, according to Vice-President Jaime Rosenthal—70% of the population! Its foreign debt of \$1 billion in 1978 had grown to \$2.4 billion by 1985. Its export income is shrinking, its economy destabilized by the Contra “invasion,” and its government under intense pressure from the U.S. State Department to convert the nation into a U.S. military base of operations.

My presentation to the country’s 170 leading business and political figures attending the conference focused on the analysis presented in the Schiller Institute book, detailing the implications of continued servicing of a largely illegitimate foreign debt, and the solutions offered by a continent-wide Common Market and debtors’ front (see *EIR’s Operation Juárez* series, pp. 42-45). The majority of those in attendance had little trouble recognizing that continued adherence to IMF “adjustment” policies meant social chaos, terrorism, a disintegration of government, and the advance of communism continentally. One high-level government official remarked to me afterward that he saw “no other alternative but that of Alan García”—referring to the President of Peru’s insistence that domestic economic well-being has a higher priority than debt payment.

The speaker who followed me offered striking testimony to the picture I had presented. He was Jaime Rosenthal, Vice-President of Honduras. He observed that, given unreliable international prices for the coffee, banana, and meat that Honduras exports, his country anticipated earnings of approximately \$800 million this year. After servicing the foreign debt, net income was expected to be \$570 million.

Honduras’ basic import requirements for the year cost \$900 million.

“In sum,” said Rosenthal, “we have a shortfall of \$300 million for maintaining our imports. The international banks are no longer lending, and our debts with the IMF are not subject to renegotiation; we must pay. As things now stand, someone will have to give us \$300 million, because we cannot get it from our trade.” He revealed that IMF conditions for any new loans included “devaluation of the lempira [the national currency], reduction of imports, and increased taxes, none of which we can accept, because it would affect the lowest-income population, it would bankrupt national businesses, and we would lose the social peace we enjoy relative to our neighbors, whose state of affairs we well know.”

That “state of affairs” is threatening to engulf the region. Indeed, the IMF proposal to devalue the lempira could only benefit Nicaragua, the Central American country which most imports Honduran products.

## Communism in ‘Contra’ guise?

Further, with the presence of thousands of Nicaraguan Contras on Honduran territory and with the vast influx of uncontrolled dollars they bring with them, the economy of Honduras has seen an accelerated growth of inflation, along with a serious scarcity of goods. The Reagan administration’s \$100 million shot-in-the-arm to the Contras has created a black market in dollars in Honduras, functioning in much the way that the drug trade undermines any legitimate economy.

As one businessman told me, “With these dollars we are seeing what happened to South Vietnam when the North began to introduce counterfeit dollars into their economy. . . . Really, we don’t understand the U.S. policy toward us. They want to dismember us economically. This is fighting against communism? It is clear that with such a policy, precisely the opposite will happen.”

The U.S. State Department, with its IMF billy-club, is not only aiding and abetting the communists in the region with its contradictory policies in the economic and foreign policy arena, but actively deploys against any alternatives being offered to the region.

In the days prior to the Business Management Conference, when it was publicly announced that the Schiller Institute would be sending a speaker, the U.S. embassy in Tegucigalpa mounted a pressure campaign against the conference sponsors to retract the invitation, a campaign which failed. However, much to the State Department’s relief, the group did invite Mexican monetarist Pazos to speak.

When it came his turn to speak, Pazos demanded that no one from the Schiller Institute be present, and then insisted that Honduras’ problem was not its foreign debt, but “corruption and the existence of state-controlled companies.” It was only later that Pazos discovered that his diatribe was viewed by many in the audience as an attack on the presentation of Vice-President Rosenthal!

# Selling the nation to pay the debt

by Tadeusz Rejtan: Part III of a series

Poland's huge foreign debt—over \$31 billion—continues to be one of the determining factors that shape the course of internal political events as well as the country's relation to the outside world. Recently, however, Poland's debt has become an instrument in the hands of Gorbachov and his Polish allies: a means to impose a new version of Lenin's New Economic Policy (NEP) program, and its international correlative, a "New Yalta" world order.

In itself, it is intriguing that General Jaruzelski's government should choose to release a report on the state of the Polish foreign debt drafted by two authoritative economic institutes. The findings of this report confirm the hopelessness of the country's situation. Some facts will illustrate the point:

Poland, with a per capita debt of \$836, and a debt to export ratio of over 5:1, belongs to the same category of debtor countries as Argentina, Mexico, or Brazil. If one considers only the debt to Western governments, less than half of total indebtedness, the compromise reached between the Polish government and the "Club of Paris" government creditors cartel sets yearly debt service, 1986-89, at some \$3 billion. This compares with a planned balance of trade surplus of \$1.5 billion, a goal which the authorities admit they cannot reach in 1986. And then there is the debt owed to commercial banks, which is constantly being rolled over to avoid an open default.

The above-mentioned report presents two scenarios, the optimistic one not being worth mentioning, for it is but a fairyland construction. According to the "more realistic" scenario (3% yearly GNP growth, 4% exports growth), the debt will reach \$40 billion in 1990, \$55.7 billion in the year 2000 and \$65 billion in 2008. For the first eight months of 1986, exports have decreased by 6% compared to last year, and within the present parameters there is no hope for improvement.

Now, why are the rulers of the Polish province of the Soviet empire sending such a clear "we cannot pay" message to Western banks and governments?

The answer is probably to be found in the praise for Lenin's New Economic Policy recently published by *Pravda*. As we shall see, Gorbachov's NEP theme has been endorsed and elaborated in the Polish press. It was in the years of the

NEP, where the Soviet Union was opened for Western capital, that Armand Hammer and others made their fortunes and established their networks, in joint ventures with Lenin's Russia. A series of recent articles published in the Polish press makes the Polish part of the NEP program more concrete:

On Oct. 31, Henry Chadzynski wrote in the semi-official daily *Zycie Warszawy*: "Unless there is an acceleration in the growth of exports (and this is linked to an increase in productivity, a more efficient organization and a tighter work discipline), not only will it be impossible to meet debt repayment obligations, but also to acquire the means to import supplies. This, in turn, is what production for the market, technological progress, and more generally, growth, depend on."

In clear text: export or die. Coming from the Polish government, that, as such, is not new. But, how to increase exports to repay the debt? Here we have something very new indeed.

A little earlier in October, the "Export-Import" economic supplement of *Polityka* published an article by Stanislaw Gruzewski which said: "The possibility of increasing exports of those goods we now produce is insignificant. We need new products that are in demand on the world market, and that our industry is presently unable to supply. . . . *without opening our industry on a large scale to foreign capital, we will not solve this problem.*" (emphasis added)

## Selling Poland—and Poles

And the same *Polityka*, a weekly closely associated with the present ruling clique, added: "Our balance of payments can also be improved through so-called foreign currency transfers, among other things, by making it easier for our specialists to work abroad, by creating a favorable social and economic climate for foreign corporations operating in Poland. . . . At the same time, we have to continue discussing with our Western creditors, not only to postpone repayment, but also to increase the direct participation of our partners in the solution of the Polish economy's developmental problems."

So Jaruzelski is offering Western capital a cheap labor pool within Poland, and, Polish guest workers en masse: Not satisfied with ruling a Soviet satrapy, he and his Party want to turn Poland into a colonial plantation. Any Western trade-unionist will recognize the meaning of "tighter work discipline" and a "more favorable social and financial climate."

But there is more to this scheme. Beyond the economic offer that is now being made, the strategic significance of these openings should not be missed: Poland—or, to be more precise, the prospect of billions of dollars of secured debt repayments through "opening up Polish industry to foreign capital on a large scale"—is the bait the Russian Empire is offering the West to get it deeply entangled in the nets of the New Yalta that both the Soviet and Western oligarchs are negotiating.

### Cruzado Plan, take two

*The government has reverted to IMF policies again, but some politicians prefer Alan García's approach.*

Less than a week after the electoral victory of the Brazilian Democratic Movement Party (PMDB), the majority party in the government alliance, the Brazilian government used that political support to launch Phase II of the so-called "Cruzado Plan." Phase II is nothing other than a package of recessionary measures identical to those prescribed by the International Monetary Fund (IMF). With it, the government hopes to win the IMF seal of approval for its upcoming renegotiation of Brazil's illegitimate foreign debt.

The package includes: resuming minidevaluations of the cruzado currency, which were suspended when the plan began on Feb. 28, 1986; increasing by 60% the prices of gasoline and alcohol fuel; increasing by 25% rates for electricity, telephones, and other public services; raising by 100% the cost of drinks, cigarettes, and other luxuries, in order to "punish consumption." The government plans to use these tax increases to collect \$11.4 billion, most of which will cover the public deficit, with a few crumbs to finance internal investment.

The Cruzado II is a band-aid to cover the gaping holes which opened in the original plan, winning a little political time before the international financial system goes under. A lot has been said about the success of the Cruzado Plan (and about its model, Argentina's Austral Plan), which supposedly froze prices and wages and reduced inflation. Nothing is further

from the truth. In Brazil, an internal black market has been created in which animal protein foods like meat, chicken, eggs, milk, and other dairy products, which are difficult or impossible to obtain at official prices, can be bought at prices of up to 100% more.

Nonetheless, the government decided to use the statistical trick of declaring that inflation has only been 10% during the past nine months. At the same time, credit for industry is available at interest rates of up to 100% and for personal consumption at 200%. Half-hearted government efforts to punish financial speculators provoked many speculative "investors" to pull out their deposits from the banks and speculate in the real-estate market, where fictitious values are climbing through the clouds, and in illegal dollars, which sell for 90% above the official exchange rate.

The false inflation statistics were stripped naked with the announcement of Phase II. Accordingly, the director of the national statistics service resigned. He protested that to hide the real inflation figures, the government would base the index on the consumption of poor families. The products not included in the index are catalogued as superfluous, such as, for example, clothing or shoes above the lowest level of quality.

During the nine months of the cruzado, internal investment has been non-existent, despite many industries operating at near-capacity levels. The energy sector, a key bottleneck to

growth, requires an investment of \$5 billion by 1989 to increase installed capacity. In October, Planning Minister João Sayad tried to obtain a \$100 million credit for that sector and failed, despite Brazil having been a very punctual and obedient debtor. The banks refused it, demanding IMF approval before loaning anything. So, Sayad came home just like all the Hispanic-American economic ministers, with empty hands.

However, the straw that broke the camel's back and triggered the draconian austerity was the spectre of another 1982 debt crisis engendered by the eclipse of the trade surplus. The surplus had been kept above \$1 billion a month. But, in September it fell to \$600 million and then in October to a squalid \$200 million. The \$1 billion monthly surplus was the guarantee of punctual payment for the \$13 billion in usurious interest on the foreign debt. On top of this, foreign reserves fell to a bit over \$5 billion, the minimum tolerable. That flashed red alarms in Brasilia.

The austerity packet has gotten broad sectors of the country quite upset—not least the newly elected governors, who were voted into office on the idea that there would be no changes in the Cruzado Plan. Three of them ran to meet with President José Sarney to propose to him that the foreign debt be dealt with the way Peruvian President Alan García has done.

Waldir Pires, the governor-elect of Bahia, urged that debt payment be held "to a maximum limit of 15 to 20% of the value of exports." Para's governor, Helio Quiroz, posed the question more directly: "If Peru stopped paying, why don't we?" And Parana's Alvaro Dias proposed postponing all payments on the foreign debt for four years in order to invest the savings, as Peru is doing, to modernize industry.

## Washington's crisis and the dollar

*The rate of unraveling in the United States will make the dollar the principal victim for the immediate future.*

While the dollar's fall Nov. 26 to less than DM 1.99 was widely attributed to the worst-on-record durable goods orders in October, there is no reason to attribute the erosion of the U.S. currency's October gains to any particular economic news.

The Oct. 31 "economic cooperation agreement" announced by U.S. Treasury Secretary Baker and Japanese Finance Minister Miyazawa had no discernible economic content. It reflected a political decision by Japan's government to give the White House a reported 12 months to stabilize its economic position.

Extreme skepticism on the part of the Japanese, who were muscled into the deal against their better judgment, was matched by contempt on the part of the West German monetary authorities, who seem more occupied with cobbling together an anti-dollar bloc in Europe, than in supporting the failing U.S. currency.

As late as Nov. 25, the West German Bundesbank denounced as "mere speculation" reports circulating in Japanese newspapers, to the effect that the Germans would join a global deal with the United States after the elections. The content of the deal would be that the foreign trading partners of the United States would continue to buy dollars on the open market when no one else wanted them, printing their own currency to do so, and invest the purchased dollars in U.S. Treasury securities, financing both the U.S. current-account external deficit, and the Treasury's mammoth internal deficit.

When Assistant Treasury Secretary David C. Mulford, the White Weld veteran who runs the international show at Treasury, warned Nov. 12 of an "unsustainable economic scenario," in which American deficits cannot be financed forever, he referred to the inability of the Japanese and West Germans to bail the United States out forever.

The West Germans are being asked to print money to bail out the dollar; the cosmetic version of this argument is to demand that they print money to stimulate their home economy. U.S. officials regularly embarrass themselves when discussing the topic; Mulford, in the Nov. 12 speech, said, "There seems to be a continuing misunderstanding about the nature of U.S. expectations for Germany. We have not been asking Germany to stimulate growth through pump-priming and increased government expenditures. Rather, we have urged structural reforms, including tax, labor, and financial reforms, as well as reduced subsidies, that will provide longer term incentives for growth."

In short, the United States is applying political pressure against friendly governments, demanding that they eliminate social programs, in particular, on which those governments' political stability is founded.

While the American recommendations are hypocritical nonsense, the problem is that the West German economy is, in fact, falling. In a report to the Bonn government Nov. 25, regarded as a "surprise," the "five eco-

nomie wise men," heads of the major economic institutes, estimated fourth-quarter economic performance much lower than in previous forecasts. The sharp appreciation of the deutsche-mark because of dollar policy is cited as a major factor affecting export orders. The Munich IFO Institute reports their projection "shows an actual stagnation in total demand of combined domestic and exports for industry since the middle of 1985."

Japan and, to a smaller extent, West Germany, have enjoyed a relative stability in a world trading environment, in which the only growth since 1980 has come from the U.S. trade deficit. The 40% appreciation of the mark and yen over the past 18 months has hurt both countries badly. The U.S. administration's continuing threat to force the dollar downward, if its trading partners do not accept its demands, represents a devastating political weapon against West Germany in particular. The Kohl government is facing elections early next year in which the economic decline will be a principal issue.

However, the net effect of Treasury Department policy is to strengthen the hand of the monetary decouplers at the Bundesbank, who look toward a European monetary zone opposed to the United States; they are joined in this by former Chancellor Helmut Schmidt, who is pressing monetary decoupling in the context of a projected "Grand Coalition" to follow next year's elections.

Whatever these machinations imply, the currency markets are reflecting the chaos in the American economy and in Washington. Under present world circumstances, no economy is secure, and no currency represents a haven. However, the rate of unraveling in the United States will make the dollar the principal victim for the immediate future.

## The threat of 1930s-style deflation

*Federal Reserve policy notwithstanding, the effort to avoid price falls now means more price falls in the future.*

**T**he USX strike, the Japan-U.S. semiconductor agreement, the Canadian lumber tariff, and a variety of other seemingly disparate actions have a common source: the threat of a deflationary price collapse on the scale of the 1930s. The Federal Reserve's anxiety to avoid a 25-40% collapse in commercial real-estate values has been widely reported, as well as the financial system's inability to sustain real-estate prices much longer.

The problem with all of these measures is that they further reduce the real consumption level of raw and intermediate materials, creating the conditions for even worse deflationary pressures in the immediate future. In fact, the relative stability of prices between July and October may have ended with the fall of international oil prices to below \$15 per barrel, following Saudi Arabia's refusal to adopt additional production cuts Nov. 24.

The prices of all raw and semi-finished materials, were in a tailspin by early summer, when physical production began to fall at an annual rate of 15 to 20% in the United States.

The International Monetary Fund's commodity price index in July stood at only 69.3 (1980 = 100), against 77.4 in March, a drop of 12% in four months—a 36% annualized rate.

Meanwhile, the international oil price had fallen below \$10 per barrel. The steel industry, oil drillers, farm-

ers, and the financial institutions who lent to them were on the verge of a catastrophe that would have dwarfed the 1929-33 collapse.

The longest-ever strike in the history of the American steel industry has produced no shortage of steel, and not even an uptick in steel imports. On the contrary, it appears that USX, which locked out most of its workforce 117 days ago, forced the strike in order to shut down sufficient steel capacity to avoid a price-collapse in the industry.

According to industry analysts, some of USX's competitors, such as number-two producer Bethlehem Steel, have seen a marginal increase in orders. But most of the reported benefit to USX's competition has been the result of *price increases* in most steel categories.

USX's lockout appears to have been coordinated with the shrinkage of European steelmaking capacity imposed during the summer by the European Commission, under the direction of arch-cartelizer Viscount Davignon. The world steel industry stood on the verge of a deflationary collapse at the beginning of the summer, and responded with a brutal reduction in capacity.

Some of the big Wall Street investment houses warned in mid-July that the steel price collapse then in motion could bring down the entire industry, following the bankruptcy of

LTV Steel, one of the nation's top producers.

Paine Webber, for example, predicted on July 18, "The implication of the LTV bankruptcy is that flat-rolled steel prices, which have already fallen about \$30 a ton in the 'spot' market since June due to the collapse of orders in the second quarter, will fall a further \$30 to \$40 a ton. This would sharply boost the operating losses of all steel companies and raise further bankruptcy threats."

Among the major industrial commodities, the electronics industry stood to suffer most from a price collapse. The end of the computer boom, with hard times for the "sunrise industries" of the early 1980s, reduced demand for semiconductors; during September, semiconductor prices began to collapse at an alarming 44% annual rate.

One brokerage house warned in September, "Japanese integrated-circuit prices are 21% below a year ago and keeping severe pressure on margins. . . . Inventories are 29 days supply as of June. . . . Prices are still worsening, dropping at a 44% annual rate during September. [We] recommend watching chip prices on a weekly basis before purchasing any semiconductor stocks."

At that point, the Reagan administration stepped in with the supposedly "historic" trade-restriction deal with Japan, to reduce Japan's semiconductor shipments to the U.S. market. Domestic semiconductor prices stabilized, at least temporarily.

Similarly, Canada's imposition of an export-tariff on lumber puts a floor under U.S. lumber prices. Temporarily high because of housing demand earlier this year, they stand to fall drastically as housing starts keep falling. The Canadians apparently decided to take preventive action.

## Farm trade surplus at 14-year low

*But the U.S. food imports and foreign food investment are the highest ever: the case of broccoli.*

The official statistics for the trade year ended Sept. 30 released by the U.S. Agriculture Department show that the U.S. farm trade surplus dropped to \$5.4 billion, the lowest level in 14 years. U.S. food exports have dropped a full 40% in value since 1981.

At the same time, foreign investment in U.S. food processing and imports of raw and processed foods into the United States have increased yearly. The United States has now become a food-dependent nation, in contrast to the potentiality of the postwar U.S. farm sector which was to be the source of know-how, breeding stock, and high-nutrition foods (animal protein—meat and milk) to transform food output and nutrition levels around the globe.

Just the opposite has happened. The United States is becoming as food dependent as the Roman Empire, during its last miserable years of decay.

This is no "accident" or "oversight" of policymakers. The food cartels—traders in grain and other key commodities—have influenced government farm, trade and foreign policy to coordinate virtual slave-labor production in poor nations, and to broker these products to distribution channels in the United States and Western Europe, while cartel-related banks are getting usurious debt payments from the foreign currency earned in this trade flow.

The result is that poor nations are further impoverished, and once-suc-

cessful farmers in North America, Western Europe, Argentina, and Australia, and similar food-rich regions, are being shut down and dispossessed. Take one example: During 1985, 22% of the frozen broccoli consumed in the United States was imported, mostly from Brazil and Mexico, where fresh fruits, vegetables, and meat are needed desperately to upgrade diets at home. These nations also export beef to the United States.

This illustrates that the U.S. food import pattern is not based on a rational profile of tropical and semi-tropical products—coffee, tea, cocoa, spices, tropical fruits, and other farm commodities needed for import into the northern latitudes. The United States is importing what should be consumed in the country of origin, and what could be more easily grown at home. Broccoli is a classic example of how topsyturvy the trade patterns are. It is a cool weather, late harvest, cabbage-family crop, popular in the diet patterns of northern Europe.

U.S. agriculture exports were \$26.3 billion in the year ending Sept. 30, down 16% from the previous year and down 40% from a 1981 record of \$43.8 billion. U.S. imports of agricultural products rose by 6% to \$20.9 billion. For three months this year—May, June, and July—farm imports actually surpassed exports for the first time since 1959.

The United States posted a record agricultural trade deficit with Mexico in fiscal 1986, buying \$2 billion in

Mexican agricultural products and exporting only \$1.1 billion.

In addition to raw and bulk food commodities, processed food exports have dropped. U.S. processed food exports have fallen from a high of close to \$13 billion in 1981, down to about \$10.2 billion in 1985. At the same time, imports of processed foods have gone up to about \$12.5 billion a year. Imports exceeded exports beginning in 1983. Between 1980 and 1982, processed food imports ran between \$9.6 and \$10.3 billion, then shot up.

During the same time period, total foreign investment in U.S. food and beverage manufacturing has nearly doubled. In the past four years, it has gone up to around \$11.2 billion. More foreign investment is going into food processing than any sector except chemicals. For example, Mitsui & Co., U.S.A.—the fourth-largest grain exporter out of the U.S.—now wants to acquire food-processing businesses serving the American market with established U.S. brands. The Commerce Department will hold 14 seminars this year to help encourage foreign investment. In New York, a top dairy-producing and processing state, with a big market for all types of food, foreign companies employ one in five of the state's food workers.

The pattern is the same for the most common foods. In the past 10 years, there has been a fivefold increase in tomato product imports.

Also, specialty fresh food imports have increased. Sales of Norwegian fresh salmon have increased in the United States by 20% a year in the last three years. Flying Foods International, Inc., in New York, brings in fresh sole from Dover, U.K., turbot from the Netherlands, red snapper from South America, radicchio from Italy, and off-season fruit, such as kiwis from New Zealand.

# Business Briefs

## **International Trade**

### **Soviet 'new economic policy' to affect trade**

Soviet leader Mikhail Gorbachov's "new economic policy" will soon begin to have effects on Soviet foreign trade policies. A U.S.-Soviet trade conference held in mid-November in Moscow discussed forms of joint ventures, including jointly owned production facilities in the Soviet Union.

According to a spokesman of the conference, "The Soviets are also reorganizing their foreign trade system by giving direct export and import authority to some local enterprises and ministries. . . . The first phase, beginning in January 1987, will involve the granting of direct trading authority to a group of 20 ministries and 67 enterprises."

The European Economic Commission on Nov. 24 received a letter from Soviet Foreign Minister Eduard Shevardnadze, offering exploratory talks between his government and the European Community, the existence of which the Soviet Union has never officially recognized.

## **South Africa**

### **Kodak pullout hurt economy**

Eastman Kodak is withdrawing under terms that one analyst called "the stiffest" of any U.S. firm so far. Kodak, one of the longest-established foreign firms in South Africa, announced on Nov. 19 that its assets in South Africa would be liquidated by next April 30, and that no Kodak unit in the world would be permitted to supply products to South Africa.

Azar Jammine, chief economist of the Johannesburg-based Econometrix marketing and market research firm, said that local companies would find it virtually impossible to replace Kodak's products and technology.

This is an example of the "technological rundown the country is likely to experience as a result of disinvestment," Jammine said.

Meanwhile, in connection with the terms

negotiated by the head of Barclays Bank in the sale of their assets to the South African Oppenheimer interests, one consultant to the South African Federal Reserve Bank said, "With friends like these, who needs enemies."

"But a pullout this big must have something big behind it." It is expected that Barclays will withdraw from the so-called debt standstill between South Africa and its short-term debt creditors, signaling a possible escalation of financial warfare.

South Africa's announced policy is to answer serious economic warfare with a debt moratorium. Debt discussion meetings had been scheduled for April 1987.

## **Management**

### **Just what the space program doesn't need**

An article in the Nov. 22 Sunday *Washington Post* Magazine reports that Mona Tycz, a NASA engineer at the Goddard Space flight center in Greenbelt, Maryland, convinced her supervisors to hire Werner Erhard and two associates from his firm Transformational Technologies Inc., to hold sessions with 47 managers of the center.

Forty-five thousand dollars later, Tycz reports: "What surfaced is the need for a whole new arena of mastery in management, one that comes to grips with the phenomena of the dance between an organization's cultural capacity and the unfolding of program accomplishment. It's not a problem that needs to be fixed. It's an opportunity . . . that hasn't been available in the past because it wasn't needed in the past. It speaks to where we are."

## **Foreign Debt**

### **Soviets back debt symposium**

Radio Moscow reported favorably Nov. 21 on the proceedings of an "international debt symposium" in Argentina. The conference called for "refraining from paying foreign debt," and treating foreign debts as "immo-

ral, given the social and economic conditions on the continent" of South America.

Radio Moscow said that investments from the advanced sector are at their lowest level in decades in South America and that the advanced-sector nations have imposed prohibitive tariffs on goods from South American countries.

The conference participants "denounced the United States for escalating the arms-race," claiming that the money spent on armaments, would be better spent on development. Finally, Radio Moscow said, the participants denounced U.S. actions in Nicaragua.

## **The 'Recovery'**

### **Japanese, German growth rates down**

The Japanese economic planning agency is revising downward its official economic forecast for fiscal 1986, a government source reported Nov. 12.

The Japanese economy is unlikely to reach its goal of 4% growth. It is more likely that growth will be in the 3.5-3.8% range, the source said, according to the *Japan Times*. This was the first time that a top government official admitted that the official growth target might not be met.

Meanwhile, West German economic growth estimates have also been lowered to below 2.5%. In a report to the government regarded as a "surprise," the "five economic wise men," heads of the major economic institutes, estimate the economy's fourth-quarter performance will be much poorer than previously expected.

## **Development**

### **Gandhi organizes Africa fund**

Indian Prime Minister Rajiv Gandhi set up an "Africa Fund" at the Harare, Zimbabwe summit of the Non-Aligned Movement. The purpose, Rajiv said in recent statements, is to provide the front-line states, those African nations bordering South Africa, with

## Briefly

infrastructure and communications, to free their economies from total dependence upon South Africa.

Gandhi has placed one of his top people on the Fund full-time, and Indian engineers are already in the front-line states drawing up feasibility studies for infrastructure projects.

The Africa Fund includes India, Peru, Algeria, Nigeria, Congo, Zambia, Zimbabwe, and Yugoslavia. Efforts by the Cubans and North Koreans to join the Fund were blocked by Gandhi, since he wants the Fund to organize funds for African development from the United States and Western Europe.

Press reports from Harare said the Africa Fund's purpose is to establish a fund for military armaments, etc., for the front-line states. But Gandhi says this is not the case.

### **Biological Holocaust**

#### **AIDS hits thousands in Japan**

There are 11,000 AIDS virus-carriers in Japan, according to Takashi Kitamura, Director of the Department of Enteroviruses at the National Institute of Health. Kitamura's statements were reported in the *Japan Times* Nov. 21.

Twenty-one full blown cases have occurred to date, with 13 dead. Kitamura said he expected the AIDS cases to reach 1,500 in three years.

The known cases include 10 homosexuals and 11 hemophiliacs, but the reluctance of Japanese homosexuals to admit that they could be AIDS carriers is hampering control efforts.

The Japanese Health and Welfare Ministry has approved production of an AIDS test drug. The drug, developed by Fuji Rebio, Inc., in cooperation with Yamaguchi University, reduces the time needed to detect AIDS from the 3½ hours needed by conventional methods to 2 hours.

"AIDS: The Growing Threat" was the lead editorial of the *Japan Times* on Nov. 17. Although repeating the "sexual and shared needle" transmission line, the editorial states that no country or people can isolate themselves from AIDS. "Only 21" cas-

es of AIDS have been reported in Japan, the editorial states, but recently an infected Filipino woman working in a bar exposed at least 50 men to AIDS. "Japan can no longer stand aside from the campaign against AIDS," the editorial states.

### **The Debt Bomb**

#### **Mexican debt piling up**

Mexico will have sent \$100 billion abroad in interest payments during this decade, if it pays its debts as contracted. That is much more than all the loans received between 1976 and 1986.

The Mexican government plans \$40 billion in new public debt in 1987, according to the plans that Finance Minister Gustavo Petricoli presented the Congress Nov. 19. A planning ministry official told UPI, "It has been decided to adopt a series of accords which would permit obtaining enough resources for the new plan."

Mexico is spending far more than budgeted for debt service. By the end of September, it had paid 7% more than the entire year's allocation for interest and 23% more than the total for amortization.

### **Africa**

#### **Buthelezi harsh against sanctions**

Gatsha Buthelezi, chief minister of Kwa-zulu/Natal met Nov. 24 with President Reagan and cabinet members, telling them divestment and sanctions against South Africa could spark more violence. Speaking at the National Press Club, Buthelezi said:

"It would be a very grave mistake if the United States opted out of the situation. . . . In the long term, sanctions and divestment can only benefit those who believe that violence is the answer in South Africa. More desperation will be created by escalating poverty."

A White House spokesman said Reagan's 10-minute meeting with Buthelezi was warm and cordial.

● **'THE SPANISH** government suspended certain sanitary standards for meat imports," the Spanish daily *El Pais* wrote on Nov. 11. This means it will not be obligatory to indicate on the meat the date the animal was slaughtered. Spain is also permitting fruit imports from Eastern countries, which have been rejected by other EC countries for fear of contamination after the Chernobyl nuclear disaster.

● **PERU'S JUAN REBAZA** was promoted from general manager of Pesca Peru, the state-owned fishing and seafood-processing company, to chairman of the board, at the end of November. Rebaza was a founding member of the Ibero-American Trade Union Commission of the Schiller Institute. The fishing industry plays a key role in President Alan García's economic recovery program for Peru.

● **GOODYEAR TIRE & Rubber Co.** announced on Nov. 21 that it would close its Kelly-Springfield Tire operations in Cumberland, Maryland. The shutdown will put up to 1,675 people out of work—about 5% of Cumberland's workforce. Cumberland officials said the closing would hit the local economy hard. "It's going to be a bad period of time," said Mayor George Wycoff, Jr. "From McDonalds to Sears-Roebuck, the impact is going to be felt."

● **TEXAS** has recently been hard hit by a new wave of layoffs. Pennzoil, in Houston, has announced it will lay off 330 employees, after having laid off 600 earlier this year. Texas Instruments is laying off over 200 people at its Stafford semiconductor plant, as part of a previously announced layoff of 1,000 employees worldwide.

● **ARGENTINA'S** economy collapsed in October. Most dramatic was steel, down 18%. Electricity consumption in textiles was down 6.6%, food products 2.4%, wood products 2.3%, chemicals 7.2%, and basic metals 13%. Capital goods fell by 11% from the previous month.

## The difference between LaRouche's and Teller's role in creating SDI

by Lyndon H. LaRouche, Jr.

The fact that the Soviet government has successfully ordered a corrupt Department of Justice to violate savagely the human rights of my friends and me, obliges me to summarize my authorship of what is known today as the Strategic Defense Initiative (SDI). Notably, this Soviet demand was based on the Soviet perception of my authorship of SDI. The corrupt elements inside the Justice Department which authored the Leesburg raid of Oct. 6-7, 1986, are factional opponents of the SDI.

The authorship of SDI as presented by the President, is chiefly the combined work of Dr. Edward Teller and myself. Dr. Teller and his friends deserve the credit for the most important work on the physics side, whereas I am responsible for designing the overall policy employing these "new physical principles." The difference between the narrower scope of Dr. Teller's contributions, and my own broader considerations, is essential for understanding how a deployed SDI will actually function strategically, and is also key to understanding why the Soviets blame me most bitterly, rather than Dr. Teller, for authorship of this policy.

The version of SDI which President Ronald Reagan has repeatedly presented to the Soviet government, is an approach to strategic ballistic missile defense which I identified to the U.S. government during 1981, and first reported publicly at a Washington, D.C. conference during February 1982.

My February 1982 proposal won the admiration of a person then associated with me, Dr. Steven Bardwell, who worked through a preliminary design for a "layered" strategic ballistic missile defense, during the spring of that year. During the middle of 1983, Dr. Bardwell broke with me and SDI, because of massive personal pressure upon him by Soviet agents; however, his June 1982 report remains a contribution to the elaboration of an SDI.

Later, during the autumn of 1982, Dr. Edward Teller took up the cudgels for SDI. He and his younger associate, Dr. Lowell Wood, are chiefly responsible for promoting the physics side of the kind of design I have proposed. All the relevant indications are, that Dr. Teller's role was probably decisive in prompting the administration to adopt what has become known, since March 23, 1983, as SDI.

### Military policy

Although Gary Hart picks out isolated, de-activatingly accurate points of ridicule of current military planning, this ridiculing of current Pentagon policy is sheer rhetoric. Present policy is very, very bad, but what Taylor, Hart, and other radicals propose as an alternative is virtually stone-age savagery.

The technological foundation of competent U.S. military policy is the "crash development" of antimissile particle-beam weapons in the spectrum from chemical-powered x-ray lasers on up to higher-energy-density relativistic beam devices based in spacestations. Any strategic military policy which is not centered upon that commitment is sheer incompetence and therefore travesty.

A few exemplary points are sufficient to demonstrate this case.

There is no security in nuclear-arms reduction, for two reasons. First, a thermonuclear war involving merely 10 percent of present levels of military warheads would be sufficient to generate radioactive clouds and other effects which would obliterate annual life expectancy following detonations, apart from CT billions to trigger gas.

Therefore, all commitment to space missiles is null and void, as the capability for defense remains targeting U.S. destroy the launch prevent such third-party war between the most not honor the launch nuclear war, directly either the U.S. forces.

Additionally, the proposal to improve capabilities of submarine-launched "second-strike" categories is becoming absurd. New technologies render submersible, even of the Soviet titanium-steel variety, increasingly detectable for "first-strike" neutralization. This writer is aware of at least two distinct technologies which might succeed in this function.

In short, so long as thermonuclear weapons remain the only viable means of acceptable strategic defense of the United States, it is possible.

The proper method for eliminating nuclear weapons is to develop and deploy the means for making such weapons strategically ineffective, by advancing to new weapons systems which can assure a terminal 99 percent "kill" of all missiles (the article) in mid-flight. Warfare is then shifted strategically to space-based relativistic-beam technologies-based systems.

The basic problem with all military hardware development is the economics of military hardware.

The Soviet and Probing missiles are essentially merely updated versions of the Penetrate 300 and V-2 missiles respectively. The new battle tank is a sad product of the influence of his "strategic thinking," contributing to the already-depleted Soviet ICBM and SSBN inventory is the new ICBM and SSBN.

As the International Institute of Strategic Studies (IISS) also notes on this subject: The expanded British nuclear force, from a limited range of military technology, together with the on-site designed for H-21 deployment, now proposed to be highly mobile, is a step toward the development of merely hardened old missiles.

The basic problem with all military hardware development is the economics of military hardware.

EIR March 2, 1982



The technological foundation of competent U.S. military policy is the "crash development" of antimissile particle-beam weapons in the spectrum from chemical-powered x-ray lasers on up to higher-energy-density relativistic beam devices based in space stations. Any strategic military policy which is not centered upon that commitment is sheer incompetence and therefore travesty.

The basic problem with all military hardware development is the economics of military hardware.



Lyndon LaRouche, speaking at Washington's Dupont Plaza hotel on Feb. 17, 1982, when he laid out the beam-weapons strategic doctrine. Inset: an article written at that time by LaRouche and published in the March 2, 1982 issue of EIR.

Since April 1983, my authorship of SDI has been increasingly obscured in the news media of Western Europe and the United States, although not, most notably, in the Soviet press. Since then, in the European and U.S. public, the meaning of SDI is usually seen as a matter of debate between the proposals of Dr. Teller and the "Rube Goldberg" scheme of Lt.-Gen. (ret.) Daniel P. Graham. Usually, those who support my policy in their private discussions, identify themselves publicly as supporters of Teller.

The question posed is this. Since I agree with Drs. Teller and Wood on their known SDI proposals, does it make much practical difference if my earlier authorship of the proposal is ignored in current discussions of the SDI? The answer to that question, is a very definite, very loud "Yes." Without those aspects of my proposal which Dr. Teller and his friends strongly, and wrongly oppose, the SDI would not succeed as a strategic doctrine.

These specific differences between Dr. Teller and myself, are at the center of what the Soviets themselves accurately describe as their motives for continuing a dialogue with Dr. Teller, while ordering the U.S. government to kill me. Therefore, while taking into account the very important areas in which Dr. Teller and I agree fully, there can be no competent understanding of SDI as a strategic doctrine, without stressing the differences between us.

The difference between Dr. Teller and myself, is essentially a matter of economic science, a long-standing, sometimes bitter controversy between Teller and me, dating from approximately a decade before March 23, 1983.

Drs. Teller and Wood agree fully with important parts of

my contribution to the economics side of SDI. For example, Dr. Wood has supported publicly the fact that, using "beam-weapon" and related advanced technologies, the U.S. could kill a dollar's worth of Soviet missile for about ten cents, a support of the line of argument I presented during 1982. The U.S. government has adopted officially my argument, that the expansion of the U.S. tax-revenue base caused by "spillover" of SDI research and development would contribute far more to national revenues than SDI itself would cost. Dr. Teller has made statements to the same general effect.

Despite these important areas of our mutual agreement on the economics of SDI, Dr. Teller rejects those principles of economic science upon which I based these arguments. He has so far rejected the most crucial feature of the design of SDI as a new strategic doctrine. By his failure to ally with me openly for more than a brief period during 1984, Dr. Teller has done great damage to our common cause. He is a lovable curmudgeon, an appellation which I hope I too would deserve, but he has a spoiling character-flaw, a flaw which bears directly upon his wrong-headedness on the subject of economics, and is the source of his embittered personal differences with me.

Were he and I to collaborate directly, we would reach agreement on all the technical features of SDI weapons-systems, about as rapidly as two curmudgeons might ever reach such agreement. We would probably come to agreement rather quickly on all the crucial features of design of both a Mark I and Mark II SDI system. He would probably attack me savagely, in his fashion, on some of my technical proposals, because that is his personal style. However, in

what he would propose, he would probably be right enough that I would agree to support his design specifications. In that qualified sense, we would probably come to agreement on all important matters of this sort.

So, at first glance, the areas of controversy between Teller and me might seem very narrow ones: his lingering personal animosity against me from the 1970s (over the issue of the economic "logic" of fusion-energy development), and his opposition to the principles of economic science. Admittedly, relative to the matters of designing a workable SDI system for deployment, we have no disagreement in principle. However, my strategic doctrine goes much further and deeper than merely a deployable SDI system.

So, putting to one side all the aspects of SDI on which Dr. Teller's position and my own are essentially the same, the area of difference between our SDI policies is an extremely important one. The difference involves life-or-death questions for the existence of not only our nation, but Western civilization as a whole.

It is important that this area of difference be brought to public attention, in addition to being stressed to responsible officials of the U.S. and our allies. This matter should be posed in the context of the question: "Why does the Soviet government demand that the U.S. kill me, because of my role in authorship of SDI, while the same Soviet government treats another author of the same SDI, Dr. Teller, almost mildly?" That question helps to expose the importance of the practical differences between Dr. Teller and myself.

### **The popular versus the competent definitions of strategic doctrine**

The popular definition of strategy is a wrong one, by virtue of being much too narrow. The popular definition of strategy, like the popular definition of warfare, is limited to what is called "regular warfare." Since World War II, and especially since the late 1950s, the popular definition has been expanded to include what used to be called guerrilla warfare, under the Madison-Avenue-like slogan-name of "low-intensity warfare." The more general, more fundamental forms of warfare are ignored.

Insofar as SDI is defined as a weapon of regular warfare, in the popular sense of "regular warfare," there are either no differences between Dr. Teller and myself, or only secondary ones. It is when warfare is considered in its broader and more fundamental aspects, that there appear those very important differences which cause the Soviet dictatorship to fear and hate me more than any other living person.

I have supplied the correct definition of warfare in a published paper I have written as a complement to Professor von der Heydte's modern classic, *Modern Irregular Warfare (Die Moderne Kleinkrieg)*. [Extensive excerpts are in *EIR*, Vol. 13, No. 39, Oct. 3, 1986, pp. 36-47—Ed.] Briefly, regular warfare is "the continuation of irregular warfare by other means," the deployment of military force as an arm of

conflict between two cultures.

To sum up my argument in that location: A state of warfare comes into being when the differing cultures of either two states, or, at least, the existing governments of those states, causes the two states to adopt irreconcilable, implicit foreign-policy objectives. In the extreme case, the one culture attempts to impose itself upon nations of a different culture. More generally, the conflict arises from culturally irreconcilable differences respecting relations among states generally. Whenever two states are implicitly committed to such a conflict in either or both of national-domestic or foreign-policy aims, a state of warfare comes into being. This state of cultural warfare may or may not lead to regular warfare.

Even in the case of regular warfare, it is cultural warfare, not military means as such, which decide the outcome.

Culture operates in three relevant ways:

1) Most generally, and most fundamentally, culture determines how the people and institutions of a nation think and act, including their capacity to sustain warfare in all forms in the most adverse circumstances.

2) Culture is expressed most efficiently in the guise of the dominant institutions of a nation's private and public life, including churches, institutions of government, and the national economy.

3) The capacity, in depth, for conducting all forms of warfare, including regular warfare, is an elaboration of both the general culture of the nation, and of the institutions expressing that culture. Economic strength and means of regular warfare, are prominently included among these capacities in depth.

My standpoint in strategic thinking, upon which my design of the SDI is based, is global cultural warfare between the Soviet empire and those cultural principles of Western civilization upon which our Declaration of Independence, our War of Independence, and our original Constitution were based. In my approach to strategic doctrine, the means for winning a possible general form of regular warfare are but an extension of the means for winning the war without resort to regular warfare. In my approach, I start from the design for winning the peace, and develop a design of war-planning consistent with such winning of the peace.

From my standpoint, the design of war-plans must satisfy two requirements simultaneously. First, more obviously: We must anticipate the possible eruption of regular warfare, and must design a military instrument and economy assuredly capable of surviving and winning such a war with the relative minimum of losses to our nation and its allies, in the most rapid fashion, and by the minimum military exertion possible. Second, the preparations for possibility of regular warfare must be consistent with winning the cultural war by peaceful means, without resort to regular warfare.

It was the conjunction of these two requirements with

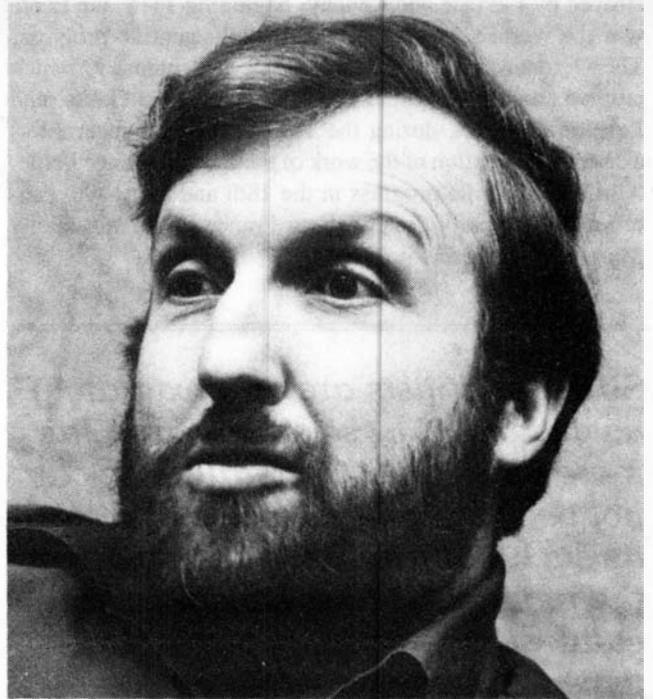
known technologies of warfare, which guided me to devise what has become known as the SDI. I did not start from the mere use of "advanced physics principles" for strategic defense. I started from the design of a strategic doctrine, and then adopted the SDI as a key element of the war-planning made necessary by that strategic doctrine.

The model I emphasized for my approach to strategic doctrine was the combined work of France's Lazare Carnot and the Prussian reformers, Scharnhorst, Wilhelm von Humboldt, and Freiherr vom Stein. Scharnhorst's work adopts all of the crucial features of Carnot's revolution in warfare, as part of a Prussian doctrine richer, and more developed than Carnot's. However, from the standpoint of the SDI, the most crucial feature of modern military science is the measures taken by Carnot during the period 1793-95 he served as the "organizer of victory."

To grasp the connection, it should be remembered, that Carnot assumed command of the military forces of France at a time, during 1793, when the defeat, occupation, and dismemberment of France seemed inevitable. During approximately two years, Carnot rebuilt and led the French military forces, effecting what became the greatest revolution in military science since the 15th-century developments in Italy and Louis XI's France. All of the later victories of Napoleon Bonaparte depended upon Napoleon's often militarily clumsy use of the greatest military instrument then in existence, the military instrument created by Lazare Carnot. (One should read the great von Schlieffen's *Cannae: The Principle of the Flank*, a work soon to appear in an English translation, for the best professional military assessment of Napoleon's relative mediocrity as a personality.) Compared with Frederick the Great, or Carnot, Napoleon as a military commander was relatively a slob, although, admittedly, vastly superior to such meat-wall tacticians as Wellington or Montgomery.

The foundation upon which Carnot's revolution in arms depended, was his design of France's war-economy, including such features as the massed deployment of relatively highly mobile field-artillery and new dimensions of mobility and firepower, in using rapid mobile development to demolish armies based on 18th-century "cabinet warfare" doctrines.

Movement and logistics of rapid movement, are the elements most characteristic of the orders Carnot issued during the critical 1793-1795 period. The late George Patton would have qualified as the model field commander in Carnot's eyes, and MacArthur as the ideal type for a general of armies. Unlike many misguided U.S. professionals, Carnot, Scharnhorst, and von Schlieffen, express an approach to strategy opposite to that represented by the famous Savigny's assessment of Napoleon's battles. Economic science is the key to deeper understanding of mobility and firepower. Thus, economic science, rightly understood, is the centerpiece of strategic doctrine.



Lowell Wood of Livermore Laboratory, who with Dr. Teller is chiefly responsible for promoting the physics side of the kind of SDI design LaRouche proposed.

By "economic science, rightly understood," we must understand two things, chiefly. First, we must understand an approach to economics, as economics, which adequately reflects culture more generally. We must be able to speak only the language of economic science, and yet be taking into account, implicitly, the relevant, non-economic sorts of key cultural factors. Second, we must define all aspects of regular warfare in the language of economic science.

On the second of these two points, mobility and firepower in military arms are interchangeable, as a matter of principle, with physical productivity in economy. This was the essence of Carnot's approach to a revolution in warfare.

Carnot, like his collaborator, and former teacher Gaspard Monge, was educated by the French teaching-order, the Oratorians, and thus imbued with the general economic doctrine of the great 17th-century organizer of modern economy, Jean-Baptiste Colbert, and also deeply imbued with the work of Gottfried Leibniz. The key to Carnot is expressed by the 1794 founding of Monge's Ecole Polytechnique under his sponsorship. The Ecole was a continuation of the work of both Colbert and Leibniz. Like the science institution, established by Colbert, where Leibniz founded economic science and developed the differential calculus, between 1672 and 1676, the Ecole was designed as a scientific institution based on Leibniz's economic science and physics, and committed to being a science-driver for the economy of France.

From its founding in 1794, until it was virtually de-

stroyed by LaPlace and Cauchy, beginning 1815, the Ecole was the world's center of fundamental scientific progress. The German preeminence in science and industry, which erupted around Alexander von Humboldt, Karl Gauss, and Lejeune Dirichlet, during the 1827-66 period, occurred as a direct continuation of the work of the Carnot-Monge Ecole. All U.S. scientific progress in the 18th and early 19th centuries came chiefly directly from France, and later chiefly from Gauss's Germany.

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*Soviet scientists are approximately as good as U.S. scientists, and far more numerous. Generally, we can not beat them in the science sector as such; we can beat them only on the production line, because of the cultural superiority of our labor force to theirs.*

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Although the principles of design of machinery and weapons were first elaborated by Leonardo da Vinci, and although the principles of the industrial revolution in powered machinery were discovered by Leibniz, the modern theory of technology of machine-design was developed directly by Carnot, Monge, and their Ecole collaborators. The work of Gauss and his collaborators, in creating the modern theory of complex functions and electrodynamics, was a revolutionary continuation of incompleting discoveries by the Ecole.

Physical productivity of labor, per-capita, expresses the relative power of a society, a culture. This is expressed as the ability of a society to sustain a large population at an improved standard of well-being in an average square kilometer of land-area. This increase of potential population-density is the economic measurement of man's increased power over nature, and, if need be, over other nations.

With certain implicit qualifications, regular warfare means chiefly the effective application of economic superiority of this sort to means of warfare. More broadly, such economic superiority is the essential correlative of a culture's power to win the peace. This does not mean that the nation with the more powerful economy necessarily wins the war; to win war, a superior economy must make effective military use of such potential. With that qualification, economic superiority is essentially decisive in war, and also in winning the peace.

This was not the entire basis for my design of a strategic

doctrine centered upon the SDI, but it is the general setting in which my crucial principles are located.

At the close of 1982, I had occasion to present my design for the SDI to top military representatives of France. They wished to understand my design for strategic ballistic missile defense both as a project in which France might cooperate with the United States, and as a European undertaking attuned to the special war-planning needs of our European allies. Asked by them for my (1982 prices) price-tag on what is now called SDI, I informed them that I estimated a \$200 billion price-tag for deployment of a first-generation multi-layered system of global strategic defense, and continued expenditures totaling to about \$1 trillion (1982 U.S. dollars) by the end of this century.

One French military official exclaimed: "Your policy is technological attrition."

"Precisely," I replied.

What the French general meant by "technological attrition," was his recognition of the fact that what I was proposing was not one fixed system of strategic defense, but a rather rapid succession of technologically more advanced such systems.

In my strategic doctrine, I have designed SDI in a way which pits the crucial cultural superiority of our Western civilization, directly against the greatest vulnerability intrinsic to Soviet culture. I have pitted our labor-force's disposition for high rates of technological progress, against the more "traditionalist" instincts of the Russian peasant-mentality in Soviet industry. I have used both the experience of the 1940-43 U.S. economic mobilization, plus the experience of "crash programs" such as Carnot's, the German Peenemünde project, the Manhattan Project, and the Apollo project, to bring a most advantageous, additional dimension into play in our resistance to Soviet imperial aggression.

It is this aspect of my design of SDI which frightens the Soviet command to the degree that they fear and hate me more than any other living person. In our late-1982 and subsequent meetings, my French military friends were pleasantly amused by this obvious connection. Educated Europeans, especially from those patriotic families which have maintained devotion to the professions of military and statecraft over generations, have an immediate sense of history almost entirely wanting in literate Americans; from the same vantage-point, they understand the historical force of culture in a way which almost no American can. On that account, Europeans have often told me that I am one of the few Americans they recognize as understanding the world from a cultured European's standpoint. Hence, my insight into the role of technological attrition in strategic doctrine, infuriated the Russians beyond measure, and amused the relevant French.

I specified that we must develop approximately four successive strategic-defense systems over the 18 years, 1982-2000. The first, Mark I, would be a workable defense of

the sort we could assuredly deploy for limited, but strategically significant global defense within five years' work on a "crash program." The second, Mark II, would be an improved system deployed three to five years later, followed by an improved Mark III, and then a Mark IV. On condition that we did this as a cooperative undertaking with Japan and with our European allies, this schedule was a feasible one: Had the U.S. committed itself to a "crash program" immediately following the President's March 23, 1983 announcement, we would have a global strategic defense in place by approximately 1988.

The Mark IV strategic defense would eliminate all intercontinental and depressed trajectory Soviet missiles on the basis solely of the fact of the launching of such missiles. The response would be fully automatic, and destruction of about 95% of such missiles assured. Soviet missiles would be destroyed at launch, during boost, during mid-course trajectories, at descent toward target, and, finally, warheads eliminated in the near descent through modes of terminal defense. By assigning each of the layers of defense to "kill" at least 50% of the missiles or deployed warheads targeted by it, the desired kill-ratio of total missiles deployed would be achieved.

The Mark I strategic defense would achieve more modest kill-ratios, but sufficient to prevent a Soviet "first strike" from achieving a war-winning effect. This would deter Moscow from launching such an attack beforehand. Mark II and Mark III would be successive improvements.

Such technological attrition is indispensable to a strategic defense. Although the usual talk about Soviet countermeasures against SDI, from SDI opponents, is nonsense, there are sophisticated countermeasures which could be developed within a few years after any new system of defense is deployed. Therefore, we must replace Mark I with Mark II before Moscow has developed deployable countermeasures against Mark I, and deploy Mark III before Moscow could deploy effective countermeasures against Mark II.

Thus, although a good Mark I system, of the type my collaborators and I presented during 1982, could have been deployed by 1988, at a cost of approximately \$200 billion (1982 dollars), the total cost by about A.D. 2000, would be in the order of \$1 trillion (1982 dollars).

My strategic doctrine took SDI beyond pitting present levels of U.S. capabilities against present levels of Soviet capabilities. I shifted the equation, from fixed levels of technological capabilities, to pitting a high rate of U.S. technological attrition against a slower rate achievable by Moscow. Moscow lies when it asserts that SDI is a "first strike" weapon; however, Moscow has insisted, since the close of 1982, that it will resist U.S. deployment of SDI, because my design would ensure a growing margin of U.S. technological superiority over Soviet assault-potential.

Soviet scientists are approximately as good as U.S. scientists, and far more numerous. Therefore, in the matter of

any military application of presently developed technologies, the Soviet military sector has a growing margin of advantage over us. Generally, we can not beat them in the science sector as such, at least not presently; we can beat them only on the production line, because of the cultural superiority of our labor force to theirs. Our industries can be geared up within a few years to the point our factories can assimilate scientific innovations at a high rate. Soviet scientists might match ours, but the Russian factory worker can not match the American, the German, the French, the Japanese, in ability to assimilate technological innovations rapidly.

It should be clear now, why I identify my strategic doctrine as a peace-winning doctrine.

### **My quarrel with Teller**

The key question is: Exactly what was my own personal discovery in the design of SDI? It is in this area, that my quarrel with Dr. Teller's Lawrence Livermore has been a longstanding one.

The general feasibility of strategic defense against thermonuclear missiles was first identified by Soviet Marshal V.D. Sokolovskii, in his 1962 *Military Strategy*. At a time when the U.S. was concentrating on high-speed interceptor rockets (the 1962 system which Daniel O. Graham copied into his "High Frontier" program), the Soviet military was already concentrating research into lasers and other "new physical principles," more powerful than interceptor rockets. By 1969, when Henry A. Kissinger began pressing for an end to U.S. strategic-defense efforts, the Soviets had already begun development on systems of this sort, and had revealed this to the Pugwash Conference of which Kissinger was a member. By the middle to late 1970s, scientific proof of principle had been established for a wide range of "beam weapons" suited for such missions as killing missiles and their thermonuclear warheads.

In no sense, did I personally "discover" the feasibility of a "beam-weapons"-centered strategic ballistic missile defense. Ten years earlier, in the course of Henry A. Kissinger's treasonous role, in steering the U.S.A.-Soviet ABM treaty through the Congress and under President Nixon's pen, the signatories to that treaty had explicitly stipulated that research and development of anti-ballistic-missile systems based on "new physical principles," was exempted from the general restrictions of the treaty.

All that I did, respecting the physics of strategic ballistic missile defense, was to bring together proven physics principles already worked out at places including Dr. Teller's Lawrence Livermore National Laboratory. I used the accumulated knowledge of such potential weapons, which I had assembled, bit by bit, over a period of about 10 years prior to 1982. I put these proven principles on the table, so to speak, and fitted them together as one assembles the pieces of a jig-saw puzzle. This aspect of my design deserves a pat

## Dr. Edward Teller: a brief biography

Born in Hungary in 1908, Edward Teller went to Germany when he was 18 to study mathematics, chemistry, and physics at Karlsruhe, Leipzig, and Göttingen—and to escape the anti-Semitic regime of Miklós Horthy, which had ousted the equally repressive Hungarian Bolsheviks. In Germany he discussed the frontiers of physics with the leading physicists of the time—Arnold Sommerfeld, Werner Heisenberg, Erwin Schrödinger, Albert Einstein, Max Born, and Max Planck. Hitler's anti-Semitism interrupted these studies, and after a year in Denmark working with Niels Bohr, Teller came to the United States in 1935 to assume a professorship in physics at George Washington University. He brought with him his new bride, Mici, the younger sister of a close childhood friend.

During the Manhattan Project, Teller was involved in the construction of the first atomic bomb and is known familiarly as the "father of the H-bomb." After the war, he taught physics at the University of Chicago and then became associated with the new Lawrence Livermore Laboratory, first as a consultant and later as associate director until 1975.

Teller's theoretical work has been wide-ranging, from the structure of the nucleus, to fusion power, to peaceful nuclear explosions, to reactor safety systems. It is in the political arena, however, that Teller made his mark internationally as an advocate of a strong defense (as opposed to arms control), an opponent of classification in science, and a proponent of atoms for peace to raise the living standards in the developing sector. With his characteristic

pungent wit, Teller told his biographers: ". . . I still believe that a physicist should be a physicist and not a politician, but I did become a politician, and I became one in self-defense. Now I know that self-defense, in some cases, justifies murder. Whether it ever justifies becoming a micro-politician, I don't know."

Because of his H-bomb "child," Teller was reviled by the liberal academic community as a warmonger who wanted to drop bombs on civilians, while J. Robert Oppenheimer, his boss in the Manhattan Project, is touted as the peacenik. In reality, it was Teller who counseled against dropping the atomic bomb on Hiroshima and Nagasaki, while Oppenheimer advised bombing Japan without warning.

Teller argued during and after the war for the development of the more powerful hydrogen bomb, because he wanted to push the technology as far and as fast as it would go for scientific reasons. He also knew that this was exactly what the Soviets were doing. Because he and his family had suffered directly under communist rule, Teller maintained a more realistic view of the Soviet empire and its arms control promises than his Pugwash colleagues. In 1953, Teller incurred the wrath of many fellow scientists and friends by testifying at hearings on Oppenheimer's security clearance that he thought Oppenheimer's postwar opposition to H-bomb development had delayed the development of the thermonuclear bomb about four years. Interestingly, these same scientists who ostracized Teller at that time, 30 years later opposed Teller on the SDI.

When asked, at a talk on beam defense at the Center for Strategic and International Studies in January 1983, why he made no mention of how a crash program to develop beam technologies would force a revival of the economy, Teller replied, "Economics is not my cup of tea."

on the back for excellent, persistent staff work, but does not represent my original discovery in any strict sense of discovery.

What I accomplished, as no one had accomplished this before me, was to prove the economic feasibility of a high rate of technological attrition in deployment of SDI. My proof of feasibility involved the following points:

- 1) Just as the Apollo Project had more than paid for itself through technological spill-overs into the U.S. economy, so the SDI would pay for itself.

For example: In my design, we would spend about \$1 trillion (1982 dollars), in total, for successive deployment of Mark I, Mark II, Mark III, and Mark IV global strategic defense by approximately the year

A.D. 2000. The net cost of this would be less than zero, because the increased tax-revenue of the federal government, generated by SDI "spill-over," would be far more than \$1 trillion spent.

In this sense of SDI as "a commercial proposition," SDI is not an added expense, but is a sound investment, which will pay the government back several times more than the total paid-out investment.

We can spend for such SDI all day long, and be the richer, the more we spend.

- 2) Provided the overwhelming majority of SDI weapons is based on advanced physics principles, rather than Daniel O. Graham's technologically obsolete, and unworkable "kinetic-energy weapons," it will be far cheaper to kill a thermonuclear missile than to

produce and launch one.

One of the problems of kinetic-energy weapons, is that it costs more to kill an average missile than for the adversary to produce an added missile. Therefore, for these economic reasons, the adversary can supersaturate the defense with offensive systems and related countermeasures. To attempt to make Daniel Graham's "High Frontier" workable, on paper, we would have to spend at least 3 to 10 times as much as the Soviet cost for the missile-fleets they are deploying. In reality, the "High Frontier" system is a military farce: Since Graham's systems are based on low-orbiting platforms, they can be easily destroyed by Moscow a few seconds prior to Soviet missile-launch.

3) The superior economy and effectiveness of defensive weapons-systems based on "new physical principles," such as lasers, is that the mobility and fire-power of such weapons is several orders of magnitude greater than that of both offensive and defensive kinetic-energy weapons.

Hence, Dr. Lowell Wood's estimate, that we can kill a dollar's worth of Soviet missile with 10 cents of such defense, is a fair ball-park estimate. Admittedly, SDI systems seem much more costly than offensive weapons, because they involve technologies much more advanced than those employed in constructing and deploying missiles. Set up a simple ratio,  $K/C$ , for which  $K$  represents the kill-ratio of the unit system in the beam-versus-missile domain, and  $C$  the cost of the unit system.  $C$  for advanced physical systems is approximately an order of magnitude greater than for kinetic-energy weapons, but the  $K$  of advanced physics principles is several orders of magnitude greater than that for kinetic-energy weapons.

4) Provided that the tooling developed for production of such strategic defense systems, is also used to produce capital goods for use in the civilian sector, and that high rates of capital-intensive investment of technologically advanced capital goods is promoted in physical production in the civilian sector, the growth of per-capita output in the economy as a whole will exceed the estimated 3% per-annum rate for the early 1960s period of post-Sputnik aerospace development. As a result, the increase of federal tax-revenues caused by such spill-over, will come not only to exceed the total expenditure for SDI, but soar way above it.

These economic considerations are at the heart of my new strategic doctrine. Without seeing the SDI as merely a necessary aspect of the implementation of that doctrine, the SDI could not be correctly, effectively understood.

With many aspects of these points I have listed, I have no doubt but that Drs. Teller and Wood agree. It is a matter of record, that they disagree strongly with the approach I

employed to achieve these results. That is where they err. Although their contribution to SDI is enormously valuable, perhaps indispensable, they do not understand how SDI works in the larger framework of strategy.

This issue between Teller and me, on the one side, and between me and Lawrence Livermore generally, in the larger context, goes back many years, in two successive phases.

The beginning of the controversy was the early 1970s, over the issue of the rate of federal expenditure for development of controlled thermonuclear fusion as a primary power-source for mankind. Both Teller and we agreed, that this technology must be developed, but we disagreed strongly on the rate at which the program should be funded. He defended the position of Nelson Rockefeller's Commission on Critical Choices, with which he was associated, supporting a relatively lower rate of expenditure; we insisted on the maximum rate of expenditure projected by the federal energy agency. In the heat of this fight, we perhaps exaggerated the heat of our factional arguments a bit, and he more so. During the middle of the 1970s, I apologized publicly, in writing, to Dr. Teller, for the excessive heat on our side of the earlier debate; however, he still refers to that controversy with personal bitterness against me.

Nonetheless, we came into much closer contact with Teller's Lawrence Livermore, during the last part of that decade. This relationship was prompted by *New Solidarity's* publication, on its front page, of a conceptual design for a thermonuclear bomb ["Implications of the Rudakov Disclosure, The Soviet Union Is on the Verge of a Strategic Weapons Breakthrough," by Uwe Parpart, *New Solidarity*, Vol. 7, No. 63, Oct. 15, 1976]. The issue was distributed at a scientific conference where Lawrence Livermore was well represented; there was turmoil in their ranks over this article.

What astonished Teller's friends was that we, with no access to classified materials, could generate a conceptually valid design for such a weapon. All we had done, was to apply the Riemannian physics of isentropic compression to the problem defined. We had done this, not to reinvent the H-bomb, but to demonstrate to U.S. scientists, in this way, the proper approach to solving certain key problems of controlled thermonuclear fusion as a prime industrial energy-source. The reaction of many scientists to that article in *New Solidarity*, was "we have to take these people seriously in scientific matters."

The result of this encounter, was a two-faceted debate over choices of scientific method, between ourselves and many at Livermore, as well as other locations.

In the physical sciences, we advocated the geometrical method of Cusa, Leonardo, Kepler, Leibniz, Gauss, Riemann, et al., in opposition to the deductive-axiomatic, algebraic method of Descartes, Newton, Maxwell, Rayleigh, et al. In this connection, we stressed repeatedly the importance of work on advanced methods of mathematical analysis, derived from Gauss-Riemann elliptic theory, being

accomplished in Leningrad and Moscow, and warned that we would fall behind the Soviets in numerous strategically crucial areas unless we opposed the fanatical, uncritical defense of Newton and Maxwell, and turned to the geometrical standpoint of Gauss, Riemann, et al., instead.

The same issue of method was at the center of our disputes over economics.

Like many European and U.S. scientists today, our critics at Livermore were of the type which abandons all semblance of scientific method the instant the magical name of "economics" is invoked. In physical science, they are rational and rigorously so, even when they are sometimes mistaken. Mention the word "economics," and they react to that word as if by post-hypnotic suggestion, and are transformed into fanatically irrationalist ideologues of Adam Smith's persuasion.

In particular, vis-à-vis our work, they refused beyond reason to accept the fundamental fact, that economic processes are essentially physical-economic processes, rather than monetary processes, and also refused to consider the fact that physical-economic processes are elementarily nonlinear. In fact, the most characteristic feature of physical-economic processes is an ordered succession of nonlinear phase-state changes. This ordered process is of the form implicitly defined by Riemann's 1859 paper "On the Propagation of Plane Air Waves of Finite Magnitude," the paper on which the Soviets based their successful design of an H-bomb. That latter, is a matter in which Dr. Teller and his collaborators ought to be well versed. They had but to apply Riemannian H-bomb theory to the case of physical-economic processes, and their agreement with our general argument would be assured.

For that reason, Dr. Teller's circle rejected our strategic doctrine respecting use of SDI, although they independently concurred with some of our important economics conclusions. They have so far refused to recognize that strategy is properly premised on cultural-economic processes. They refuse to view physical-economic processes as physical processes, in these terms of reference.

That is the essence of Teller's quarrel with us, insofar as their statements and other actions show their motives to us.

### **How the SDI is intended to work**

My conceptual historical reference for an SDI-centered strategic doctrine, has been the 1793-1815 work of Carnot's and Monge's science-driver institution, the Ecole Polytechnique. My fundamental discoveries in economic science have made it possible to express the principle of that Ecole's success in mathematical-functional terms of measurement of cause-effect relations within physical-economic processes.

Broadly, my economics doctrine is a continuation of the work of the founder of economic science, Gottfried Leibniz, and of the incorporation of key features of Leibniz's discov-

eries in Treasury Secretary Alexander Hamilton's "American System of political-economy." In Eastern Establishment jargon, I am "a neo-mercantilist." The central feature of Leibniz's discoveries in economic science, is his preliminary, rigorous definition of the concept "technology." It is in connection with "technology," that my own original discovery is located.

What I have done, is to reject the Clausius-Maxwell-Helmholtz-Boltzmann, statistical doctrine of "entropy" and "negentropy," and to define "negentropy" in a non-statistical, classical way. My point of starting-reference for this was my rage against the bestiality and fraud of the "information theory" dogmas of Professors Norbert Wiener and John v. Neumann. I have adopted the discovery of the collaborators, Pacioli and Leonardo, as adopted by Kepler, that all living processes are distinguished from non-living by a single, elementary geometrical principle: harmonic orderings congruent with the Golden Section of elementary constructive ("synthetic") geometry. Kepler constructed and essentially proved this principle, by deriving the entirety of his mathematical physics from this principle alone. Karl Gauss later proved the unique validity of Kepler's approach, relative to Descartes and Newton, and based his own fundamental contributions to mathematical physics upon that proof. This principle, defined geometrically in a classical way, is my definition of "negentropy." In other words, "negentropy" is a self-subsisting principle, not a Boltzmannian statistical variation in an overall entropic process.

The negentropy characteristic of the healthiest state of a living process, is also the harmonic characteristic of a healthy economy. This negentropic ordering of successive phase-changes in economic processes, as physical processes, is caused by mental activity of the same form as valid fundamental scientific discoveries in physics.

This class of mental activity is my definition of "reason," as opposed to the definition of reason as "formal axiomatic-deductive logic." This distinction is not peculiar to me, of course; it is the traditional Platonic-Socratic definition of reason, and also the definition of the form of the Logos, "Holy Spirit," in Christian theology.

Reason, so defined, is negentropic. This mental negentropy, is the cause of negentropic harmonic orderings in the growth of healthy physical economies. We call this result, otherwise, technological progress in an energy-intensive, capital-intensive mode.

My fundamental discovery, was to recognize that the cause-effect relationship between reason and healthy economic growth, is an intrinsically measurable one. The form of reason associated explicitly with scientific discovery, is subject to mathematical analysis, on condition that the proper standpoint in constructive geometry of the complex domain is employed. This is not possible within the confines of an axiomatic-deductive form of mathematics, such as a formal algebra.

Most of the wild, metaphysical kookery generated in the name of explaining away the mysterious unknowns of physics, are easily shown to be the result of attempting to interpret the universe from the vantage-point of an axiomatic-deductive form of mathematical logic. The most crucial features of physics, as typified by the fundamental constants, are all of a class which can not be accounted for by such a logic. Thus, for the same reason that Descartes's mechanistic physics led him to mystify reality with his *deus ex machina*, everything which can not be subsumed by formal logic, is argued, *ipso*

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*facto*, to be therefore exhibition of some mystical principle leering from between the cracks of the logician's universe. Gnosticism, or sophisticated Sufism, including astrology, cabalistic numerology, and other satanic practices of witchcraft, is based entirely on this sort of formalist argument: "You see, this is a mystery, which logic can not explain!"

Having once made this discovery, out of my commitment to refuting Wiener and v. Neumann's "information theory" atrocity, I was left with the need to discover a particular elaboration of geometrical physics appropriate to this task. By way of work on Georg Cantor's analysis of transfinite orderings, I was led to a correct appreciation of Riemann's work. Thus, Riemann's mathematics, added to my own original discovery, provided the general form of a feasible solution, for the task of measuring the cause-effect relationship between mental generation of new technologies and their nonlinear form of effects on the physical-economic process. (Hence, "LaRouche-Riemann method," rather than "Riemann-LaRouche method.")

By situating the work of the Ecole, notably that of Fourier and Legendre, as begging the more advanced standpoint of Gauss, Dirichlet, Weierstrass, and Riemann, it thus became possible to reduce the effectiveness of the Ecole as an "economy science-driver," to the required mathematical form. The

work of Gauss, et al., in identifying the inadequacy of Fourier Analysis, and supplying the needed correction for that inadequacy, is not only key, but indispensable.

Over the decades since my 1952 discovery, my work in economics has been centered programmatically, on developing an "economy science-driver" tactic for reversing the devolutionary slide in progress in the U.S. economy since the mid-1950s. My institutional approach has been to devise some combination of private and governmental science-driver mission-assignments, through which the frontiers of scientific discovery could be brought directly to bear, effecting the highest possible rates of technological progress in the economy generally.

My early-1970s quarrel with Teller reflected this. For reasons of the physics of thermonuclear fusion, that technology represents not only an abundant, urgently needed energy-source; the physical characteristics of fusion, very high energy-density cross sections, and relative coherence, are the indispensable source of orders of magnitude of increase of productive potential. It was therefore abominable to me, considering the extent and increase of vast misery on this planet, that a capable leading scientist, such as Dr. Teller, should lend his voice to a lower level of commitment to fusion development than the federal energy agency had indicated as possible. I saw urgency for a "crash program" approach to the problem of development; Dr. Teller counterposed what was relatively a "business as usual" level of commitment.

This determined my approach to the problems of strategic doctrine. My primary point of departure was cultural warfare: the use of "economy science-driver" methods, to lift the Western world, including the developing sector, to the highest possible rates of economic growth. The approach to military capabilities must be subsumed by, consistent with, that same "economy science-driver" method.

As I have already indicated, those technologies which yield the highest rates of per-capita (physical) productivity in civilian production, are the only available technologies to provide greater firepower, mobility, and depth, per-capita, to military capabilities. The reverse is, of course, also the case.

Vis-à-vis the Soviets, the crucial question was not the relative current levels of technology and gross output of the two superpower economies. The crucial question was the highest rate of growth of physical productivity. So, rather than basing strategic doctrine on some designated "off-the-shelf" sort of technology, the task was to adopt the optimal pathway of rapid technological progress. In other words, to emphasize only those forms of technological progress which bring into practice most rapidly, the most advanced work on the frontiers of fundamental scientific research.

As I have indicated in many published items, there are precisely four lines of research and development today, which are the sole principal pathways to the highest possible rates of increase of physical productivity, and of the greatest rela-

tive firepower, mobility, and depth per-capita of military capabilities. 1) Controlled plasmas of very high energy-density cross section, and relative coherence, as typified by controlled thermonuclear fusion. 2) Directed coherent forms of radiation, especially those of very high energy-density (self-focusing) cross-section on target. 3) Optical biophysics, the application of Riemannian physics to living processes' most characteristic features. 4) Auxiliary improvements in computers and related control devices, needed to keep pace with the sensing by instruments, and to assist operators in controlling productive and other processes of ultra-high energy-density cross section.

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Any approach to military capabilities which emphasized technologies other than these four, would be sheer military incompetence. In warfare, any technology can always be overwhelmed by an adversary's effective exploitations of the potentials of a more advanced class of technology. Choosing any technology but the most advanced, is an obsession of accident-prone governments and commanders. There is no effective defense, but the most advanced defense. Since these four technologies exist on the frontiers, as the most advanced technologies for generations to come, no military policy but one based upon these could be competent defense.

So, starting from the general principles of my strategic doctrine, my military-systems problem was reduced simply to outlining the immediately foreseeable, practicable applications of these advanced lines of technological progress to the war-planning problem. The fact that these principles made the strategic defense physically and economically orders of magnitude superior to the offense, on principle, showed that strategic defense must predominate in our war-planning. In history, there has been an alternation of the relative advantage, from the defense to the offense, and back again. We have come, as a matter of science, to the prospective end of the superiority of the missile-offense, and the entry into the period of preponderance of the defense.

This strategic doctrine can not be understood as a strategic doctrine in the strict, classical sense, except as my standpoint in economic science is applied.

## Winning the bigger war

The seemingly paradoxical feature of my strategic doctrine, is that, on the one side, it demands that our military policy (and budgets) be subsumed by a war-plan which ensures the survival and victory of the United States in case of Soviet attack. This is a sharp departure from the military doctrine put into place by Robert S. McNamara's "whiz kids," which has reduced U. S. military policy to a "Potemkin village" variety. On the other side, the essential feature of my strategic doctrine is, that it is a peace-winning doctrine much more than a regular-warfare doctrine. Am I, therefore, both a pacifist and a warmonger?

The problem is, that Soviet war-plans and ongoing irregular warfare against us and our allies are motivated by a deep cultural commitment, both a commitment to early world-domination by the Russian empire, and a commitment to eradicate every significant vestige of Western Judeo-Christian culture. No rational peace is possible between our two powers. Therefore, since the Russians are incapable of reason in this matter, durable war-avoidance can be secured by only one approach.

They will be deterred from launching war against us and our allies, only if the precalculable penalty they would suffer is far greater than they are willing to tolerate: "deterrence." They will give up their present war-plans, only if the deterrence is an absolute one, their assured ruin and postwar subjugation by us, should they attack. Therefore war-avoidance absolutely demands that we develop and deploy an absolute war-winning potential, even without ever intending to use this potential, unless they should attack us or our allies. In other words, absolute military containment of Soviet aggression for a more or less indefinite period ahead.

Hence, the use of classical war-planning approaches, to devise and deploy an absolute war-winning potential, is an indispensable precondition for durable war-avoidance.

However, to turn military containment of Soviet aggression into durable peace, we must observe a principle emphasized by Nicolò Machiavelli, in his commentaries on Livy. Always give a defeated adversary a safe escape from destruction. In other words, we must afford the Soviets the right to live in peace and prosperity within their proper national borders. Better than that, we should offer certain measures which will help them to improve their prosperity.

By this combination of measures, we must induce the Russians to prefer the normal national goals of a peaceable, sovereign nation-state, to the present imperial motives.

Over the longer term, our objective must be to win them to recognizing that Western Judeo-Christian culture is better for Russians than the present, Dostoevskian-Gorkyan cultural matrix. This depends upon establishing the point, that our culture is forever a more powerful culture than their present culture, and that they only injure themselves by failing to imitate ours. Since the ruling Russians do not recognize rea-

son, but merely a mysticism-dripping sort of formalistic logic, it is impossible to reach the Russian rulers solely by means of reasonable communication, or by any ruses of mere diplomacy. Irrationalists, such as those Russian rulers are, accept no premises in international relations but the combination of sheer physical power combined with the political will to deploy that power. It is therefore indispensable to define their cultural inferiority to them in these physical terms of reference, rather than the rational discourse which would be sufficient in dealing with men and women of reason.

Finally, the technical military side of the strategic equation is elementary.

French 18th-century doctrine is famous for pioneering in the application of projective geometry to analysis of the relationship between positions and fields of fire. The line of development of such geometry, from Leonardo, through Desargues, through Monge, is the proper foundation for teaching and study of elementary projective geometry today, an approach best referenced to Prof. Jacob Steiner's synthetic geometry for secondary-school pupils. Mastery of this standpoint of analysis of relative strengths of offense and defense is indispensable groundwork, but not adequate to modern technological forms of the problem.

We must extend the classical French military applications of projective geometry into the realm of the Gauss-Riemann complex domain. We must limit our approach to this complex domain to a purely constructive-geometrical one, avoiding interpretations grounded in formal algebra. Since a nonlinearly evolving physical-economic process can be mapped only in such a complex domain, the strategic question can not be posed in any other terms of reference than this one. However, the viewpoint is much the same as the 18th-century one, except from a higher level of reference.

In other words, instead of simply mapping the domain of warfare in Euclidean terms of reference, we must locate the efficient aspect of offense versus defense in the "hyperspace" of Gauss-Riemann physical space-time. For those who are deeply conditioned to imagine the Euclidean space of Descartes as the natural one, thinking in terms of physical space-time, rather than Euclidean space, takes some getting used to. However, once that viewpoint is mastered, all the essential topics are elementary ones.

My own work in economic science, has already accomplished a successful, if preliminary model for such analysis. Not only is this correct for offense-defense studies, as to form of analysis; because of the interdependency of physical economy and military capabilities, it is the only correct choice.

With many of the subsidiary points I elaborate in this way, Dr. Teller might either agree, or tend to do so. It is the method itself which he has rejected, at least to all appearances thus far. That is the key reason, my leading part as a participating intellectual author of the SDI must be kept in the foreground in U.S. policy-making today.

# Do You Have the Latest Ammunition To Fight for the SDI?

## Japan and the SDI: An Inside Look

Japan's full-scale participation in the U.S. Strategic Defense Initiative could shorten the research time for deployment by a full two years, and bring enormous economic and defense benefits to Japan.

How this can happen is detailed in the just-published transcript of a two-day conference in Tokyo, "SDI: Military, Economic, and Strategic Implications," sponsored by the Fusion Energy Foundation and the Schiller Institute on April 22-23, with 180 members of Japan's scientific and political elite in attendance.

The consensus at the end of the two days was that Japan's participation in the SDI as an equal partner is both necessary and urgent. As Prof. Makoto Momoi of the Yomiuri Research Center put it, "Every day that Japan does not participate in the SDI is another day lost" in the battle to counter the Soviet threat.

Top U.S., European, and Japanese scientific, military, and political representatives discussed:

- the latest technologies of the SDI;
- specifically what Japan can contribute;
- the political climate in Japan;
- the nature of the Soviet threat.

Fully documented at the conference is how SDI technologies will bring about a 100-fold leap in energy flux density, abruptly reversing the decline in productivity in industry.

**Now, the full proceedings of the conference are available in a transcript. Order your copy for \$100.00 by writing the Fusion Energy Foundation, P.O. Box 17149, Washington, D.C. 20041-0149. Or call (703) 771-7000 to place your order by telephone. Visa/MasterCard accepted.**

## New computer study shows AIDS could wipe out U.S.

*Physicist Jonathan Tennenbaum introduces the first run of a new epidemiological computer model, the first ever designed to study a human slow-acting retrovirus.*

Last October, Lyndon LaRouche commissioned a new series of computer-aided studies of the AIDS pandemic now sweeping the United States and much of the world. Results of a first-generation computer model, just released by an *EIR* task force in Wiesbaden, West Germany, corroborate estimates of LaRouche and leading medical authorities, that AIDS is "species-threatening." The first slow retrovirus epidemic ever known to strike humans, AIDS has the potential, unless stopped soon, to literally wipe out the human race. The new model shows how the rapid spread of infection by "fast track" routes among so-called risk groups, is now "igniting" a vast AIDS epidemic in the general population.

### Basic facts

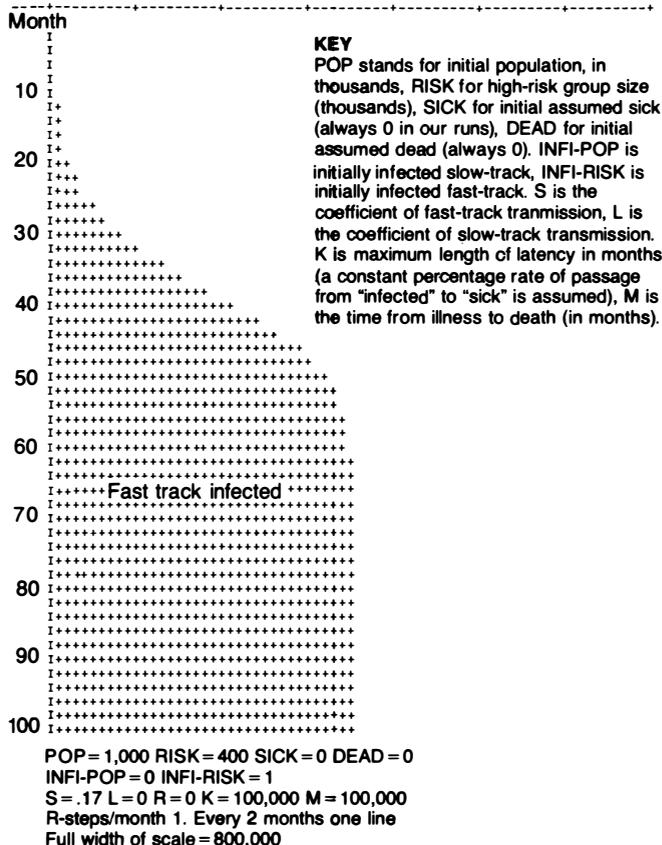
The first-generation model does little more than "play out" consequences of the most basic facts known about the AIDS disease and its spread to date:

1) The AIDS-associated virus HIV is a retrovirus; it integrates its genetic material into infected cells in such a way, that infected persons remain virus carriers for life.

2) AIDS is a "slow virus" disease. Once installed in its victim, the AIDS infection "smolders" for up to 10 years or more, during which latency period the infected person can transmit the disease to many other persons, without his or her showing any sign of illness.

3) A large percentage of AIDS-infected persons, probably near 100%, eventually come down with incurable clinical disease syndromes. Barring a major medical breakthrough, all of these are doomed to die within a few years of emergence of acute symptoms.

FIGURE 1  
**S-curve**



4) The spread of AIDS infection in most localities of the United States and Western Europe has been characterized so far by two successive phases. Initially, infection spreads by "fast routes" such as contaminated hypodermic needles and anal sexual activities, at rates corresponding to a doubling of "fast-track" infected population every seven to eight months. Once a substantial reservoir of virus carriers is established by "fast-track" routes, infection spreads by a variety of "slow-track" routes into general population. Conservative estimates indicate that at present, "slow-track" infected persons already make up an average of at least 6-10% of the total reservoir of virus carriers in the United States. In France, newly released studies of the WHO indicate that more than 18% of all infected persons fall into the "slow-track" group.

5) So far, no serious measures have been instituted to limit either fast-track or slow-track transmission of AIDS.

While incorporating these facts, the first-generation computer model omits certain "nonlinear factors of the second

order," which accelerate the spread of AIDS in every densely populated locality where the density of AIDS carriers surpasses a few percent. These include possible cumulative effects of multiple exposure to AIDS-related viruses, enhanced role of long-range environmental vectors such as insects, and, most importantly, autocatalytic interactions between AIDS and other diseases such as tuberculosis. In fact, such factors are already playing a major role in such advanced epidemic areas as Belle Glade, Florida. A second-generation model, now in preparation, will correct for the omission of these second-order nonlinearities, applying a mathematical approach similar to that employed in the treatment of complex "autocatalytic reactions" in biochemistry.

The *EIR* computer model runs described here were completed in Wiesbaden, West Germany, under the author's direction, with collaboration of Ralf Schauerhammer and Bernd Schulz. Mr. Schulz, an engineer with experience in computer modeling of chemical reaction dynamics, supplied

FIGURE 2  
Simulation of fast virus epidemic

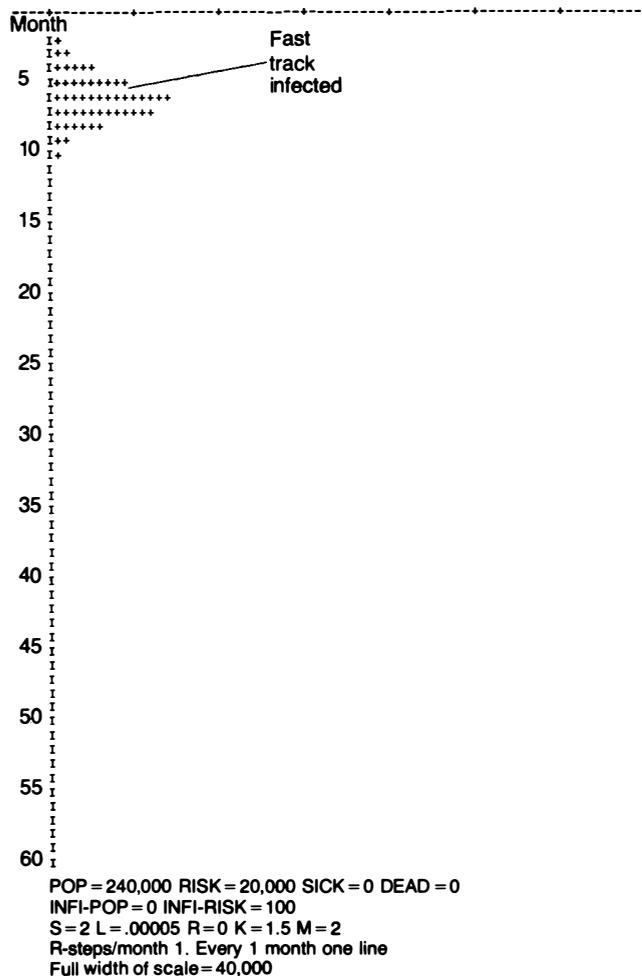
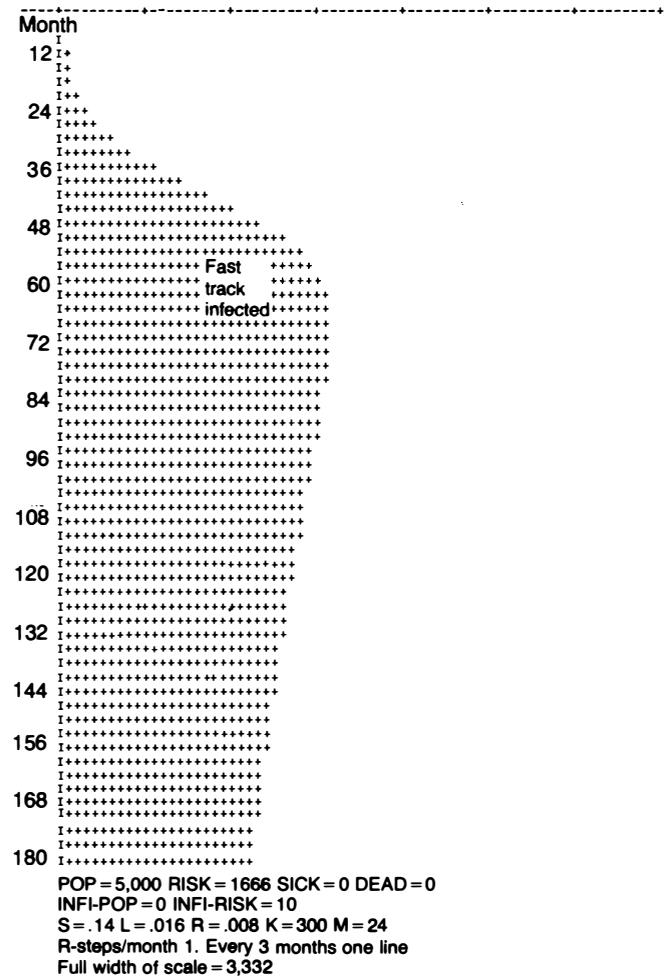


FIGURE 3  
AIDS spread in 'fast-track' mode



the initial equation scheme which was the point of departure for developing the first-generation model.

### The dynamics of a slow retrovirus epidemic

The first-generation model underlines very clearly the dramatic difference between the AIDS epidemic and every other known epidemic in human history.

In first approximation, the spread of virus infection in a population initially follows the "S-curve" familiar in the study of reaction-rates in chemistry (see Figure 1). While the concentration of infected persons is still small, transmission is very efficient, since infected persons primarily come into contact with noninfected ones. The rate of increase of infected persons, increases, up to the point where half the population is infected.

From that point on, the process begins to "saturate," as most contacts involve already infected persons. Fortunately, however, most deadly epidemics are "damped out" before

they attain more than a small fraction of the population. This is because infected persons rapidly drop out of the pool of potential virus transmitters, either by recovery (eliminating the reproduction of virus in their bodies), or by death. Figure 2 illustrates the typical form of a "fast virus" epidemic.

*AIDS works differently.* Due to the very long latency period of the disease, the pool of infectuous persons without symptoms ("asymptomatic carriers") accumulates much faster than it is depleted by illness and death. Figure 3 shows the propagation of AIDS infection in a hypothetical "fast-track" group of 1.6 million persons. The number infected increases in a classical "S-curve," growing from a few thousand infected to 90% saturation within only five years. This all occurs before attrition by death has much effect. Only later, after nearly the entire group has been infected, does the figure of carriers slowly begin to drop. Exactly this type of curve is observed among pockets of "high-risk" persons in some U.S. cities. Once the AIDS epidemic gets started in the general

FIGURE 4  
Projected AIDS spread in U.S.A.

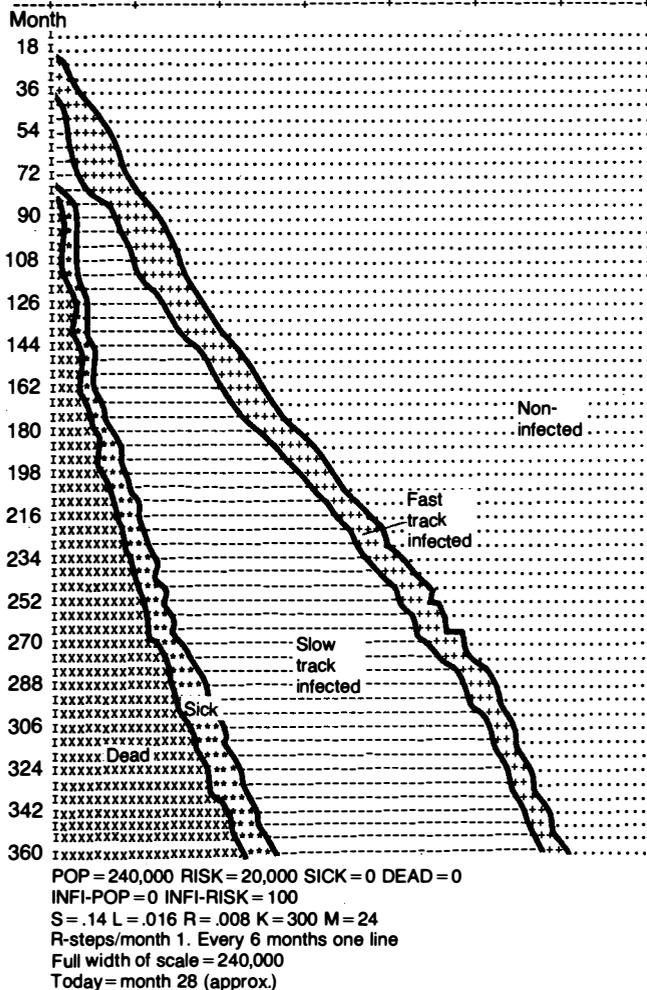
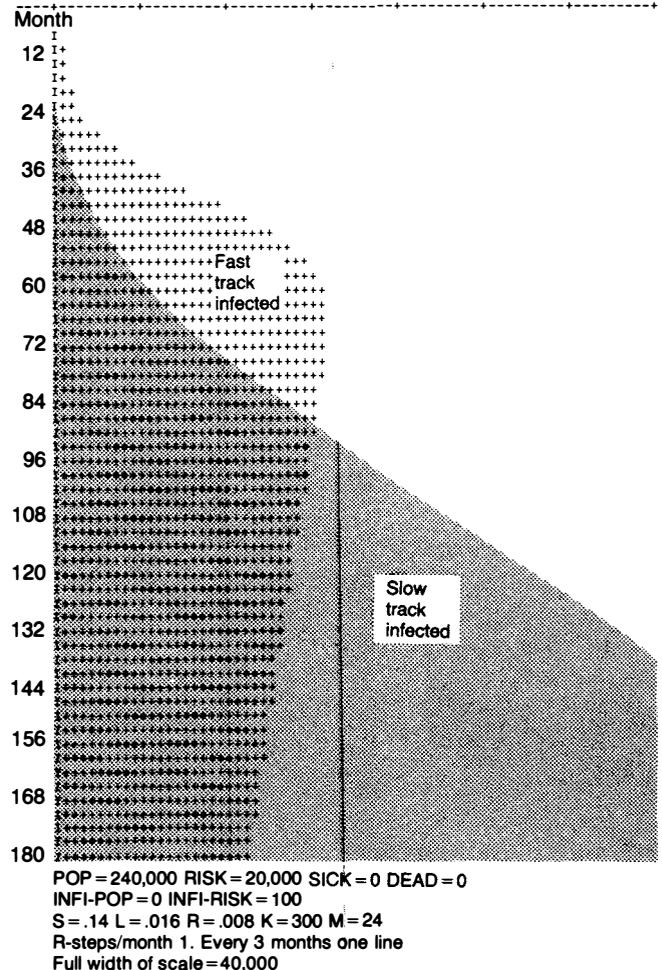


FIGURE 5  
Close-up of initial phases of U.S. AIDS epidemic



population, the same "S-curve" dynamic sets in, only at a slower rate of growth.

### How AIDS spreads from 'fast-track' groups into the general population

In the first-generation EIR model, the transmission processes are grouped into two categories, fast- and slow-track, with the corresponding infection probability parameters determined to fit available statistics on the actual epidemic in various areas. These statistics imply the estimate, that the present total infection probability (per exposure) of combined "slow-track" routes, amounts to about one-tenth of the corresponding probability for "fast-track" routes. Remember, the present model does not take account of nonlinear increases in "slow-track" parameters as the epidemic progresses.

Figure 4 presents the results of a model run for the United States, assuming a "high-risk" population of about 20 million (U.S. Public Health Service estimate). Figure 5 is a close-

up of the initial phases of the epidemic, showing the extremely rapid spread in the "fast-track" group, reaching maximum saturation three years from now! At that point, virtually all of the "high-risk" group is infected. The second, superimposed curve shows initial spread into the "slow-track" groups, which begins in earnest as soon as the infected "fast-track" pool reaches 1 million, and accelerates rapidly thereafter. Five years from now, more people are infected in the general population than in the "high-risk" group. By the year 2014, more than 80% of the U.S. population is either infected, sick, or dead! Dismal as it may appear, this scenario errs on the conservative side, omitting nonlinear factors of acceleration.

Figure 6 illustrates the folly of proposals to curb the epidemic by "safer sex." Here we have assumed that the spread of AIDS in the "fast-track" group is stopped completely within the coming 12 months (a very optimistic assumption, given open admissions by "safer sex" proponents, that their campaign has had little or no effect on AIDS spread in

FIGURE 6  
U.S.A. 'safer sex,' after 36 months

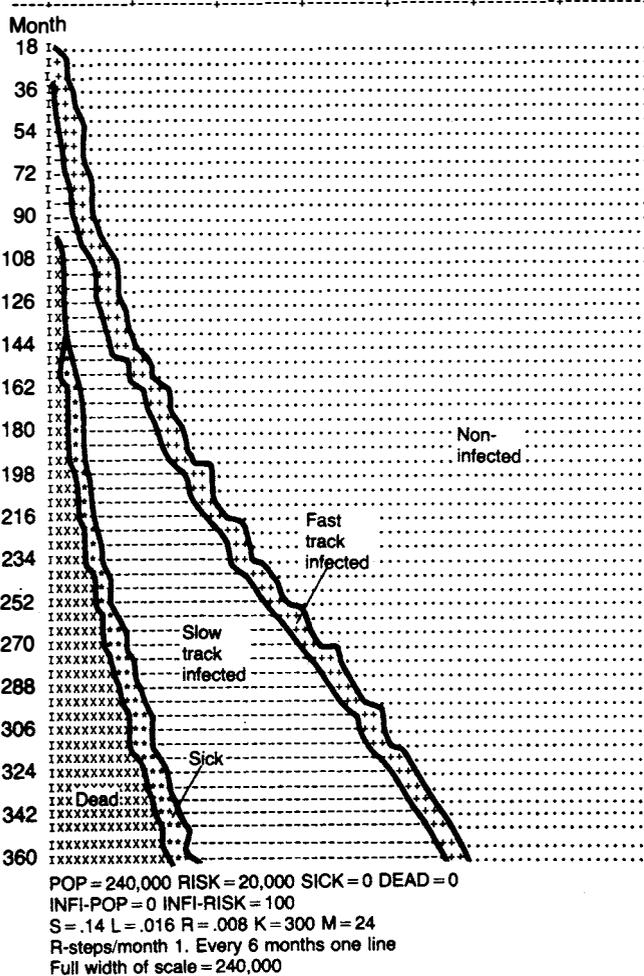
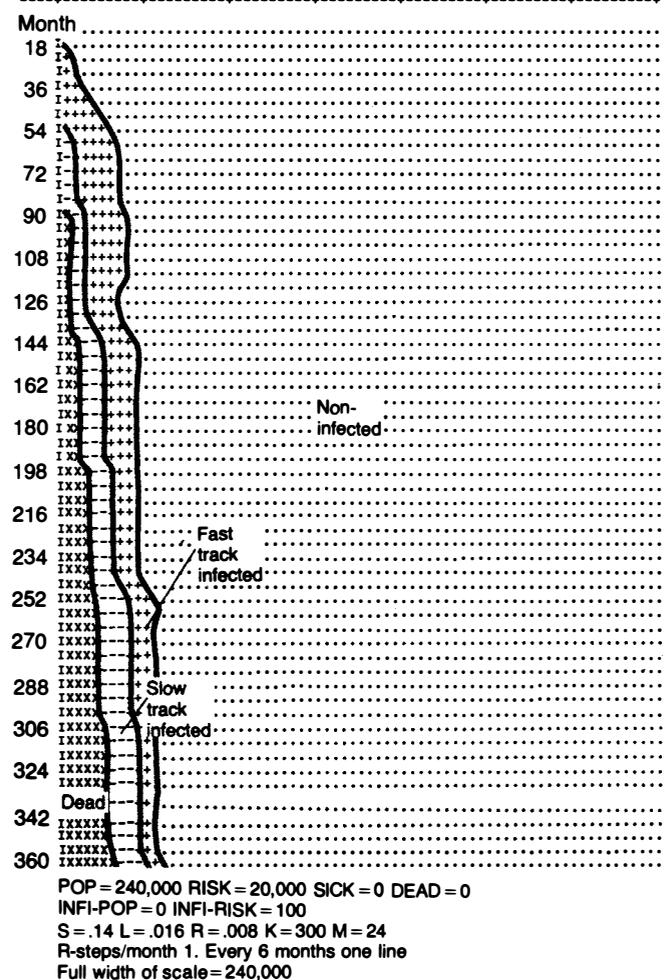


FIGURE 7  
Proposition 64 after 36 months



the so-called risk groups). Whether or not such measures ever could have had an effect, it is too late now. The epidemic has already been launched in the general population, and the general epidemic curve remains essentially identical to Figure 4.

Quite different is the potential effect of public health measures of mass testing and quarantine, as necessary, to radically reduce transmission in the general population. Figure 7 shows the projected effect of public health measures implemented within the next 12 months, on the assumption that these measures succeed in reducing the "slow-track" parameter by a factor of 6. This would correspond to a situation where the number of potentially infectious contacts between infected and noninfected persons is reduced by about 80%.

In that case the epidemic is massively slowed, though not completely stopped.

Another source of excessively low estimates, in the nationwide computer runs just discussed, is the fact that "fast-track" transmission is distributed unevenly in the United States, with concentrations in major cities such as New York and San Francisco. In such areas the breakout of infection into the general population is much faster than in less dense areas. Figure 8 shows the devastating effect of AIDS in a hypothetical city of 5 million inhabitants, in which about one-third of the population is assumed to be subject to "fast-track" transmission. Within 15 years, the epidemic grows from a mere 10,000 infected, to infect or kill some 80% of the population.

### Effects of multiple exposure

One of the crucial factors omitted from the first-generation model described above, is the effect of repeated exposure to AIDS viruses and other viruses in areas of high infection—

FIGURE 8  
AIDS in a city of 5 million

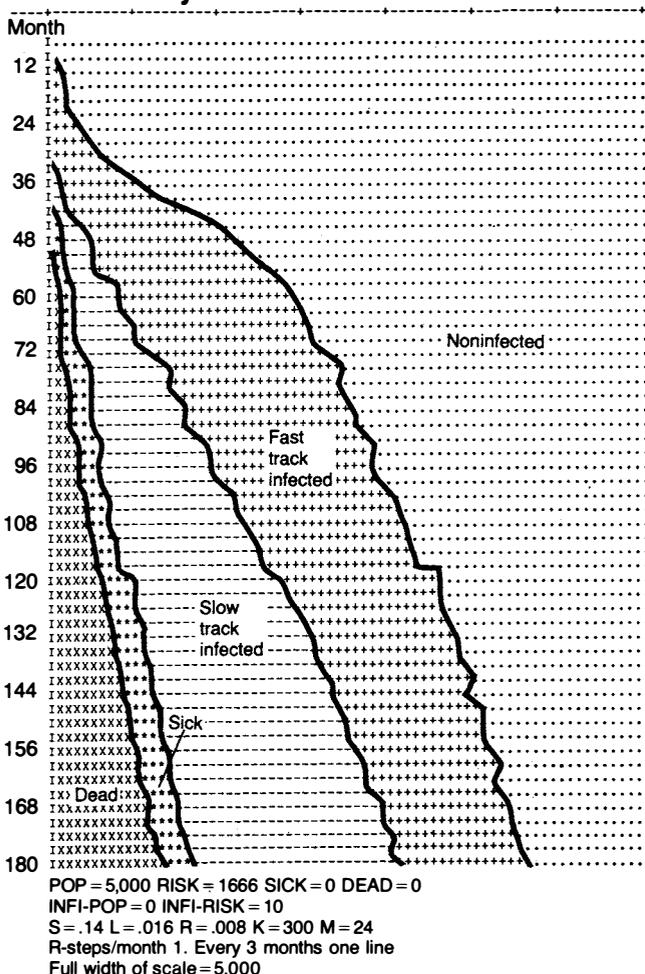
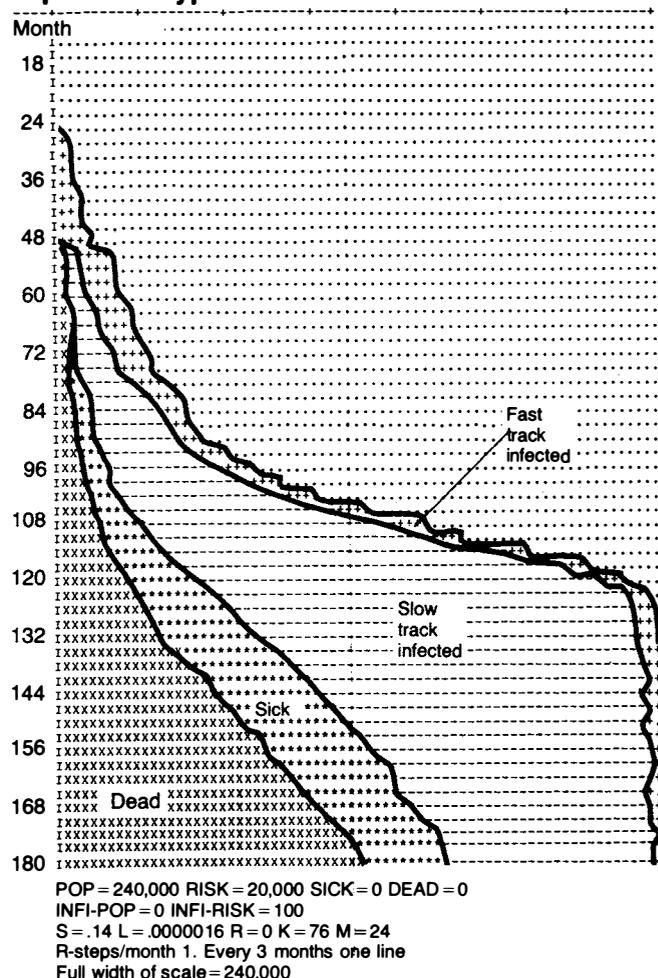


FIGURE 9  
AIDS epidemic on 'repeated or multiple exposure' hypothesis



especially when compounded with environmental cofactors such as poverty, crowding, and insect infestation. Dr. Mark Whiteside of Miami, Florida, has compiled massive documentation of these effects in such areas as the famous Belle Glade.

In a preliminary study, the author and his collaborators investigated the dynamics of "repeated and multiple exposure tracks." This study involved modifying the model equations according to the simplified assumption, that the AIDS infection probability (per exposure) is significantly higher for those persons exposed repeatedly within a given fixed time period. It is easy to see, that repeated exposures are highly infrequent, as long as the density of infected persons remains low. But, for higher densities, the probability of multiple exposure increases rapidly, and the "repeated exposure track" may become even faster than the "fast-track" transmission in the so-called risk groups.

While cumulative effects of exposure to AIDS virus alone have not been sufficiently researched, there is considerable evidence that infection by certain viruses (particularly insect-borne viruses) increases susceptibility to infection by AIDS, and vice versa. The probabilities of *multiple exposure to different viruses*, and of *repeated exposure to a single virus*, increase in a similar fashion as a function of density. Hence, similar threshold effects will occur in both cases.

Preliminary computer runs confirm this threshold phenomenon: When the density of infected persons is low, the "multiple exposure track" is damped out by the slow death rate in the infectious pool. But, as soon as the infected density exceeds a certain limit, the rate of infection explodes, out of control, at a nonlinearly accelerating rate (see **Figure 9**). Unfortunately, this effect is destined to play a major role in the great population centers of the United States, unless we stop the AIDS epidemic in time.

## U.K., France seek joint action to stop AIDS

At her meeting with French government leaders in Paris Nov. 21, British Prime Minister Margaret Thatcher won an agreement to put AIDS on the agenda at the summit of European prime ministers in London on Dec. 5.

Emerging from a meeting with French President Francois Mitterrand, Mrs. Thatcher told the press that "we would be discussing AIDS" at the Dec. 5 meeting, since "you can't discuss drugs without AIDS," and drugs is a top agenda item for that meeting.

According to a Nov. 22 London *Daily Express* account, "Mrs. Thatcher convinced [Mitterrand] that AIDS is the greatest current threat to Western civilization," and insisted that AIDS be made the number-one agenda item for the prime ministers' meeting, the last under Britain's tenure as president of the 12-nation European Community.

On Nov. 20, British cabinet ministers received a terrifying appraisal of the AIDS crisis in the United Kingdom from experts, who told them that AIDS infection is doubling every 10 months in the United Kingdom.

On Nov. 21, the House of Commons held its first-ever debate on AIDS. The British government announced it will raise spending on AIDS from only £5 million, to at least £20 million over the next year. British Secretary of State for Social Services Norman Fowler said that the increased spending would be earmarked for: creation within the National Health Service of a Special Health Authority

to deal with AIDS, directly accountable to Parliament; more money for clinics treating sexually transmitted diseases; upgraded British involvement in international research efforts to combat AIDS and find a cure.

At a Paris press conference Nov. 27, French Health Minister Michele Barzach announced on behalf of the French government, a series of exceptional measures against the spread of AIDS. The daily *Le Figaro* headlined the next day: "Against AIDS, a planetary crusade." Interviewed on national television, Mrs. Barzach stated: "AIDS does not just concern 'risk groups.' Every day a baby is born infected with AIDS. Fifteen persons a day are contaminated by the disease. It is no longer a disease of marginal people. . . . This is why the government decided to declare AIDS 'a great national cause' like cancer or tuberculosis."

She added at her press conference: "Frenchmen must understand that we have reached a turning point in the spread of the disease. Among the new declared cases in the last quarter, 43% were heterosexuals."

The French government made a series of important decisions for the anti-AIDS campaign. A foundation will be created on the model proposed by Prof. Luc Montagnier of the Pasteur Institute in a recent interview to *Le Monde*. The foundation, to be "operational within two years," will bring together in one place treatment units and a research center. It will be financed by public and private funds. The government will help finance detection and prevention programs, picking up the full costs of the Elisa and Western Blott tests.

It is reported in France that Prime Minister Chirac and President Reagan recently exchanged letters on the subject of scientific cooperation against AIDS.

## Educating the labor force of Ibero-America

### Part 14 Ibero-American integration

By the year 2000, 100 million new jobs will be created in Ibero-America, in which workers will be trained to be skilled in the production of capital goods. By 2015, the continent will be an economic superpower, whose production and productivity will equal the level attained by the industrialized coun-

This installment continues Chapter 5 of the Schiller Institute's book *Ibero-American Integration: 100 Million New Jobs by the Year 2000!* published in September 1986 in Spanish, and appearing exclusively in English in *EIR*'s serialization. An international team of experts prepared this study on the urgent measures needed to free Ibero-America of its economic dependency and spark a true, worldwide economic recovery, elaborating the outline of Lyndon LaRouche's 1982 proposal, "Operation Juárez."

Numbering of figures and tables follows that of the book.



While it is true that Ibero-America has its share of natural resources, both biological and mineral, it is a delusion to see in these resources per se a source of wealth. In fact, misplaced focus on natural resources is partly responsible for the very underdevelopment the continent now experiences, with petroleum and mining relatively well developed, surrounded by a sea of industrial underdevelopment. By contrast, Japan, with virtually no natural resources of any kind, has become the third-greatest economy in the world. Japan has done this by concentrating on the development of labor power, by rapidly increasing its general education and skill level.

For Ibero-America as for all modern economies, this task comprises two aspects: the baseline level of literacy and general education of the majority of the work force, and the number and quality of training of scientists, engineers, and technicians. Contrary to Maoist and other "anti-elitist" theories, it is this last feature which is the most critical: It ultimately determines the rate of technological advance of an economy.

Several examples from the past half-century help to make the point clearly. The United States recovered from the worst depression in its history after 1939, to previously unimagined levels of heavy capital goods production for war in four years, only because there was a reserve of unemployed and underemployed skilled labor created over the previous 40 years of development. Postwar Japan recovered the way it did after World War II only because of pre-war levels of skilled and educated workers. Both South Korea and Taiwan instituted very rigorous programs for universal education from the early 1950s, without which their respective "economic miracles" could not have happened.

TABLE 5-3

### Number of high school and university students in Ibero-America 1982-83

Level of education	Age Group	Population in this group (millions)	Number of enrolled (millions)	As % of their group
High School:				
10th-12th grades	15-17	26.7	10.2	38.0
University:				
1st-2nd years	18-19	16.7	2.9	17.5
3rd-4th years	20-21	15.8	1.5	9.4
All four years	18-21	32.6	4.4	13.6
Postgraduate	22-24	22.3	0.6	2.5

Sources: UNESCO, ECLA and our own estimates.

In contrast, education in Ibero-America, despite genuine progress in the last 30 years, especially at the primary and secondary levels, is far below what it must become by 2000 and 2015 to realize the investment and growth program we have outlined. Official figures as compiled by Unesco based on country data show a picture in which school attendance through the first six years is effectively universal in most Ibero-American countries, and is supposedly nearly universal through the first three years of secondary school. However, due to very high rates of repeating grade levels in most countries, the actual number of students completing three years of secondary school is undoubtedly very much below 100%. The major problems in these grade levels are:

- excessively large classroom size in many countries;
- inadequate training of teachers;
- antiquated teaching materials, especially for the all-important area of science education; and
- and the overall conditions of poverty in which the students live, making classroom concentration, and at-home study, very difficult.

But it is at the higher levels that the more serious problems appear. The Unesco figures suggest that in 1983, at most 38% of the children between the ages of 15 and 17, the age for high school, actually attended school. Forty-nine percent of 15-year-olds attended school, but only 28% of 17-year-olds, which means that at most 28% of the youth graduated from high school. This is a terrible percentage, and means that the vast majority of even the younger adult population lack an adequate high school education—and the older adult age brackets obviously contain yet far fewer high school graduates. Such a basic high school education is the minimum needed to handle a skilled blue-collar job in a modern, industrial economy.

TABLE 5-4

### Enrolled in natural science and engineering in the universities of various countries 1983

(per million inhabitants)

	Natural Sciences:		Engineering	
	Students	Graduates	Students	Graduates
Argentina	758	n.d.	2,340	n.d.
Brazil	528	63	1,228	179
Colombia	208	25	3,159	256
Chile	741	73	3,016	279
Mexico	323	29	3,429	318
Peru	557	10	3,085	51
Venezuela	391	16	3,787	245
West Germany	1,693	121	3,549	321
South Korea	1,170	153	6,943	1,426
United States	n.a.	381	n.a.	433
Japan	n.a.	n.a.	3,367	782

n.a. = Data not available.

Source: UNESCO.

At the college/university level the deficiency is even more acute. Only 13.6% of the 18-21 age bracket is in school in Ibero-America, the majority of these only for one or two years; and post-graduate education involves only 2.5% of the 22-24 age bracket. **Table 5-3** shows the estimated school-age population, school attendance and percentage rate, for the 15-24 age brackets, for Ibero-America in 1982-83.

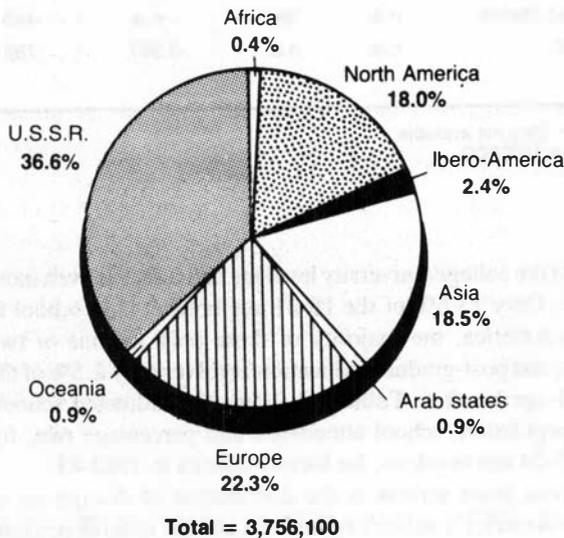
Even more serious is the distribution of disciplines of Ibero-America's university students and the relative percentages of those who complete a four-year course of study and graduate. **Table 5-4** shows relatively few students of the natural sciences and of engineering in Ibero-America, compared to South Korea and West Germany, measured in numbers of students graduating in this field per million population of the country, and number per million graduating.

As can be seen, Argentina and Brazil have the best record in Ibero-America in training natural scientists, but their levels are still about half those of South Korea and West Germany, while the numbers of *graduates* in these fields is abysmal. And while most countries have many engineers in school, again, the number that graduates is very low. Peru's case deserves note for having by far the poorest ratio of students who graduate, in the two disciplines listed above and across the board. Of particular note is that Mexico is weak in the natural sciences even compared with the rest of Ibero-America. Mexico's Consejo Nacional de Ciencia y Tecnología reported that in 1975, Mexico had a mere 210 students enrolled in masters' programs in physics and only 14 in doctorates; 149 and 6, respectively, in chemistry; 185 and 49,

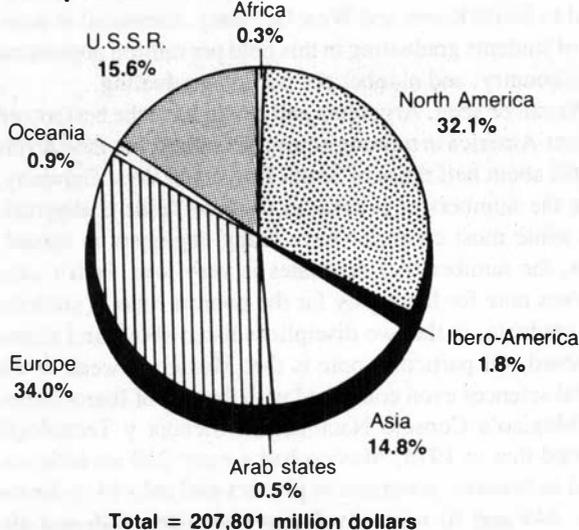
respectively, in biology; and 149 and 11, respectively, in mathematics. While it may have improved somewhat in the last decade, it can be assumed that not only in Mexico, but throughout the continent, the situation at the post-graduate level reflects the poor rate at which graduates of four-year programs are turned out.

Most telling of all is the failing in the area of research and development. **Figure 5-13** shows Ibero-America's relative number of scientists in, and expenditures for, research and development, compared to the rest of the world. The figures speak for themselves.

**FIGURE 5-13**  
**Scientists and engineers in research and development**  
**1980**



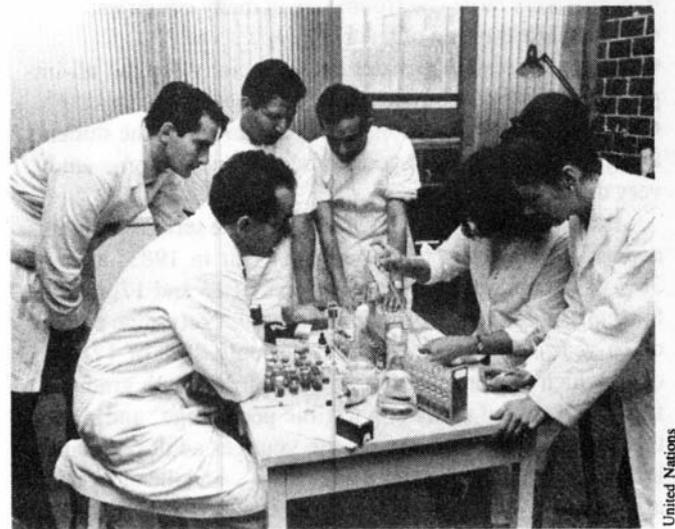
**Expenditures in research and development 1980**



Clearly, it will be impossible for Ibero-America to achieve the development goals elaborated earlier in this chapter, which entail attaining West European levels of overall development by employing technologies at the upper range of sophistication, including many not yet fully developed, without closing the enormous research and development gap indicated in Figure 5-13.

To achieve these development goals necessitates a crash program of education at all levels. First, it entails upgrading the quality of education at the primary and secondary levels, and returning to a classical curriculum modeled on the famous Humboldt reform in 19th-century Germany. And it means ensuring that by the year 2015, almost every child of the appropriate school age graduates at age 18 with 12 years of basic education. Second, it entails raising substantially the percentage of youth going on to 2-4 years of higher education. Third, it requires ensuring that the preponderance of those going on to higher education specialize in education, medicine, natural science, mathematics, engineering, and agronomy, to the almost complete exclusion of relatively useless categories such as sociology, humanities, business administration, law, and so on, which today prevail in our universities.

Tables 5-5 and 5-6 project estimates for needed attendance for age groups 15-24 for 2000 and 2015. The projections assume that in 2015, 100% of enrolled students finish at least four years (up to age 16), and 90% graduate from secondary school; that 40% also complete at least two years of college or its equivalent (trade school, normal school, etc.); that 25% complete a full four years, with 15% completing five, and 10% completing seven or more years of higher education. Targets for 2000 represent a partial attainment of these levels (75% graduation from secondary school, 35% completing two years of college, 20% completing four



*A veterinary training program in Mexico City, one of the scientific-technical fields where Ibero-America must vastly increase the number of students in higher education.*

TABLE 5-5

**Projection of number of high-school and university students in Ibero-America Year 2000**

Level of education	Age group	Population in this group (millions)	Number of enrolled (millions)	As % of their group
High School:				
10th-12th grades	15-17	37.9	30.7	81.8
University:				
1st-2nd years	18-19	23.5	8.8	37.5
3rd-4th years	20-21	22.6	5.1	22.5
All four years	18-21	46.1	13.9	30.2
Postgraduate	22-24	31.8	2.2	6.7

years, and 5% going on for two or more additional years). Attaining these targets, assuming sufficient emphasis on the indicated quality of education and disciplines, will largely close the trained manpower gap now experienced by the continent.

Training this number of students will involve an enormous investment, in new schools and universities, in teacher training, and in equipment, especially laboratory and related equipment for science and technical education. Including figures for the additional students who will need school facilities in the 6-14 age bracket as well, **Table 5-7** gives the

TABLE 5-6

**Projection of number of high-school and university students in Ibero-America Year 2015**

Level of education	Age group	Population in this group (millions)	Number of enrolled (millions)	As % of their group
High School:				
10th-12th grades	15-17	52.9	50.3	95.1
University:				
1st-2nd years	18-19	33.1	14.9	45.1
3rd-4th years	20-21	32.3	8.9	27.5
All four years	18-21	65.3	23.8	36.4
Postgraduate	22-24	45.5	5.3	11.7

total number of additional students who must be provided education, compared to today's level (see Table 5-4, above), in 2000 and 2015.

It should be obvious that supplying this number of students with quality educational facilities and instruction is going to be quite costly, and must be understood as an investment in development no less essential than that for energy, infrastructure, or capital goods. Without it, the investment in physical capital cannot be effectively utilized; without it, the necessary ever-increasing levels of productivity will not take place, and the entire program will collapse.

TABLE 5-7

**Increase in student population 1985-2015**

(millions)

Level of education	Age group	Enrolled in 1985	Increase 1985-2000	Increase 2000-2015	Increase 1985-2015	Total in 2015
Primary	6-11	60.1	23.2	32.2	55.4	115.5
High school:						
7th-9th grades	12-14	27.5	10.6	14.7	25.4	52.9
10th-12th grades	15-17	10.2	20.6	29.7	40.1	50.3
All six years	12-17	37.7	31.2	44.4	65.5	103.2
University:						
1st-2nd years	18-19	2.9	5.9	6.1	12.0	14.9
3rd-4th years	20-21	1.5	3.6	3.8	7.4	8.8
All four years	18-21	4.4	9.5	9.9	19.4	23.8
Postgraduate	22-24	0.6	1.6	3.2	4.8	5.3

## The strategic issues behind 'Iran-gate'

by Criton Zoakos

Among America's friends around the world, there is understandable apprehension over the present, explosive situation in Washington. Especially among the NATO allies in Western Europe (in the Federal Republic of Germany, Great Britain, and France) the fear has been expressed, that a protracted political crisis in Washington, a paralysis which may last some two or three years—until the next President is acquainted with his job, as the *Times* of London puts it—might create a vacuum in the Alliance, which would play into the hands of the growing Soviet policy of bullying, intimidation, and seduction in Europe.

They must take into account that the fight in Washington is something much greater than any "Watergate." It is not under the control of any one force or institution; its eventual outcome is not certain except to this extent: A major cleanup is now in progress, a "catharsis" in the classical sense, whose only usefulness would be to free the United States from the pervasive influence of the invisible "para-government" of the liberal Establishment's families and their various gatherings such as the Trilateral Commission. The implications for the world are great.

*EIR* is perhaps best situated to supply the needed added ingredient of insight, especially because the formal occasion around which the Washington scandal revolves and grows, the shipment of American weapons to Iran, is a scandal against which we have campaigned, both in print and in the courts, since 1979.

As reported elsewhere in this issue, the current phase of the President's and Attorney General Meese's inquiry has begun to dismantle what in the international intelligence community is known as the "Kissinger NSC structure." This is the rogue elephant of America which has roamed the world for over 15 years, caused great strategic disasters and suffering—an uncontrolled, supra-governmental entity whose de-

struction can only have salutary effects both for the United States and the Alliance.

Whether President Reagan and his Attorney General are fully cognizant of the implication of what they began is not fully ascertainable now. It is not guaranteed, either, that Reagan and Meese will win the fight which they began—nor should it be left to them alone to fight.

### The 'new strategic consortium'

European allies will best appreciate the benefits accruing from an eventual destruction of the "Kissinger NSC structure," if they recall what had happened to Europe during the 1973-74 period, when Kissinger had declared "The Year of Europe," in the aftermath of the October 1973 War in the Middle East which Kissinger had then arranged, and the "oil price revolution" which brought David Rockefeller's Trilateral Commission to world prominence.

The policies begun then by Kissinger were identifiable by three components: a) SALT treaties favoring the Soviets, b) a "special relation" between the U.S. and Israel, c) methodical neglect of Western Europe. The ultimate intended outcome of those policies, was to be what George Shultz almost succeeded in carrying out at Reykjavik—a decoupling of Europe from the United States. Zbigniew Brzezinski's recent book, *Game Plan*, offers insight into the strategic objectives which have constituted the "secret agenda" of the cabal of certain U.S. policymakers associated with the Trilateral Commission, a "secret agenda" which has been promoted methodically from September 1969, when Kissinger put Khomeini in power, to October 1986, when George Shultz almost succeeded in decoupling the Alliance at Reykjavik.

This "secret agenda" of certain powerful U.S. families associated with the Trilateral Commission and broader, more informal gatherings of the "Establishment" loosely referred

to as the “bankers’ CIA,” has been merely reflected in such locations as Brzezinski’s book or earlier, in Kissinger’s policy pronouncements. One central element of the “secret agenda,” has been the objective of supplanting the military alliance between Europe and the United States with a special relationship between the United States and Israel, as Israel is armed to become a significant intermediate nuclear power. Ariel Sharon and Moshe Arens are the architects of the Israeli side of this policy. Since the launching of this secret agenda by the U.S. Establishment, Israel’s nuclear arsenal has grown to some 400 nuclear warheads, mounted on 100 MIRVed intermediate range missiles of some 1,200 km range—while at the same time, the relative military strength of Western Europe with respect to the Soviet Union has declined. The Soviet Union’s consistent silence over Israel’s nuclearization is indicative of the larger strategic deals between Moscow and the U.S. liberal Establishment.

The crisis in Washington dates from the near catastrophe at Reykjavik, and certain events surrounding it. The plan of the American Trilaterals had been to create, with the aid of George Shultz, both the perception and the fact that President Reagan was succumbing to an inevitable decoupling of the Alliance, by means of the so-called Zero Option for Intermediate Range Nuclear Weapons. After Reykjavik, President Reagan suffered a major electoral defeat, mainly because the electorate rejected the administration’s economic policies. Those policies were simply the Trilateral Commission’s same old policies of “post-industrial society,” appropriately rephrased by White House Chief of Staff Donald T. Regan to fit the unfortunate economic philosophy preferences of President Reagan. Both the President’s own economic philosophy and Don Regan’s actual economic policies, cost Reagan the 1986 elections.

The present crisis around the subject of arms shipments to Iran was launched, initially, by Trilateral Commission members in the Democratic Party, who have already organized to prepare Sen. Sam Nunn to be the 1988 presidential candidate for the Trilateral Commission. The Iran arms shipment scandal, timed to explode just as Reagan was losing the mid-term election, had been designed, by its authors, to drown President Reagan under the fumes of a growing scandal, a scandal to serve two purposes: transform Reagan into an ineffectual “lame duck” President, and provide a forum to promote the cause of Sam Nunn.

### **A classical tragedy**

It is obvious that a two-year period of growing scandals and investigations in Washington, with its main protagonists being a weakened and defensive President and an aggressive, prosecutorial Sam Nunn, would have given George Shultz every opportunity to abandon Western Europe’s defense to the mercy of the Soviet Union.

President Reagan, however, retaliated by fighting in an unexpected way, unleashing Attorney General Edwin Meese

to a memorable White House press conference on Nov. 25. The purpose of the press conference was to target for investigation Israeli and Israeli-connected intelligence activities both with respect to Iranian arms shipments, and with respect to NSC-connected operations in Central America. It soon became apparent that the entire “Israeli intelligence apparatus” inside the National Security Council had become the target. Subsequently, when Meese outlined the mandate for the Justice Department investigators, it became further apparent that the whole of what is called the “Kissinger NSC structure,” with its far-flung ramifications, is the broader target. As a result, the initiative is no longer with the Trilateral candidacy of Sam Nunn, but with Reagan and Meese.

President Reagan and his friend Meese are effective political in-fighters. The reason they opened this whole “Kissinger NSC structure” can of worms is, most likely, because it was a good, fair target for a political counterattack. The operating motives were political survival rather than any profound, principled opposition to the disastrous policies represented by this trilateraloid “Kissinger NSC structure.” How far are Reagan and Meese willing to take this matter?

It no longer depends on them. Both President Reagan and his enemies are, as of now, locked into a course of events which is running beyond their control. One thing is for certain, that the “can of worms” has been opened, that the “Kissinger NSC structure,” and its sister feature, Israeli Mossad capabilities in the United States, are being wiped out. It is more than likely, that the interests now hit by the Meese investigation, may soon retaliate and make public further revelations which they would otherwise have preferred to keep secret.

This would only have the effect of provoking a sterner offensive by the President and Meese, precipitating further revelations from the opposing side. The bottom line in the spiraling crisis is this: The Reagan administration can be proven guilty on two counts: 1) Instead of investigating the Carter administration’s backing the Khomeini dictatorship’s coming to power, as Ronald Reagan had promised during his 1980 campaign, the Reagan administration continued the cover-up of the deals with Khomeini which had been set up by Carter, Brzezinski, Vance, and Muskie; 2) Instead of shutting down Carter’s Israeli arms-trafficking to Iran, the Reagan administration sanctioned the reactivation of this operation.

Here, then, is the logic propelling upcoming developments: The Reagan presidency, to survive, must continue “full disclosure” investigations. The Trilateral related networks and capabilities under assault from Reagan’s “full disclosure” policy, must try to undo the President in order to survive. But they cannot “undo” Reagan, unless they prove that the illegality originates in Carter’s policy toward Iran.

Without such national catharsis, the political force, in the United States, which is pursuing the secret agenda of decoupling from Europe, could not be defeated.

# Raisa Gorbachova 'elected' to Soviet Culture Fund presidium

by Luba George

At a Moscow press conference Nov. 13, the 79-year-old Russian chauvinist, Dmitri Likhachov, announced that he had been elected chairman of the newly created Soviet Culture Fund. Likhachov revealed the power behind the throne by declaring that elected to the 10-person presidium was Raisa Gorbachova, wife and stringpuller behind Soviet leader Mikhail Gorbachov. Others named to the executive board included writers Yuri Bondarev and Boris Oleinik, and Valentin Falin, the former ambassador to West Germany, now chief of the Novosti news agency,

Likhachov speaks for the unofficial "Russian Party" which is said to consist of many leading political and military figures, including Gorbachov, Marshal Nikolai Ogarkov, and writer Vladimir Solukhin. He is also an officer of the Society for the Preservation of Russian Monuments (Rossiya Society). Earlier this year, in the theoretical journal *Kommunist*, he demanded that the entirety of northern Russia be declared a historical monument and spared any development, including river diversion projects. Many of Likhachov's articles feature Russia's Byzantine origins. Already in 1946, he wrote on how Russia had inherited its historical mission and imperial franchise—as the "Third Rome"—from Byzantium.

A 1981 (No. 24) edition of a *samizdat* (Russian underground material) miscellany, titled *Pamyat* (Memory), described how this "Russian party" came into existence after the 1917 October Revolution. In 1923, a study circle of Leningrad intellectuals calling themselves the "Cosmic Academy of Sciences" met regularly to read scholarly papers, some of which dealt with Russia's religious and historical past. In 1928, nearly all the members of the circle were arrested, charged with "counter-revolutionary" activity. Among those arrested by the OGPU (KGB) was future Academician D.S. Likhachov, accused of "nostalgia for the pre-revolutionary past." Today the same Likhachov is the *éminence grise* of the Soviet Culture Fund and a recognized specialist on "Ancient Russia." It was on his personal initiative, that Unesco declared 1986 the year to commemorate the 800th anniversary of the Kievan Rus epic, "The Lay of the Host of Igor." Likhachov has reinterpreted the piece as "the

first Great Russian epic."

The creation of the Soviet Culture Fund has provided the influential Raisa Gorbachova with her first official function. As the de facto leader of the Soviet Culture Fund, she will be doing openly what she has previously been doing behind the scenes: directing and shaping the Soviet Union's cultural transformation. Raisa, reportedly the daughter of Maksim Titorenko, an official in Lenin's New Economic Policy (the NEP promoted small-scale private enterprise), has been personally involved in easing the screws on Soviet artists.

The long-censored director Elem Klimov has been recently elected to head the U.S.S.R.'s Filmmakers' Union; Boris Pasternak's novel *Doctor Zhivago* may be published; the publication of works by poetess and contemporary of Maxim Gorky Anna Akhmatova will soon be under way. Even more stunning, was the appearance in print earlier this year, of poems by Akhmatova's husband, Nikolai Gumilyov. Never before published in the Soviet Union, Gumilyov was executed in 1921 for his part in the so-called Taganets plot of a group of Russian monarchists. (The Taganets circle also happens to have been penetrated and partially run by the shadowy Soviet intelligence group that would become known as the Trust.) The Soviet weekly *Ogonyok*, which printed Gumilyov's poems this past summer, also carried a lengthy biographical sketch of the poet by a member of the Writers' Union, which explained his "counterrevolutionary" actions as the result of a quite understandable and practically admirable Russian officer's loyalty.

The founding Membership List of the Fund reads like a Who's Who of the KGB-GRU "cultural" world: filmmakers like Elem Klimov, musicians like A.M. Balanchivadze (the brother of Stravinsky's collaborator and choreographer, George Balanchine), architects, members of the Soviet Peace Council, the *Rodina* (Motherland) Society, and Likhachov's pet project—the Society for the Preservation of Historical and Cultural Monuments. It includes "stars" like spy novelist and reputed GRU official, Julian Semyonov, Kirghiz writer Chinghiz Aitmatov, the leading Soviet "NEP specialist" Sergei Zalygin, editor of *Sovetskaya Kultura* Andrei Belyayev,

the head of the Moscow Patriarchate's Publishing House, Archbishop Pitirim, and many more.

### 'Countermeasure' to Americanism

Likhachov declared in an article he wrote for the Soviet cultural weekly *Sovetskaya Kultura* (Sept. 20): "The creation of the Soviet Culture Fund is of great political significance, an act which has no comparison in any other country in the world. Take a highly developed country like America, for example. Here they are drilling into the heads of the population such propagandistic slogans as: 'U.S.A.—the nation of nations' . . . ' Under the rubric of protecting the heritage of all the world's nations, the United States is carrying out its propaganda of American hegemony . . . of nationalistic arrogance . . . in all cultural spheres. American hegemony in the sphere of culture is a big myth. . . . As a counter-measure to American demogogy, the founding document of the Soviet Culture Fund stipulates that citizens [e.g., Western members of the "Trust"] of any country can participate in its work . . . to help contribute in the realization of its tasks."

In his address to the founding conference, former Minister of Culture P.N. Demichev declared that Soviet culture must set the "new cultural standards" in the world today. "Often in the West it is written about the apocalypses and catastrophic degradation of man, about the loss of fundamental esthetic forms and norms of civilized behavior. . . . Today as never before, active spiritual standards have to be set which can counter today's imperialism."

A leading Soviet agent of influence since the time of Lenin, Armand Hammer, was this past summer directly involved with Raisa Gorbachova and Soviet Culture Minister Vassili Zakharov, in preparations to found the Fund, which promises to promote the "cultural and spiritual richness" of Russia, and to establish and upgrade "cultural ties abroad." Zakharov, the Central Committee's "agitprop" specialist, took over Demichev's job as culture minister Aug. 16 this year.

At the Fund's inauguration ceremony, Likhachov paid tribute to the "great friend of the U.S.S.R.," Armand Hammer, and underlined that the Fund and its work will live on "private contributions and donations." The October issue of *Soviet Film* reported on a new Soviet movie called *Face to Face*, directed by Anatoli Bobrabsky, which is a fictional previous of the Culture Fund's quest to reclaim art works for the Motherland. In the film, a Soviet journalist and a Russian emigré named "Prince Rostopchin" team up at Sotheby's to purchase for the U.S.S.R. a painting by the Russian artist Vrubel. And the Nov. 24 issue of the weekly *New Times*, illustrated by a big photo of Armand Hammer presenting his "gifts" to the Culture Fund at Moscow's central exhibition hall, proudly announced that "contributions to the Soviet Culture Fund have begun to flow in. More and more donations are entered on U.S.S.R. State Bank account No.700 specially opened for the purpose."

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# The Philippines: whose victory?

by Linda de Hoyos

The public coordinating body of the Iran-Contra caper is the "208 Committee," the official covert operations coordinating agency of the U. S. government comprised of officers of the CIA, State Department, and Defense Department. *EIR* readers will recall that the 208 Committee, whose members include Deputy CIA Director Robert Gates and Assistant Secretary of State Michael Armacost, ran the successful campaign to bring down the government of Philippines President Ferdinand Marcos in February of this year. In the last week of November, it was the committee's operations around Iran that dominated the news, but sources indicate, the 208 Committee and its operatives were also instrumental in the dramatic events that unfolded in Manila beginning Nov. 23.

Those events were hailed as a triple victory for Philippines President Corazon Aquino, but further down the line they may well appear as a defeat for the Philippines. In quick succession, beginning Nov. 23, Aquino fired her defense minister Juan Ponce Enrile, and appointed the highly respected Gen. Rafael Ileta in his place. The remainder of the cabinet handed in its resignations in order to give Aquino the ability "to make a fresh start," as she put it.

Three days later, the communist insurgent New People's Army (NPA) agreed to a 60-day ceasefire, scheduled to begin on Dec. 10—just in time to permit all the varied forces on the left to mobilize behind passage of the draft Constitution, scheduled for a national referendum in January.

Lastly, Aquino announced Nov. 28 that she had accepted the resignation of Natural Resources Minister Ernesto Maceda and Public Works and Highways Minister Rogaciano Mercado, members of the coterie surrounding her regarded by the military as overly sympathetic to the NPA.

These agreements appeared to end the crisis that had been precipitated by Enrile's increasingly bold challenges to Aquino over her policy of appeasement-at-all-costs to the NPA. The greatest cost, Enrile and the military pointed out, was the lives of soldiers of the Philippines Armed Forces, who have been deployed without adequate equipment in a sitting duck stance toward the insurgents.

Tensions between the military under Enrile and the pro-NPA human-rights-mafia in control of Malacanang Palace broke out into the streets Nov. 16, in a round of assassinations

and counter-assassinations. Enrile's sacking was prompted by reports of troop maneuvers in and around Manila in preparation for a military coup against the Aquino government. However, General Ileta and others have indicated that the coup rumors lacked substance—but they did give Aquino the pretext for removing Enrile.

Armed Forces Chief of Staff Fidel Ramos reportedly convinced Enrile to cease and desist. The military then "put a gun to Aquino's head," as one well-placed source in Manila put it, and forced her to appoint in his place General Ileta, a counterinsurgency expert who is believed able to rally the military behind him. While the Enrile-Ileta exchange appears to have boosted the military's presence in the government, the overall effect has been to weaken the line-up of national forces that would draw the lines against the NPA and could muster the political leverage to force an economic policy independent of the International Monetary Fund and the supranational looters of the country's resources.

## The U.S. role

Given the actual results, it is not surprising to find that indeed, Filipinos were not the only players in the month's maneuverings. On Nov. 18, according to knowledgeable sources, the State Department's Philip Habib—known now in Manila as the "gravedigger" for his role as special envoy in bringing down Marcos in February—arrived secretly in the Philippines, via Clark Air Base.

The United States had already made public its desire to "quash Enrile"—who is regarded in Washington within 208 Committee circles as "too independent." In early November, as Enrile began to openly attack the Aquino government, the State Department began issuing statements of 100% backing for Aquino, and presidential spokesman Larry Speakes indicated that Enrile had been informed through private channels to "cool it." In his last public statement two weeks ago, Enrile attacked U.S. interference into Philippines political affairs.

Other Americans have arrived on the scene as the stage managers for the crisis: In Manila, Gen. John Singlaub, a leader of the World Anti-Communist League who has been caught holding the bags on the illegal Iranian arms deal, along with Ray Cline of the Center for Strategic and International Studies, were seen meeting with Philippines leaders.

The 208 Committee policy toward the Philippines is dubbed "constructive disengagement"—a phrase that conjures up images of Vietnam. In the Philippines right now, state Manila sources, a situation of dual power already exists. The NPA controls a full 20% of the countryside, levying taxes and carrying out an administration. Now, this NPA has come into Manila to prepare for its final campaign for power. A full 7,500 armed NPA cadre came into the capital city for the funeral Nov. 21 of slain trade union leader Rolando Olalia. These armed cadre are now deployed throughout the desperately impoverished barrios of the city.

# Fired NATO general warned of spetsnaz

On Oct. 28, in a brief press release, the Netherlands' Ministry of Defense announced the dismissal of Lt.-Gen. Gerard Berkhof of the Dutch Army as chief of staff of Allied Forces Central Europe (AFCENT), stating that "his way of functioning" apparently made him incompatible with his commander, General L. Chalupa of the West German Bundeswehr. The move, unprecedented since the 1984 dismissal of former NATO deputy commander General Kiesling for suspicion of being a homosexual (a charge of which he was later exonerated), has led to speculation as to the real motives for General Berkhof's dismissal.

On Nov. 8, General Berkhof charged that his dismissal was because of his fear that the AFCENT Headquarters, in the city of Brunsum, near the West German border in the Netherlands, was vulnerable to Soviet spetsnaz attack. In an interview in three leading Dutch weeklies, General Berkhof remarked that he had been in the midst of an investigation of Soviet plans to sabotage the headquarters through infiltrating spetsnaz troops into abandoned coal mining tunnels that crisscross underneath the base, no more than 10 meters below the surface.

The tunnels, he charged, are accessible from outside the base, and only a thin brick wall would block intruders from reaching right into the center of the NATO facility. AFCENT headquarters is the command and control center for NATO's Central Front, encompassing all American, British, Dutch, Belgian, and German troops on the crucial West German front.

## Berkhof backed SDI

Although the interview was published throughout the Dutch press very little has appeared elsewhere, prompting rumors throughout NATO and West European defense circles as to the real cause for his ouster. The fact that General Berkhof is a leading advocate of the Strategic Defense Initiative in Western Europe, a position that made him unpopular in certain high political circles in The Hague as well as other European capitals. In his interview, the general reasserted that maintaining NATO as an effective deterrent depends on SDI development.

A review of the general's charges as well as *EIR's* independent investigation reveals a story which is of utmost concern for NATO security and readiness. Berkhof stated that,

as chief of staff, the security of the headquarters was his responsibility, and he had begun reviewing security measures at once. A search of NATO's security files yielded no information on Soviet spetsnaz. He began an independent inquiry, and found that infiltration of Western military objectives via tunnels is coordinated under the 16th directorate of the KGB. Further probing revealed that the Soviets and other Warsaw Pact military forces have many specialized sabotage units coming under the generic term "spetsnaz."

Military intelligence experts have identified a pre-war "first echelon" of spetsnaz, consisting of some 350 groups with 8-12 men each, and specialized in some 10 distinct mission-assignment categories. Among these were special tunneling units.

There are 2.5 million former coal miners of Polish background in the coal mining region in the Netherlands and West Germany. Infiltration of this community by Polish intelligence and spetsnaz units is well known to Dutch intelligence. There is also a very active Polish consulate not far from Brunsum, which has a sister city relationship with a city in Poland, with many exchange programs. Organized crime networks of East Europeans are also known to manage several brothels in the region, frequented by NATO personnel. General Berkhof charges that when he began to identify the possibility of East European spetsnaz units, his commander, as well as other senior officers, moved for his dismissal.

Although the official statement by NATO and SHAPE (Supreme Headquarters Allied Powers Europe) was a simple "no comment," a Dutch Defense Ministry spokesman admitted that the security issue was involved. They claim that they had told General Berkhof to refrain from public comments. An inspection by the Netherlands Ministry of Mines of the mine entrances only two weeks before his removal revealed that they had been recently forced open, a task requiring at least 10 hours of work and the penetration of a concrete wall, and tunneling through 5-6 meters of sand and another concrete wall which serves to plug the entry shaft. Although the thin break wall that blocks entry into the tunnels underneath the headquarters itself was not penetrated, the discovered penetration, no more than three weeks old, was the third such break-in since the mine was shut in 1975.

The general's charges on spetsnaz capabilities against NATO have been reinforced by a report recently drawn up by the German Defense Ministry, reporting that the Soviets have 4,000 spetsnaz troops prepared to conduct sabotage operations throughout West Germany. These units, in the event of a Warsaw Pact attack on NATO's Central Front, would coordinate with so-called Operational Maneuver Groups which would target key NATO command and control centers such as AFCENT in Brunsum. The fact that sabotage operations are being conducted now, is reflected in reports of attempts to penetrate the secret bunkers containing emergency war materiel along the East German border over the last several months.

## Jitters over AWACS

*U.S. Defense Secretary Weinberger's promise to Pakistan creates new problems in the area.*

Caspar Weinberger's trip to India in mid-October had been held up here as a firm indication that the United States was at last willing to understand India's threat perceptions. But the joy was short-lived. Two days after his departure, the American Defense Secretary announced in Islamabad that Pakistan requires air defense and he would "get this defense capability in the hands of Pakistan as quickly as possible."

Weinberger's statement and subsequent moves in Washington to make good on his promise have set off an unusually angry response in India. K. Nawar Singh, minister of state for external affairs, told the Indian parliament that if the United States makes AWACS available to Pakistan, Indo-U.S. relations will receive a major setback. When U.S. Air Force Secretary Robert Aldridge came to Delhi to do business as a follow-up to Weinberger, the same message was bluntly conveyed.

An Indian defense delegation headed by Minister of State for Defense Arun Singh returned from Moscow in early November to announce that the Kremlin was prepared to satisfy India's technological requirement in answering a Pakistani AWACS capability. The MiG-31 is an obvious option—this latest model interceptor flies at 60,000-80,000 km per hour, has a radar with a 100 km range, and has missiles that can be fired at unseen targets 70 km away.

The excuse for the AWACS offer, of course, is the Soviet occupation of Afghanistan. Pakistan has been complaining for some time that Soviet and

Afghan aircraft were violating its air space.

But for India, this does not mitigate the perceived danger. Pakistan has invaded India three times since 1947, each time across India's western borders, and each time using U.S.-supplied arms.

Indian defense officials point out that the highly mountainous terrain on the Afghanistan border casts extensive "radar shadows," but with AWACS, the Pakistan Air Force will be handed the capability to destroy squadrons of the Indian Air Force in a sneak attack. The 1982 Israeli invasion of Lebanon is cited in this connection. Backed by the AWACS (Hawkeyes), the Israelis destroyed 80 Syrian planes while losing only one of their own.

As the defense experts here point out, AWACS' awesome capability for radar scan of air-space below, around, and above it, up to distances of nearly 700 km, will lay bare to the Pakistanis a large number of air and naval bases located within hundreds of kilometers inside India. And, if the AWACS is allowed to cruise close to the border, as one report put it, it will "rip the veil" of operational secrecy off three-fourths of the Indian Air Force's main operational command—western and south-western.

Since the AWACS acts also as a "force multiplier," it tends to raise the military ante in the region qualitatively—while everyone knows that, F-16 and AWACS notwithstanding, the Pakistanis will have to head for the sea or call in the Americans should the Soviets make a concerted drive south

from Afghanistan.

Not at all incidental to India's opposition to the U.S.-Pakistani arms relationship are the economic implications. For India to match the qualitatively more sophisticated military input into Pakistan puts a serious additional pressure on India's tight budget. Since the Soviet invasion of Afghanistan in 1979, Pakistan has received more than \$1.5 billion in U.S. arms, including 40 M-16 fighter-bombers. The new U.S. arms package for the next six years, earlier estimated at \$1.7 billion, may actually rise to as much as \$3 billion of a total assistance program of \$4.02 billion.

The AWACS controversy once again finds the United States in the role of the devil. Given the alliance between Pakistan and China, Indians are convinced that the United States is deliberately pressuring India. It is widely believed here that the AWACS is part of a larger U.S. plan to involve Pakistan in the central defense command in the Persian Gulf.

Two related revelations have increased the jitters in New Delhi. First, the *Washington Post* quoted secret U.S. intelligence documents that Pakistan has already successfully obtained the triggering device and is now only "two screwdriver turns" away from having a nuclear bomb—right after President Reagan gave an official clean bill of health to Pakistan on the bomb-building question—and right after the defense secretary's departure from Delhi.

Second, the U.S. State Department has confirmed that the United States has been clandestinely operating the highly sophisticated P-3 Orion biplanes from Pakistan under a secret agreement between the countries—shades of the famous U-2 incident that led to America's unceremonious departure from Pakistan in 1959.

## Stockholm police chief under fire

*Swedish parliamentarians have started to demand answers from Hans Holmér on the Palme murder investigation.*

The heat is starting to build up around the no-results investigation of the murder of Prime Minister Olof Palme conducted for six months by an investigative team led by Stockholm Police Chief Hans Holmér. The contradictory stories being leaked by the police to the mass media, the now-famous Holmér double-talk at his ever more infrequent press conferences, and the blithe assurances, repeated regularly for months, that the police were on the track of the killer, have created growing skepticism among the general public and political leaders in Sweden. Voices are being raised demanding a full report from Holmér on what he actually has accomplished.

The turning point for Holmér came in October when *EIR* circulated to top political and security personnel in Sweden and abroad, the English-language *Special Report*, "A Classical KGB Disinformation Operation." The report exhaustively documents the motives and means of possible KGB involvement in the Palme murder of last Feb. 28. One month after *EIR*'s report came out, Holmér broke his self-imposed silence by attacking the "happy amateurs" who were trying to get involved in police work, "where only professionals count." Holmér criticized those "bureaucrats and thinkers" who were commenting on how the investigation should be handled.

Holmér's irritation at the "happy amateurs" caused quite a stir among politicians in Sweden concerned with getting to the bottom of the Palme case. Former Moderate Party leader Gösta

Bohman, still a member of the Swedish parliament and holding a post on the National Police Board, in an interview on Nov. 13 in the Swedish evening paper *Expressen*, complained that even he was totally in the dark about the workings of the Holmér investigation. Expressing his amazement that the police had allowed a known criminal to escape from internment, when the criminal said that he would, if released, help the police find the murder weapon that killed Palme, Bohman laid responsibility for this blunder at the doorstep of Mr. Holmér.

Bohman also expressed bewilderment over the divergent and contradictory stories which had been given by the police at regular intervals about their findings. Bohman commented that it seems as if "the police have a need to leak out a lot of ambiguous statements in order to soothe their consciences. Or to humor the press."

Karin Ahrlund, the head of the Judiciary Subcommittee of the Swedish Parliament, voiced surprise that Holmér had given a long interview to *Newsweek*, although he had refused to give any interviews to the Swedish press during recent weeks. Ahrlund added that Holmér was becoming "hypersensitive" to criticism, and that he seemed "a tired and disappointed person who is lashing out at an enemy which he doesn't have." Another Liberal Party member on the Judiciary Subcommittee, Hans Petersson, demanded that Holmér inform the public concerning the investigation.

Holmér's reactions are undoubtedly motivated by more than frustra-

tion over not having cracked the case. *EIR* documented in the cited *Special Report* that the police investigation under Holmér, a political appointee of the Social Democratic government, was, at certain points, being used for harassment against the European Labor Party, the political organization in Sweden associated with U.S. presidential candidate Lyndon LaRouche. Moscow has targeted LaRouche for elimination, as the intellectual author of the SDI. Leaks from the Holmér group were being fed into the Soviet-sponsored lying charges that the European Labor Party was behind the Palme murder.

The direct collaboration of the Holmér group with media figures pushing this Soviet line raises the question as to whether or not there are more sinister reasons than mere incompetence for the absolute fiasco of the Holmér inquiry.

Several months ago, a special judicial commission was established to determine what the police had done to solve the murder, including possible blunders made by the police. The commission was set up at a time when demands were being made that Holmér step down from the investigation. Holmér did not resign, and the new commission under Per-Olof Nilsson does not seem to have shed any light on anything.

Setting up a parliamentary commission to investigate the whole spectrum of events surrounding the murder of Olof Palme is the next logical step—which will probably not be long in coming. Such a commission, however, will only be successful if it takes up the question presented in the *EIR Special Report*, and mooted in Parliament some weeks ago by Moderate Nic Grönwall: What was the role of the Soviet KGB in the Palme assassination?

## John Gavin, one of the 'bad guys'?

*Did the American ambassador to Mexico protect drug traffickers, or just violate Mexico's sovereignty?*

**R**ecent revelations appearing in the Mexican press have given us a closer glimpse of the dark side of former U.S. Ambassador to Mexico John Gavin, currently an executive of the Atlantic Richfield company in Los Angeles, California.

*EIR* has documented in previous issues how Gavin dragged the United States into one of its worst diplomatic fiascos by trying to resurrect the National Action Party (PAN) as a political weapon against the Mexican political system. We also noted at the time that the leaders of the PAN in the state of Sonora—where Gavin's mother lives—were associated with or financed by bosses of the drug trade in the Mexican northwest. It is noteworthy that Gavin never once made reference to these drug-trafficking barons, but on the contrary, pointed to various government officials as involved with drugs—taking great care, of course, never to mention officials with whom he was associated, despite clear indications of their corruption.

A small piece of Gavin's dirty laundry was aired by journalist Carlos Moncada in three consecutive editions of the Sonora-based daily *Diario del Yaqui*, Nov. 3-5. Moncada reveals that then-Ambassador Gavin personally intervened with the Sonora judiciary to clear U.S. citizen Mary Kathryn Ford of charges of murdering her husband, Cruz Davison, in 1985. Ford was being held in a jail in the border city of Nogales at the time.

As it turned out, Mary Kathryn

Ford was the niece of former President Gerald Ford, and her parents, important businessmen from southern California, are the owners of the San Diego Padres baseball team. Ford's parents apparently contacted Ambassador Gavin, the U.S. consul in Hermosillo (capital of Sonora), and the governor of Baja California Norte, to solicit intervention on their daughter's behalf.

Gavin managed to get a new defense lawyer for Ford, in the person of Sonora lawyer Rogelio Rendón, a partner and political ally of former Sonora governor Carlos Armando Biebrich. Biebrich, closely associated with the current interior minister, Manuel Bartlett Díaz, and with his deputy minister, Fernando Elías Calles, was forced to resign his gubernatorial post in November 1976, the result of widespread protest over the assassination of several farmers in the area.

Rendón's fame does not stem from his law practice, but rather from his "talent" in winning political and judicial favors by organizing parties with top call girls and plenty of quality "snow."

According to Moncada, there exists a taped telephone conversation in which Rendón happens to mention to the judge hearing the Ford case, Luis Cuevas Macías, that the governor of Baja California Norte, Leyva Mortera, spoke with Sonora governor Rodolfo Félix Valdez to express his "concern" over the case. Félix Valdez

turned the case over to the president of the Sonora superior court, Valderrain Otero, who also happened to have been a high-level official in the Biebrich governorship!

Valderrain used his power, in turn, to replace Judge Cuevas Macías, who had not yielded to the pressures to free Ford. However, the new judge was equally resistant to twisting the law in favor of the woman, and he too was replaced. Finally, the right judge was found. One Sergio Hernández wasted no time in finding the charges against Ford "insubstantial," and ordered her release. She was immediately transferred to the Mexico-U.S. border and set free on U.S. territory. Ford has not to this day returned to Mexico, despite judicial appeal entered against Hernández's decision.

The incident stirred all of Sonora, and exposed former Ambassador Gavin not only for unacceptable violation of Mexico's national sovereignty, but for his ominous association with corrupt, treasonous, even criminal elements within Mexico.

In fact, Biebrich is known as a partner of the jailed former police chief of Mexico City, Arturo "El Negro" Durazo Moreno, and of Francisco Sahagún Baca, currently a fugitive from justice for having been a conduit for the drug trade. A brother of Biebrich, José, was publicly accused of smuggling drugs while Biebrich was governor of Sonora.

Biebrich's power derives from the protection he receives from Interior Minister Bartlett, who is praised and promoted in Washington and on Wall Street as the next President of Mexico.

Journalist Carlos Moncada had barely finished his article on "Dirty Gavin" when his columns were abruptly interrupted, and he was transferred outside the country to prevent any further exposés on the thorny subject.

## 'Betting on Peru' in the year 2000

*Alan García calls on Peru's capitalists to throw in their lot with his "historic project."*

With a genuine economic recovery in progress to show for his refusal to buckle under to the International Monetary Fund, Peruvian President García is now fully embarked on the next phase of his "historic project" for the year 2000. The clean electoral sweep that García won in the Nov. 9 municipal elections gave him the mandate to do just that.

García explained his objective in an address to Peru's Annual Conference of Business Executives (CADE) Nov. 19. The speech was interrupted 10 times by applause. "I see the result of these elections as a message, as a claim by traditional forces that are seeking unity: the poor, the middle class, the industrial bourgeoisie. . . . All of these forces can be integrated under one project. . . . We will build our capital, we will produce, we will make wealth accessible to all, we will grow."

President García repeatedly emphasized the need to think about the future: "The only way to get to the year 2000," he said, "is by uniting wills."

The 700 Peruvian capitalists attending the CADE meeting were reminded of García's appeal last July for productive investment of their capital. At the time, the President had told the nation's industrialists that "you are not speculators. An industrialist is someone who takes risks for himself and for Peru." Now, García was able to tell the businessmen, "Thank you for betting with me. . . . Let's enjoy the luxury of being rebels."

García's first year in office was dedicated to reversing the rapid down-

ward spiral of the Peruvian economy and reinitiating growth. By raising wages, holding down prices on basic products, halting the unending series of devaluations and putting a 10% ceiling on percentage of export income dedicated to debt repayment, he restored stability and gave an initial stimulus to consumer demand that got production going again. But, as he has repeatedly warned, a more fundamental restructuring of the Peruvian economy based on industrialization and modernization of agriculture is the critical next step.

Thus, he informed the businessmen that bold new investments in industry and in city-building projects were now on the agenda. One day later, he put his words into action, addressing the population of the small northern city of Piura on his plan to turn a dozen small cities like theirs into intermediate industrial centers. He pledged that these long-neglected areas would receive the water, electrical, and other infrastructure required for that.

During his Piura visit, García elaborated his program to the year 2000, a program which defines a nationalist posture toward the foreign debt as priority *número uno*. City-building, a competent educational system, and drawing population away from the over-crowded and poverty-stricken city of Lima, were also key aspects of his project for the year 2000. The President suggested that the program could take the name of Marshal Avelino Cáceres, the Peruvian hero during the 1879 War of the Pacific who personally organized a militia to drive the invading Chilean army out

of Peru. The "Belaúnde" of that period (Fernando Belaúnde was García's predecessor) had responded to the invasion by grabbing the national treasury and abandoning the country to an enemy occupying force.

García's city-building plan accompanies his now famous rapid-transit project for Lima, and large-scale irrigation and electrification works for the neglected regions of the country.

García also told the CADE businessmen that plentiful, low-interest credit and generous tax incentives would be made available to those committed to investing productively in the economy. The central bank has already announced that \$200 million would be freed up for industries run down by decades of disinvestment, and agreements for \$100 million worth of new investment in agro-industry, textiles, and other industrial sectors are in the making.

In his one-and-a-half-hour address, García gave the CADE assembly an economics lesson which knocked into a cocked hat all the orthodox bankers' recipes for "economic growth" International Monetary Fund-style. He challenged those theorists who insist that "any deficit is bad," explaining, "Clearly a deficit is bad when it goes to pay the foreign debt. . . . But the deficit should be welcomed when there is capacity to create work or when it serves to increase demand."

He warned those with less than patriotic thoughts, "I will not shock the country one of these mornings by saying that I have devalued our currency 30%. I trust in Peru, I trust in you. I trust you will not go running to Ocona Street [money-changing center] or to the bank to buy dollars. Why? Not only because I trust you, but because I am warning you, you'll lose if you do!"

# International Intelligence

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## Norway commander attacks decoupling

Press spokesman for Norwegian Commander-in-Chief Gen. Fredrik Bull-Hansen, Colonel Gjeseth, has stated that the proposed withdrawal of American troops from the Central European theater would mean that in an emergency situation, the threat to NATO'S Northern Flank would be significantly greater than it is today.

According to Norwegian NATO arrangements, there are no foreign troops stationed on Norwegian soil during peacetime. The defense of NATO'S Northern Flank is therefore totally dependent on the ability to rapidly transfer NATO forces from other parts of Europe or the United States. If there were an increased demand for such forces elsewhere in Europe, which such a reduction of U.S. troop presence would imply, this would mean a greater problem in allotting the necessary forces to the Northern theater.

Therefore Norway, stressed Colonel Gjeseth, is very keen on maintaining the present level of American forces in Central Europe.

Colonel Gjeseth also stressed that any discussions concerning a reunification of the two Germanys, and a corresponding shift in the position of West Germany vis-à-vis NATO, would be viewed in Norway as a cause of great concern.

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## Patriots for Germany go to Washington

Patriots for Germany candidate Renate Müller addressed a forum attended by 16 policy-makers in Washington, D.C. Nov. 25, outlining the importance of the West German elections in two months for the future of the Western Alliance. Müller said that the Patriots for Germany, who will be running in every district in West Germany's Jan. 25 national elections, are making the fight against decoupling of the alliance the key theme in their campaign.

The PFG will kick off its campaign with

a 25,000-run poster with photographs of Gorbachov and Stalin, entitled, "No to the Empire of Evil." A copy of the poster was displayed at the Washington forum.

Müller outlined how party leaders in West Germany, not only in the Green Party and the Social Democrats, but also the Christian Democratic Union, are already accommodating themselves to the decoupling of the alliance by peddling the prospect of a "reunified, neutral Germany" if the United States withdraws its military support from the country.

"With 350 million of the world's most educated, skilled people and with the combined greatest industrial capacity in the world, Western Europe pales a region like Iran in significance, yet the attention in the United States is fixated on events in Iran while decouplers at the U.S. State Department and in Congress, as exemplified by Sen. Sam Nunn (D-Ga.) are preparing to sell Europe out to the Soviets," she said. "This we are dedicated to preventing from happening."

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## Russians publish 'Star Wars' book

A new book called *Space Weapons: The Security Dilemma*, edited by Academicians Ye. P. Velikhov, R.Z. Sagdeev, and A.A. Kokoshin, was advertised in *Pravda* on Nov. 22. The book does not claim that the Strategic Defense Initiative is impossible, but rather concentrates on "proving" that a comprehensive anti-missile system with space-based elements will never be purely defensive.

Laser, particle beam, kinetic, and electromagnetic pulse (EMP) weapons can be used for a first strike against objects on earth, the authors say. They repeat the "warning" that SDI will step up the arms race of ICBMs and "dummy missiles."

The book also claims SDI is a violation of the 1972 ABM Treaty; the Soviet Union, in retaliation, might stop observing the SALT II treaty and Article 12 of the ABM treaty, which forbids *maskirovka* (satellite jamming), making verification of treaty observance impossible.

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## Lubbers, Ryzhkov fail to reach accord

Dutch Prime Minister Lubbers, visiting Moscow, failed to come to a formal accord on disarmament issues with his Soviet counterpart, Nikolai Ryzhkov, despite the fact that Lubbers is a staunch opponent of the American Strategic Defense Initiative.

In his Nov. 20 speech for the visiting Lubbers, Ryzhkov warned the Europeans against associating themselves with the SDI:

"If the U.S.A., racing for military supremacy, chooses the SDI program, then Europe cannot imagine what irreversible consequences this will lead to!" He said there was no reason for West Europeans to feel "defenseless" without American nuclear weapons. They only had to stop viewing Soviet proposals for "substantial, balanced reductions of armaments and conventional armed forces" as "diplomatic traps and ruses."

The Dutch prime minister, in his reply, endorsed the "zero option" for medium-range missiles in Europe, but objected to the Soviet linkage between the "zero option" and agreements on SDI. As a result, there was no formal agreement on disarmament issues.

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## Parpart addresses Japanese space meeting

Uwe Henke v. Parpart, Fusion Energy Foundation director of research and a Contributing Editor of *EIR*, spoke at the opening ceremonies at the Tokai Space Research Center in Kumamoto, Kyushu, Japan on Nov. 21.

The research center has the capability to monitor all satellites that fly over Japan within a 3,000-mile radius, and other remote sensing capabilities. The initial purpose of the center is to put together a global environmental picture from Landsat satellites and Japan's own MOD-1 satellite, which will be launched in January.

Parpart addressed the necessity for just such a global overview, given the cata-

strophic results to the global climate of the deforestation of the Amazon and the Sumatra-Borneo rain forests.

The ceremonies were attended by high-ranking representatives of the ASEAN countries and South Korea, as well as NASA representatives and the Ministers of Education, Science and Technology, and Space from Japan.

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### ***Three Jamaican police killed by dope runners***

Jamaican dope traffickers raided a police station and killed three policemen on Nov. 19. "This is an open declaration of war on the policé," National Security Minister Errol Anderson said.

A group of men with high-powered rifles sneaked into a police station early Nov. 19, hurled firebombs, and began shooting at officers, killing three. A fourth policeman escaped.

The police suspect that this unprecedentedly bold action by the dope traffickers may be linked to a recent police crackdown on the traffic. During the course of the crackdown, more than 12,000 pounds of marijuana were seized.

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### ***Norway moves for AIDS testing, quarantine***

The Norwegian parliament has moved to AIDS tests mandatory during all medical examinations. On Nov. 25, the Subcommittee on Social Affairs presented a proposal to the Minister of Social Affairs, Tove Strand Gerhardsen, for mandatory AIDS tests for all people receiving medical check-ups at hospitals or other medical institutions, and all people in prison. The Minister of Social Affairs is considering obligatory testing for military personnel and pregnant women.

The subcommittee expressed full support for the minister's proposal for quarantining people with the HIV virus or with AIDS. Although the proposal was formulated to deal with cases of prostitutes who refuse to discontinue their activities, it can

nevertheless be applied in a broad range of cases. The subcommittee characterized AIDS as "one of the greatest medical and health threats in modern times."

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### ***East German hails Eureka project***

The director of an East German intelligence think tank has told the European Parliament in Strausbourg that the French-sponsored Eureka project in directed energy devices should assume the form of a cooperative East-West project.

In an unusual address to the European Parliament, Dr. Max Schmidt, director of the East German Institute for International Politics and Economics, proposed the EC view the Eureka program as "a significant possibility for technological give-and-take between East and West."

On Nov. 13, the same day Schmidt addressed the Parliament, representatives of the East German government met in Brussels with EC officials to discuss closer ties.

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### ***Soviet economist visits Argentina***

Soviet economist Victor Volsky visited Argentina on Nov. 21, in his capacity as chief of the Latin American Institute of the Soviet Academy of Sciences. He pleased the Argentines by assuring them that the Soviets would not seek permission from Britain to fish in the waters Argentina claims around the Malvinas.

Volsky said the Soviet interest in Argentine waters is not just fish, but "the detection of mineral, oil, gas, and ferromanganese deposits," as well as the harvesting of krill. "We could collaborate scientifically and help Argentina dominate its natural resources."

The United States and Britain, he charged, would "do everything possible" to control the straits of Magellan, the best natural passage between the Atlantic and the Pacific.

## ***Briefly***

● **AUSTRIA** will probably soon have a grand coalition government of its largest parties. In general elections held Nov. 25, the Austrian Socialist Party emerged with 43.36% of the vote. According to unnamed Socialist sources, the party will probably form the next government in coalition with the conservative People's Party, which won 41.6%. Just such a grand coalition government ruled Austria for over a dozen years after World War II.

● **MEXICAN NAZIS**, stone-throwing members of the National Action Party (PAN), rioted against police in Ciudad Juarez on Nov. 20, in the most serious political violence in Mexico in recent years. The incident began when 3,000 banner-waving PANistas clashed with schoolchildren involved in a Revolution Day Parade. When the march reached downtown, the police confronted PAN rioters and were hit by stones, replying with tear gas. Twenty-four policemen were injured, three seriously.

● **VOLKER RUEHE**, arms control spokesman for West Germany's ruling Christian Democrats (CDU), has called off his Nov. 23 visit to Moscow. His official reason was that the Soviets had left him uncertain about whom he would meet while there, but he is also acting under pressure from Chancellor Helmut Kohl. The invitation had been extended by the Soviets immediately after the Reykjavik summit.

● **6% OF MEXICAN BLOOD** plasma is contaminated with AIDS, a top Mexican health ministry official declared Nov. 26. Samples of blood stored by private distributors and hospitals were tested. Meanwhile, the president of the National Chamber of Private Hospitals and Clinics, Jesus Gomez Medina, said in a press conference the same day that the Mexican government is lying on the number of known AIDS cases, which stands at more than 1,500, not the fewer than 400 claimed by the government.

## Reagan, Meese have begun the counter-Watergate

by Criton Zoakos

During his historic press conference, Nov. 25, Attorney General Edwin Meese, and President Reagan, on whose behalf Meese spoke, launched a campaign which, within a few hours, appeared to be the exact reverse of Watergate. It will succeed, so long as the President and Meese insist on their present, uncompromising policy of "full disclosure."

Contrary to Watergate, the inquiry is launched by the President and his Attorney General, not against them, as the case had been with Richard Nixon.

Contrary to Watergate, when National Security Adviser Henry Kissinger and White House Chief of Staff Al Haig stayed in their posts throughout the crisis, until they blackmailed their chief into resigning, now, John Poindexter is out and Chief of Staff Donald Regan has been stripped of all power and function—his remaining in office (as of this writing) only serving to cause him personal ridicule.

Contrary to Watergate, President Reagan and Meese, each day that passes, are keeping Congress and the press off balance, as they direct their inquiry into the wrongdoings of persons and cliques which have, hitherto, enjoyed the protection and sympathy of the liberals in both Congress and the press.

The following joke, circulating in the corridors, characterized the situation: "Q: Did you hear, John Conyers is organizing impeachment proceedings? A: Against President Reagan? Q: No. Against Ayatollah Khomeini, for supplying the Contras—he figures, the liberals put Khomeini in power, the liberals can take him down."

### Dismantling Kissinger's 'NSC structures'

Contrary to popular perceptions, neither the resignation of Admiral Poindexter, nor the dismissal of Lt.-Col. Oliver North, are the important elements of the Meese investigation,

so far. What shocked the Establishment, was the fact that Meese walked to the podium of the White House conference room and did what most people till then considered "unthinkable" for Reagan and his friends to do: He pointed the finger at the core of illicit Israeli intelligence activities in the United States, and destroyed, on the spot, the cause of the Nicaraguan Contras.

Following that press conference, the Attorney General issued further instructions setting the direction of the Justice Department's investigations. The key element of Meese's instructions is the order that "every dollar will be traced," from the Iranian arms transactions. As a result, the investigation is now directed against a maze of semi-formal groups and institutions in government known to the bureaucracy as the "Kissinger NSC structures." Two large groupings are now the immediate target of the investigation. First, the extensive Nicaraguan Contra support apparatus, involving such persons and General Singlaub, General Secord, Andy Messing, and others in the so-called National Defense Council Foundation. Second, the network shipping weapons to Iran, not just recently, but years before Reagan had signed any authorization.

Among the persons targeted by the Meese investigation, are Undersecretaries Armacost, Armitage, Elliott Abrams, CIA Deputy Director Claire George, NSC staffers Howard Teicher, Geoffrey Kemp et al., and a special category of influence-peddlers such as Michael Ledeen. These persons share in common something. Some of them are members of a group called "The 208 Committee." Others belong or have belonged to special inter-agency or supra-agency units, established at various times on an *ad hoc* basis for pursuit of specific, delimited policies, under NSC authorization. This maze of special units and *ad hoc* committees which had

pervaded Washington since the early 1970s, was created by Henry Kissinger and is known as the "Kissinger NSC structure." Under this arrangement, and through an entity once called by Kissinger the Special Coordinating Committee, a great number of illegal operations have been conducted over recent years. Under the "Kissinger NSC structure," any officer seconded to these "special units" from, say, the Pentagon, CIA, State Department, Treasury, etc., was no longer answerable to his or her original agency. Any oversight or jurisdiction over their actions was made impossible, and all sorts of rogue operations were made possible.

The arms shipments to Iran and the illicit Contra funding were but two examples. The notorious Terpil and Wilson Libya affair (involving General Secord of Nicaraguan Contra fame), is another; projects such as the toppling of the Shah of Iran, and of President Marcos of the Philippines are similar examples; the financing of the terror networks of Ahmed Ben Bella and François Genoud, the assassination of ex-U.S. Ambassador to Greece Henry Tasca, and the assassination of CIA station chief in Athens Richard Welsh, are other such examples of the activities of this Kissingerian NSC structure.

With Meese's investigation as it stands now, the so-called "structure," to carry out such nasty operations is being wiped out. If the going gets rough down the road, and someone gets the clever idea of trying to stop this clean-up, even more interesting things may happen—such as, for example, actual, full-scale, public investigations into these past, nasty jobs of the "Kissingerian NSC structure."

It has been well known among senior Western intelligence officials that the emergence of this "Kissingerian NSC structure," from 1970-71, had been associated with the dramatic increase of the Israeli Mossad's influence over the United States NSC's personnel selection. What foreign capitals are concluding now is that, as a result of Meese's counteroffensive, the Israelis are rapidly losing gains which they had accumulated in Washington over a 15-year period.

### What comes next

There is a mad scramble in Washington to take the initiative of the investigation away from Reagan and Meese. John Conyers and his House Judiciary Subcommittee have formally requested the establishment of an independent Special Prosecutor, to investigate the following members of the administration: Meese himself, Vice President George Bush, CIA chief William Casey, White House Chief of Staff Donald Regan, Defense Secretary Caspar Weinberger, and Assistant Secretary of State Elliott Abrams. At this stage, the Conyers effort will not go very far. It has generally been seen as a very biased effort to: a) cover up for one of the real culprits, Secretary of State George Shultz, whom Conyers does not name, and b) to direct fire against Weinberger, who is the one official who is shown on the record as rejecting the proposals for arms shipments to Iran.

The Senate Intelligence Committee, in announcing its intention to continue its hearings into the CIA's role in this matter, essentially strengthens the weight of the Meese investigation.

Finally, Meese and President Reagan are bound to continue keeping both Congress and the liberal press off balance by means of the appointment of the Special Review Board to examine the "methods and procedures" of the National Security Council. Its three members, John Tower, Edmund Muskie, and Brent Scowcroft, have been appointed to come up with a proposal to revamp the NSC by destroying its "operational" features, and restoring its policy advisory function. The appointments were inspired by sublime irony. Scowcroft, Henry Kissinger's creature and the first to receive from Kissinger's hand the safekeeping of the "NSC structure," has been invited to slaughter his own child; Muskie, the Carter Secretary of State who signed the secret agreements of January 1981 with Iran, on which arms sales to Iran are based, has been invited to investigate the wrongdoings of his own policy. John Tower is on the board for the purpose of keeping the other two honest.

For fear of what Reagan might do otherwise, the liberal friends of Muskie in Congress, and the Trilateral Commission friends of Scowcroft, do not yet wish to trade a Special Prosecutor whom they do not know, for a Special Review Board that they do know.

As a result, Meese's Department of Justice investigation, maintains the initiative, for the time being. If the Attorney General perseveres in his present, winning, "full disclosure" policy, he will inevitably order the investigation of some of his subordinates within the Justice Department, for a certain wrongdoing during the time before he had moved to the department. Specifically, during 1983, Assistant Director of the Criminal Investigative Division Oliver B. Revell signed a classified declaration which argued at the U.S. District Court of the Northern District of Georgia, that the activities of one Cyrus Hashemi, a prominent Iranian arms merchant, shipping weapons to Iran, be kept secret by asserting "state secrets privilege." For the Attorney General's information, the case is *Hashemi v. Campaigner Publications et al.*, filed at the U.S. District Court for the Northern District of Georgia as Civil Action No. 80-1555A. Meese's predecessor, William French Smith, apparently was given a similar text to sign, providing "state secret" protection to Hashemi's arms shipment to Iran—but did not sign.

At the present time, the Reagan-Meese "full disclosure" policy cannot be defeated, because Reagan cannot be proven guilty of any wrongdoing, unless the policies of Jimmy Carter and Edmund Muskie toward Iran, in the 1979-81 period, are proven wrong or treasonous. For John Conyers to find President Reagan guilty, Conyers and the whole liberal and Trilateral cabal in Congress (and this includes Claiborne Pell), must first go to jail.

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## Book Review

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# New CIA history puts intelligence policy under the microscope

by Jeffrey Steinberg

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### **The Agency—The Rise and Decline of the CIA From Wild Bill Donovan to William Casey**

John Ranelagh

Simon & Schuster, New York, 1986  
847 pages, illustrated, \$22.95.

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The first lesson in trade craft that any spook-apprentice learns is that the key to any good cover story is that it be based on a solid, provable foundation of facts. It is precisely in this regard that John Ranelagh's (pronounced RAN-a-lee) quasi-official history of the Central Intelligence Agency is a well written and well documented cover story. The book's merits do not lie in its frank "insider's" documentation of the struggles to create a postwar central intelligence and clandestine operations service. In fairness to the author, any attempt at a comprehensive history of the CIA's first 40 years would require thousands of pages and would necessarily resemble an encyclopedia, rather than a very readable 800-page narrative.

Where Ranelagh's objectives come through, is in the final several hundred pages of the book, where he draws out several important policy insights that are central to the ongoing efforts to rebuild a U.S. intelligence capability, following the disasters of the mid-1970s Church Committee and the Schlesinger-Turner purges.

First, as Ranelagh recounts, before there was Church-Turner, there was Kissinger. From the day that he entered the Nixon administration as national security adviser, Henry

Kissinger asserted the dominance of the National Security Council and its expanded staff over the Director of Central Intelligence and the CIA in all intelligence matters. This administrative coup d'état introduced a strong and at times devastating element of White House politics and prejudices into the intelligence process, and often led to the CIA being excluded from any input into Kissinger-Nixon policy initiatives. With the creation of the Kissinger-Haig "plumbers unit," the precedent was set for later NSC involvement in covert operations that were formerly handled by more trained and experienced CIA personnel, closer to intelligence analysis and more distant from the Oval Office.

The Carter and more recently exposed Reagan NSC dabbling in covert operations, particularly in the cases of Iran and Nicaragua, are the unfortunate offspring of this Nixon-Kissinger administrative shift. As Ranelagh reports:

Very early in the Nixon administration it became clear that the President wanted Henry Kissinger to run intelligence for him and that the NSC staff in the White House, under Kissinger, would control the intelligence community. This was the beginning of a shift of power away from the CIA to a new center: the growing NSC staff. It was both a personal shift of power by the President in his own interests and an institutional shift as well. From this point . . . the agency began to lose influence to the NSC staff under the President's special assistant for national security affairs, who in turn has paralleled and at times challenged the director of Central Intelligence as the President's chief intelligence officer. The technique Kissinger employed was never to say directly what he or the President wanted but

instead to ask for analysis generally, taking out of it what was of particular interest to him. . . . This was matched by procedural and administrative changes that enhanced the position of the White House—and Kissinger—in intelligence matters.

In December 1968, during the transition period before Nixon's inauguration, Kissinger informed then-DCI Richard Helms that he was no longer to participate in the full meetings of the National Security Council. Previously, the DCI had given the intelligence overview briefing leading off every NSC meeting and had been an active participant in that body, which maintained responsibility for intelligence and covert operations requirements for the President. While Helms, with the assistance of Defense Secretary Melvin Laird, managed to reverse this Kissinger dictate, it nevertheless was the beginning of the CIA's great slide into near ruin.

While Ranelagh never quite comes out openly to propose downgrading the NSC as a necessary step toward rebuilding an independent, professional, and non-politically colored American intelligence service, responsible for providing the President with comprehensive intelligence on which to base policy, the author certainly leads the horse to water, and, in so doing, draws out the most important lesson of the book.

The second issue of intelligence policy that Ranelagh addresses is the question of congressional oversight and the need to strike a balance between congressional authority and congressional responsibility to protect U.S. national security—even when a particular policy or operation may be a subject of heated partisan controversy. Here, again, the author uses the method of narrative history and interviews with the leading players to draw the reader to certain implied conclusions that he never explicitly states.

Ranelagh describes the cooperative relationship that the CIA maintained with Congress during the agency's first 30 years of existence:

For the first 30 years of its existence the agency's relationship with Congress was very informal indeed. In essence, the DCI and his close colleagues dealt personally and informally with the chairmen of the important and relevant House and Senate committees (Foreign Affairs, Appropriations, Armed Services), and other senators and congressmen who were "friends" or who had significant political influence in areas important to the agency in Washington. This worked because the agency was trusted, its directors were respected, and it was seen as America's principal defense against the subterranean machinations of world communism. . . . Senator Leverett Saltonstall of Massachusetts, a former member of the Senate Armed Services and Appropriations Committees, succinctly

described the working practice: "Dominated by the Committee chairmen, members would ask few questions which dealt with internal agency matters or with specific operations. The most sensitive discussions were reserved for one-on-one sessions between Dulles and individual Committee chairmen."

### **Congressional oversight**

By the mid-1970s, the Watergate affair and the Seymour Hersh *New York Times* "exposés" dramatically altered the policy climate in Washington, leading to the 1974 passage of the Hughes-Ryan Amendment mandating congressional approval for all CIA covert operations. Ranelagh characterizes the shift and the new problems born of the greater oversight:

Secret operations were not prohibited. Congress simply wanted to know about them. This was almost a contradiction in terms: if Congress knew about operations, they were very unlikely to stay secret. Congress was, in fact, taking up a spurious position. In part this was in reaction to the Nixon-Kissinger technique of "back channeling," and not informing the officials and negotiators about the details of policy. . . . It was also, paradoxically, a reaction against the idea of secrecy and of a secret agency outside of Congressional oversight—something that Congress itself had been anxious to create during the previous 27 years but now decided should be brought under far stricter control.

While avoiding any formal proposal for dealing with a leaking Congress intent on maintaining oversight, author Ranelagh's detailing of the twists and turns of CIA dealings with Congress is a useful guide for developing a policy balance, placing Congress under greater responsibility for protecting national security in line with its stronger legislative oversight mandate.

It is in these and related areas where Ranelagh's work is a useful contribution to the intelligence literature, particularly at a time when intelligence, covert operations, the role of the NSC, and the power struggle between the Oval Office and Capitol Hill are center stage in the Washington political drama.

A British television journalist and former speechwriter for Margaret Thatcher, Ranelagh was, according to his preface, guided through his effort by a group of leading former CIA officials from the first generation of postwar community executives—the self-described "Knights Templar." Ranelagh's four principal guides were John Bross, Walter Pforzheimer, R. Jack Smith, and Lawrence Houston.

As one of these contributors informed this reviewer in a recent discussion, the book posed a unique, and perhaps final, opportunity for a number of dominant personalities from the earliest days of CIA's emergence out of the wartime

OSS to recount their personal experiences and lessons drawn. Perhaps for that reason the book carries forward some of the very flaws and omissions that have marred the CIA through its first 40 years.

### What about the bankers' CIA?

While criticizing some of the agency's dirtiest laundry—like the 1950s Technical Services Staff overboard experimentation with psychedelic drugs—and tackling ex-DCI William Colby for his overzealous public display of the agency's "skeletons" (a public performance that prompted former CIA Counterintelligence chief James Jesus Angleton to view Colby as a possible candidate as America's Kim Philby), the author at no point addresses the CIA's historical marriage to the Wall Street and Old Boston banking establishment. The existence of this "bankers' CIA" as a dominating policy grouping within the agency is perhaps the most sacred cow that Ranelagh chose to leave out of his narrative. Internal details of past covert operations, and overabundance of names of former and current ranking agency personalities are clearly unnecessary elements in a comprehensive history of the agency that at the same time "keeps the secrets." However, to omit the special relationship between the Establishment bankers and the top echelons of the agency is to conceal one of the most devastating flaws of the CIA, one that must be corrected if an effective rebuilding process is to proceed at the necessary pace.

In avoiding the "bankers' CIA" factor, Ranelagh resorted to his most entertaining use of the cover story method. The author painted an unquestionably accurate picture of the dominant role of the Ivy League law schools and the Eastern Establishment old families in shaping the early generations of CIA personnel and policies. (A useful further insight into this wedding of the CIA to the Establishment might be obtained by cross-referencing Ranelagh's book with David Halberstam's *The Best and the Brightest*.)

One former ranking member of the intelligence community, commenting on this particular flaw in the Ranelagh study, told this reviewer, "Let us be perfectly frank. The bankers have dominated large sections of the CIA from the beginning. Through positions like the Inspector General, the Wall Street banks have had such a dominating hand in the CIA that it has been impossible to distinguish the interests of Chase Manhattan from those of the United States. What's worse, this has bred a pragmatism that has badly impaired the ability of the agency to draw any long-term evaluations."

To the extent that the Ranelagh book was, as this reviewer suspects, part of the CIA's rebuilding program—a sort of a recruiting brochure casting out the image of the "new CIA"—it leaves a lot to be desired. This is probably less the flaw of the author than the flaw of some of the folks who highlighted the author's path. They, in their genuine desire to rebuild the agency in their original image, have perhaps once again failed to take a more profound and historical view of what America once was and must once again be.

# Nunn surfaces as hand-picked man

by Lyndon H. LaRouche, Jr.

During the late November developments around "Iran-gate," Georgia's Democratic Senator Sam Nunn has been surfaced publicly as the hand-picked 1988 U.S. Democratic presidential candidate of the Kissinger-Brzezinski Trilateral Commission. Under his recent and present defense policies, Nunn would become a far worse U.S. President than the Buchanan who organized the vast, fratricidal war of 1861-65. Were Nunn elected President, his continuation of the present, treasonous policies of Henry A. Kissinger and the Trilateral Commission would ensure Soviet world-conquest during the interval 1989-93.

Notably, Nunn has been consistently demanding savage reductions in U.S. troop-strength in Western Europe. This pullback of U.S. forces is being pushed by every Trilateral Commission member on both sides of the Atlantic. The actions on defense demanded by Nunn would have exactly the same effect on West Germany that Neville Chamberlain's 1938 deal with Hitler had for President Eduard Benes's Czechoslovakia.

If West Germany begins to pull out of NATO, as Trilateral Commission figures in that country propose will occur after the January 1987 elections in that nation, all Western Europe becomes strategically indefensible, and the United States is automatically reduced to a third-rate power.

We can not prove, presently, whether Nunn is fully conscious of this fact or not. Possibly, he is merely willing to do anything, to say anything, to secure the full backing of the Trilateral Commission for his presidential candidacy. Kissinger, certainly, is fully conscious that what he is pushing is outright treason, and Nunn is backing Kissinger's policies fully.

The argument, that Nunn is essentially a strong backer of U.S. defense-capabilities, is a complete fraud. Nunn does pretend to support some elements in "conventional build-up"; but he demands that these improvements come out of the heart of strategic defense. He also supports, consistently, levels of deep cuts in defense spending which would immobilize the "conventional" capabilities he pretends to be strengthening at the expense of strategic defense.

Nunn's defense posture is not "confused." It is a consist-

# Trilateral's for President

ent sort of public-relations stunt. Nunn is a typically amoral, Georgia-machine politician. At bottom, his policies are the secret or semi-secret policies of those fixers, around the old Bulloch, Root, and Cox families, who control the Georgia Democratic machine today. His election-campaign platform is propaganda cover-up for the same policies as those of the people who have bought his soul, like many politicians today. His voting-record and public utterances are what his campaign's public-relations experts tell him to do and say, like so many political campaigns today.

Nunn's big political problem, is that no one could win the Democratic nomination for President if the general public knew that the candidate was committed to policies which would turn the world over to Soviet imperial domination: Nunn's actual defense policies. So, as a political candidate, he must cover up the fact that he is a backer of the Trilateral Commission's deal with Moscow on U.S. defense. He does that, by pretending to be a hard-line supporter of rebuilding of U.S. "conventional forces." So, Nunn's campaign committees say, "How dare you accuse Nunn of tearing down defense, when he is a leading booster of 'conventional build-up here at home'?"

The highway for promoting Nunn's presidential ambitions, is a side-show performance by former President Jimmy Carter.

Carter's taking the lead against President Reagan in "Iran-gate," does not mean that the Trilateral Commission is considering electing Carter President in 1988; it means that they are threatening to do so. It is simply a political maneuver, part of the Trilateral's campaign to give Nunn the 1988 Democratic nomination.

The rallying of the hard-core Carter machine of 1976-80 around the former President, is a way of consolidating that machine to deliver it to Nunn's support.

Since the Carter machine has used "Iran-gate" as the leading element of its effort to destroy President Reagan, the situation is created under which Carter himself could never run for President again. Although the Reagan administration made a deal, back during the 1980 campaign, not to carry through Ronald Reagan's campaign-threat to investigate the

Carter administration's Iran policy, the Republicans have all of the dossiers needed to destroy Carter, whenever they might choose to release those dossiers. Since the President's error, in his part in the State Department's weapons-for-hostages trade, was to buy into the continuing Khomeini channels of the Carter mafia, the mere fact that Iran is the issue being used against President Reagan, means that Carter's potential candidacy is ruined by such a thematic issue.

The key to Nunn's candidacy dates from 1983. In 1983, a Japan zipper manufacturing firm hosted Carter in Japan, as part of the launching of a new, Georgia-based, Trilateral Commission think tank, around the two leading U.S. geniuses, Jimmy Carter and former President Gerald Ford. (Although, no evidence has been submitted to date, that Carter has qualified for a zipper-operator's license.)

Under the sponsorship of the Georgia Coca-Cola mafia, Carter's Emory University-based, Trilateral "think tank" has been surfaced recently as a "parallel White House," already heavily involved in running a "parallel State Department." This center is strongly supported by Houston's Madame Dominique (Schlumberger) de Menil, a professed Sufi mystic and a major supporter of Middle East terrorist causes. The center is conducting a quasi-official U.S. foreign policy of its own in Central and South America, in Western Europe, and in the Middle East. That "think-tank" is able to operate in this way, through protection of Trilateral-controlled members of the U.S. Congress and fanatically anti-Reagan elements inside George Shultz's State Department. This "think tank," which relies heavily on Henry A. Kissinger's advice, as Senator Nunn himself claims to do, is the future Nunn administration.

Sam Nunn's personal qualifications for the presidential nomination were exhibited on Sunday's national midday television sets on Nov. 23. He exudes the meanness of a man guarding his illegal still against federal revenue agents. He radiates the threat to do mean things to anyone who challenges the veracity of his bald-faced lies—like the real Jimmy Carter behind the rhesus-monkey-like grin Carter put on for the television cameras. Nunn has exhibited the kind of meanness of a man who would do almost anything against anyone who gets in the way of his doing exactly what his masters have ordered him to do: The law of the land be damned. You saw the face of such a man, the future head of the Senate Armed Services Committee, on Sunday's TV screen.

Those of you old enough to remember, will recall the slogan used to sell the fine old Packard automobile! If you wish to learn what is a Senator Sam Nunn, now off and running as Carter's candidate for the 1988 Democratic presidential election, "ask the man who owns one." The difference is, no self-respecting citizen would wish to have the neighbors see a President Nunn parked in his driveway.

The United States used to be the most powerful nation on earth. One by one, the defenses of the U.S. were destroyed by the circles around Henry Kissinger. Let it not be said: "And then there were Nunn."

# Funding cuts put the President's SDI program in grave trouble

by Robert Gallagher and Carol White

Funding for Directed Energy Weapons under the Strategic Defense Initiative will be 5% lower in this fiscal year (1987) than in the past fiscal year. As mandated by Congress, the Strategic Defense Initiative Organization (SDIO) has made cuts totaling \$1.6 billion or 33% of the President's original budget request. The hardest hit program area has been laser and particle-beam defense weapons research. Funds available for research and development of directed energy weapons will be about \$803 million, half of the SDIO's original request of \$1.6 billion for this area, and about \$40 million less than the amount spent on lasers and particle beams last year.

Thus while the President held his own on the SDI at the Reykjavik summit, Congress is accomplishing the same purpose as Soviet leader Gorbachov, in whittling away the funds needed to make the SDI a reality. On June 9, 1986, Gen. James Abrahamson advised Congress that proposed cuts will, this time around, have a "devastating" effect on the SDI program. In a *Defense Daily* interview, Abrahamson noted that he did not have the options to make cuts this time, as he did in the past two years. Work would have to be stopped in every one of the five major areas of SDI development, he said, emphasizing that he would "have to take chunks" out of priority areas.

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, and anything less will result in program delays and stretch out the determination of the feasibility of the system, he said. Three years in a row with reductions of 25% or more in the programmed budget will prevent him from keeping the program phased and on schedule for the early 1990s point of decision. In order to meet the exigencies of the congressionally mandated austerity budget, the SDIO has in fact transformed the investment profile of the program,

placing heavier relative weight upon the "kinetic energy weapons" side of the program than was the plan for their targeted appropriation. Funding for "kinetic energy weapons"—ground-based antimissile missiles and Danny Graham's space-based cans of buckshot—will jump 23%, while funding for lasers and particle beams will decline 5%.

Overall, discounting inflation, the SDI budget undergoes this year a real growth of only 13% from about \$2.8 billion to \$3.2 billion, a far cry from the 71% real growth to \$4.8 billion requested by the President, but much better than the defense budget overall, which decreased in real terms.

The President's program for the Strategic Defense Initiative has always been intended to rely upon frontier technologies. The shift in allocation of the SDI budget raises the most alarming question about whether the program is to become a mere shadow of what the President envisioned in his March 23, 1983 call to "make nuclear missiles impotent and obsolete."

## Soviets speed ahead

While Soviet propagandists continue to pretend that Russia has no SDI and that the United States intends to use a defense as a shield from behind which to launch a first strike, reality is the opposite. As *Jane's latest Weapons Systems Book* verifies, and *EIR* has documented extensively, the Soviets are moving ahead rapidly with every aspect of an ABM system, including particle beams and X-ray lasers. Indeed, in their weekly report of the week of Nov. 12, *Jane's* estimated that within six months the Soviets will have completed construction of a continent-wide ABM phased-array radar defense based on mobile anti-missile missiles and radars dispersed around their country, in clear violation of the ABM treaty. Clearly their program is not being scaled back due to budgetary considerations.

On March 25 of this year, General Abrahamson warned a Senate Armed Services subcommittee that the Soviets might be as much as five years ahead of the United States in research on x-ray lasers. He disclosed that Soviet publications first carried articles about x-ray lasers in 1974, and that the Soviets conducted an x-ray laser technology test in 1982 "that we will not be able to do until 1987."

If we accept the warnings of both SDIO Director Abrahamson and Secretary of Defense Caspar Weinberger last spring, the new U.S. budget constraints on the program, imposed in large measure by out-and-out opponents of the SDI, appear to put it in danger of being mortally wounded. According to them, cuts in the budget request by as much as 25% would be disastrous. The request was, in fact, cut by 33%.

Some concerned scientists in the program have speculated that the SDIO has been driven to short-change important experiments in favor of more showy short-term technologies which would have a greater public-relations value and create a climate in which Congress would be impelled to increase their funding.

The areas to receive the biggest boosts in funding (see table)—besides the \$140 million increase for kinetic energy weapons funding—are computer technology ("systems concepts and battle management"), receiving a \$235 million increase, and target surveillance, acquisition, tracking, and kill assessment (SATKA), receiving an additional \$405 million. Certainly the downgrading of spending for DEW must be welcome to the Danny Graham crowd, who have been using the need for early deployment of the system to push for their own Rube Goldberg variant of the SDI.

### Cheaper, but a loser

While Graham's High Frontier is so impracticable as to be a sure-loser if it is ever deployed, it has the attractive selling point of being apparently cheaper. Thus arguments based upon cost-effectiveness rather than mission-effectiveness incorrectly claim energy weapons have insufficient "cost-effectiveness." That's like saying that a watch without its inner workings is cost-effective even though it does not tell the time. The only logic which might justify such an approach is the fool's hope that the Soviets can be made to swallow a deployment of High Frontier which would then become a bargaining chip in a Kissinger-scenario to bargain away the SDI, and with it the Atlantic Alliance.

SDIO Deputy Director Gordon Smith told a meeting of the American Institute of Aeronautics and Astronautics Nov. 18 that the advantages of a ground-based laser system over space-based kinetic energy weapons along Graham's High Frontier design, "are not immediately obvious," according to *Aviation Week and Space Technology* magazine, Nov. 24, even though a laser weapon's speed of target interception is the speed of light, 20,000 times faster than that imagined for the fastest kinetic energy weapon. The reason why the laser's

advantages "are not immediately obvious," is that their research and development costs more. It doesn't matter that Danny Graham's smart rocks will never do the job: They're cheaper! Thus, the AIAA heard Smith say that kinetic energy weapons "are winning by a neck" over various laser programs.

The Pentagon issued a warning to Congress on May 27 that was ignored. At that time, their spokesman, Robert B. Sims, said that it would be "a serious mistake" for Congress to follow the advice of the 46 Senators who are demanding a big cut in the President's SDI missile defense program. Sims said that the cuts Congress made in SDI last year "have narrowed the range of technologies that we can explore. Further cuts would seriously compound the problems and set back the prospects for an informed decision in the early 1990s" on whether the research justified moving into full-scale development.

As a result of cuts carried out a year ago, the SDIO already narrowed the program to development of directed-energy prototype weapons to the free electron laser. Now, even this program is threatened.

On April 30 of this year, General Abrahamson issued a statement reporting that recent tests with free-electron lasers have led military scientists to conclude that bouncing ground-based laser beams off mirrors in space can be a practical defense. On June 23, the Defense Department announced plans to begin construction of the Los Alamos model free electron laser, a \$400 million ground-based laser, to be built at the White Sands test site. But under the new fiscal '87 budget, the White Sands Missile Test Range program, to build this free electron laser to test atmospheric propagation of laser beams, has been cut from \$350 million for this year to \$158 million, according to SDI sources. The implications of this is a delay of at least two years in the initial operation of this FEL, which was scheduled for prototype demonstration in the early 1990s.

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### DOD portion of SDI budget

(millions of dollars)

SDI area	FY86	FY87 Request	FY87 Actual	Change 86-87
Surveillance, Acquisition, Tracking, Kill Assessment	857	1,262	960	12%
Directed Energy Weapons	844	1,615	803	-5%
Kinetic Energy Weapons	596	991	740	23%
Systems Concept, Battle Management	227	462	384	69%
Survivability, Lethality, and other research	222	454	320	44%
Total	2,759	4,803	3,207	16%

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# Miami indictments hit 'Medellín Cartel'

by Jeffrey Steinberg

On Nov. 18, 1986, a federal grand jury in Miami, Florida, unsealed a 39-count indictment originally handed down on Aug. 25, 1986 against nine of the world's leading cocaine traffickers, named as the directors of the "Medellín Cartel." The nine indictees are: Colombians Jorge Ochoa-Vásquez, Fabio Ochoa-Vásquez, Juan David Ochoa-Vásquez, Pablo Escobar Gaviria, Carlos Lehder, and Rafael Cardona-Salazar; Mexican Gonzalo Rodríguez-Gacha; former Nicaragua Vice Minister of the Interior in the Sandinista government, Federico Vaughn; and a "John Doe" a.k.a. "Joto."

The indictment charges that between May 1981 and April 1985, the Medellín Cartel manufactured and imported into the United States over 47 tons of cocaine, established an elaborate cocaine-processing network in South America and Central America (including Nicaragua), created an extensive transportation system constituting a virtual private air force capable of averting U.S. government drug interdiction systems, and controlled wholesale warehouse facilities in the Caribbean and continental United States that distributed cocaine to street trafficking organizations from coast to coast.

The indictment, which includes RICO (continuing criminal enterprise) counts, additionally charges Medellín Cartel members with the murders of two men, at least one of whom was a key government witness against the cartel. Rafael Cardona-Salazar is accused of the Dec. 25, 1978 murder in Dade County, Florida, of Antonio Arles Vargas.

Cartel kingpins Fabio Ochoa-Vásquez, Pablo Escobar Gaviria, and Cardona-Salazar are all charged with the Feb. 19, 1986 murder of Adler Berriman Seal. Seal, a former Green Beret and expert pilot, had been involved in the Cartel's initial opening up of laboratories, warehouses and airstrips in Nicaragua in cooperation with Interior Minister Tomás Borges' chief deputy, Federico Vaughn. According to the indictment, this "Sandinista Connection" had been established in May 1984—within weeks of the April 30 assassination of Colombia's Justice Minister Rodrigo Lara Bonilla at the hands of the Medellín Cartel, and an American collaborator, Harold Rosenthal.

Seal had provided federal authorities with evidence critical to the 1984 indictment and later extradition effort against Jorge Ochoa-Vásquez. Seal's assassination in Baton Rouge, Louisiana dashed that extradition effort.

Among the overt acts listed in the indictment is a series of meetings in Miami, Florida and Medellín, Colombia involving Jorge Ochoa-Vásquez and an American communications specialist named James W. Cooper. In December 1980, Cooper established a long-range navigational communications system between Acandí, Colombia and the continental United States to track the long-distance drug flights and assist the pilots in averting DEA radar tracking and intercept systems.

## Confirms *EIR* reports

Cooper's role in the Medellín Cartel confirms reports first published by *EIR* as early as 1975, that out-of-the-way airports throughout central and eastern Pennsylvania were at the center of the international drugs-for-guns trade.

According to an article by Lindsey Gruson in the Nov. 20, 1986 edition of the *New York Times*, Cooper was sent to Medellín by Frederick Luytjes, the owner of Air America, Inc., a private airline and custom air service company headquartered at the Scranton-Wilkes Barre International airport in Avoca, Pennsylvania.

According to separate federal indictments handed down in the central district of Pennsylvania in August of this year, Cooper's navigational communications system was interlinked with a facility at Luytjes's secluded home in Deer Lake, Pennsylvania. A leading member of the Medellín Cartel, Rigoberto Correa-Arroyave, in early 1985 relocated to the United States where he oversaw the Air America flights between Colombia and Pennsylvania. Those flights, according to the Pennsylvania indictments, accounted for an estimated 7.5 tons of cocaine entering the United States market over a several-year period in the mid-1980s.

Federal authorities now acknowledge that the 200 small commercial airports dotting the eastern and central Pennsylvania landscape have emerged since the 1981 creation of the southern Florida drug interdiction task force under Vice-President George Bush as favorite landing spots and hideaways for big-time cocaine traffickers.

Federal authorities also admit that the unsealing of the Florida indictments is intended to in part increase the pressure on the recently inaugurated Barco government of Colombia to proceed ahead with extradition of cocaine kingpins.

These latest indictments furthermore provide a more detailed map of the multi-hundred-billion-dollar dope-for-arms apparatus which operates in the length and breadth of the Western Hemisphere. Taken in the context of previous indictments of Luytjes, Harold Rosenthal, and others, the ground is now laid for a full-scale assault on the top levels of the international drug cartel—including the bankers who still remain untouched.

# EIR's Chaitkin seeks Graham death records

*The following is the petition filed by investigative reporter Anton Chaitkin on Nov. 14, with Judge Robert W. Duling's Circuit Court of the City of Richmond, Virginia.*

In re records of deceased Philip Leslie Graham

This is a petition under 32.1-271 C of the Virginia Code, for an order allowing copying of death records. A hearing is scheduled before you for Courtroom 304, on Thursday, December 4, 1986 at 11:30 A.M.

Petitioner requests from the court an order compelling the State Registrar of Vital Records to release to the petitioner certified copies of all records in the Registrar's possession concerning the death of Philip Leslie Graham, deceased August 3, 1963 in Fauquier County, Virginia; and compelling the State Chief Medical Examiner to release to the petitioner all the information in his possession concerning this death.

Petitioner Anton Chaitkin is a reporter for *New Solidarity* twice-weekly newspaper and *Executive Intelligence Review* weekly magazine, both publications distributed internationally. Chaitkin is co-author of a series of articles on the last years and death of Philip Leslie Graham; four articles have so far been published.

It was as a result of Mr. Graham's death that his widow Katharine Graham came to own the *Washington Post* newspaper and *Newsweek* magazine. Stories printed in the *Washington Post*, and released to other news media by the *Washington Post*, have been the only publicly available account of the cause and manner of Mr. Graham's death, purportedly a suicide.

Important changes in our country's political system occurred because of the death of Philip Graham. The *Washington Post* has great influence in global affairs, and its present owner, Mrs. Graham, has intervened in American public life perhaps more than any other publisher. The public has a substantial interest in knowing how she came to have that position.

There are substantial grounds for the suspicion that Mr. Graham died from other causes than have been announced by his widow, who received great material benefit and political power from the death of her husband. He had separated from Mrs. Graham, and had been in a personal and political battle with her for at least two years at the time of his death. This was not merely a personal problem, but involved differences on the gravest issues of national concern.

Philip Graham tried very hard to stop Mrs. Graham from being his "next of kin," including hiring a lawyer to institute divorce proceedings. This lawyer, later hired permanently by Mrs. Graham, admits destroying the will Mr. Graham drew up leaving his estate to his intended new wife.

If Philip Graham was killed, to his estranged wife's benefit, then Mrs. Graham's lack of consent should not be allowed to block serious research into the official records of Mr. Graham's death, on the grounds that she is the next of kin. The death certificate and medical examiner's report will provide vital clues, for example, into whether there was official corruption in the handling of Mr. Graham's death.

As far as public information is concerned, there is no "official story" of Philip Graham's death. The medical examiner in the case refused comment and moved away from his longtime home and place of employment when petitioner's investigation was publicized. The Sheriff's Department of Fauquier County maintains they have "lost" all records of the investigation they did at the time of the death.

On May 20, 1986, petitioner Anton Chaitkin requested the Virginia Department of Health, Division of Vital Records to furnish him with copies of the death records of Philip Leslie Graham. Instead of supplying the records, or giving any other alternative, that office returned to Chaitkin a consent form to be signed by the next of kin of the deceased. On June 1, 1986, Chaitkin delivered the form with a request to Mrs. Katharine Graham to sign the form. Mrs. Graham declined to return the form or to cooperate in any fashion, and the petitioner filed for relief under the cited Virginia code.

A hearing was scheduled for Sept. 22 before the Hon. Willard I. Walker (since deceased). Three days before this scheduled hearing the petitioner received notification that the Virginia Attorney General's office had intervened in this case to prevent disclosure. In order to prepare a reply to their arguments, the petitioner asked for and received a postponement of the hearing.

Less than three weeks later, on Oct. 6, 1986, the Attorney General and over one hundred state troopers and many federal agents entered the petitioner's editorial offices, and removed a mass of documents. A suit has been filed to recover those documents. Following a delay caused by this disruption of business functions, the petitioner has reinstated this case.

Attached hereto is a copy of a registered letter, by which Mrs. Katharine Graham was informed about the scheduled hearing.

## Bankers admit crisis, have no solutions

L. William Seidman, chairman of the Federal Insurance Deposit Corporation (FDIC), the agency that is supposed to insure our bank deposits, has pulled back from his recent San Francisco speech which sent the nation rocking with the most explicit statement yet of impending financial apocalypse by a high government official. Seidman's warnings about the consequences of the accumulated corporate, consumer, and government debt created international shock waves.

But, while a spokesman for the American Bankers Association told this reporter that he "shared the concerns" expressed by Seidman in San Francisco, Seidman himself toned down his message considerably when he keynoted the opening of a conference on banking here Nov. 20.

According to an Oklahoma source attending the conference, the FDIC is playing the major role in forcing the smaller, energy, and agricultural-related banks in the depression-wracked Midwest to accept takeovers by the major East Coast megabanks. "It is the FDIC which is the real enforcer in driving these independent banks into the hands of the Eastern giants," he said.

He reported, however, that one or two Oklahoma banks may be about ready to call the FDIC's hand in an effort to stop this trend. The results could prove interesting.

## Oklahoma, Louisiana keys to 1988?

On a related subject, an insightful observer has noted that for reasons of

economic and historical profile, Oklahoma and Louisiana could be decisive for the 1988 presidential campaign—because these are two states where the seeds of popular revolt are sown deepest, and economic conditions have brought both to the breaking point.

The national agenda for politics is always contested between the Eastern Establishment, on the one side, and the most activist currents in the producing sectors on the other, with variations depending on how well the issues are articulated and represented. The urban populations rarely lead, but stand back and choose sides, with the significant exception of the 1960s' civil rights movement.

California developed as an anti-Eastern Establishment power base after World War II because of the influence of the war production industries, especially aerospace, catalyzed by the leadership of Sen. William Knowland (known as General MacArthur's senator). It put Nixon and Reagan in the White House, but now it is too "prosperous" and laid back. It will not drive the anti-Establishment pulse in 1988.

Nor will Texas, which has a lot of populist sentiment, but whose political institutions are all run by junior partners of international finance centered in Houston. The smokestack states will play their part, to the extent their citizens are freed from the failed Democratic Party and trade union leadership they've relied on too long. Atlanta is like Houston. Florida expects to cash in on the "new realities" of the "post-industrial society."

Revolt will come from the economically-stricken states with a political penchant for revolt. If the Democrats hold their convention in New Orleans, there's a good chance the moribund leadership will get more than it bargained for.

## T. Boone Pickens: 'What? me worry?'

Corporate raider T. Boone Pickens of Mesa Petroleum told this reporter that the size of corporate debt in the national economy was "no problem" in his mind. Nor, he said, was the idea that the entire last four years of a "bull market" on Wall Street has been based on debt (so-called "junk bonds") as its asset base.

Pickens, speaking at a conference of economic libertarians (putting it politely) calling itself Citizens for a Sound Economy, said that "all we need is to dump all the old corporate boardmembers overboard and bring on the aggressive 35-to-45-year-old managers to run things."

The conference, with panels chaired by Drexel Burnham representatives, who are under the cloud of the growing "insider trading" scandal, was funded by David H. Koch of Kansas City, who bankrolls the Libertarian Party.

At the American Bankers Association Economic Advisory Committee meeting the same day, spokesman William E. Gibson said that the American banking system is not threatened by the unraveling of "junk bonds," so much as the dangers of the overall debt-equity imbalance cited by Seidman in San Francisco.

Gibson barely kept a straight face in insisting that these debt problems could be managed in an orderly way. Consumer debt, he said, would be handled by the positive effects on tax reform. Then he turned right around and said that "no one can predict what effect the new tax code will have." He also could not predict that there would be fewer bank failures in 1987 than in this year, when we've already set a post-depression record.

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## Teller: Russians have 'monopoly' on defense

The Russians are far ahead of the United States in civil defense, physicist and Nobel Prize winner Edward Teller said in a speech Nov. 24 in California.

"Today, the Soviets have a monopoly on defense and they intend to keep it. We have done practically nothing about civil defense." Teller said the problem with the Strategic Defense Initiative (SDI) is that U.S.-deployed defensive space weapons are vulnerable. He noted that the Soviets have worked for the past 10 years perfecting laser weapons and now have a laser capable of shooting 1,000 miles without its beam spreading more than 5 feet.

Bernard Blake, the editor of *Jane's Weapon Systems*, wrote in the review's 1986-87 edition, released in late November, "Anyone who thinks that the Soviet Union is lacking a comparable SDI system should think again." Quoting U.S. defense sources, Blake reported that Moscow has an extensive laser program employing 10,000 scientists and engineers as well as other advanced weapons-research projects.

He added that the Soviets have the only ASAT system, "whereby an offensive device enters the same orbit as the satellite and destroys it by exploding a conventional warhead."

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## Washington Times interviews LaRouche

The Nov. 24 *Washington Times* features a three-quarter-page interview with Lyndon LaRouche under the heading "'Great panty raid' no joke to LaRouche." The Moonie paper's editor-in-chief is Arnaud de Borchgrave.

In the interview, LaRouche gave his views on a variety of issues:

- On the raid on his associates in Leesburg, Virginia, Oct. 6: "I'm the target of a

kill operation. These guys don't want me in prison. They want me dead. . . . There was no basis for that amount of armed force. . . . Look at the thing from a military standpoint. . . ."

- The 1986 election: "In terms of 1988, the election was tremendous, a tremendous success. We have secured a baseline of one-third of the vote in the Democratic Party. . . . The economic crisis will increase it. The thing that's been holding people back on me is I've insisted we have not had an economic recovery."

- AIDS and California Proposition 64: "For 20 years, the U.S. has been on a countercultural kick. . . . Anything that's considered immoral or illegal before is now popular . . . and now disaster looms. . . . Prop 64 has made AIDS an international issue of prime focus."

- On any attempt to put him in prison: "In prison, I'm a political martyr, a living political martyr, which creates a new dimension of problem for them. You want to see a rally? You have people around the world supporting me. You put me in prison, you'll see that. That could be a major problem for the U.S. government."

- On the outcome of charges brought against him and his associates: "I'm looking for a good, honest, gutsy judge who believes in the law."

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## KGB journalist visits United States

A top commentator for the Soviets' *Literaturnaya Gazeta*, Fyodor Burlatskii, is now on a three-week tour of the American East Coast. Burlatskii arrived in the United States on Nov. 20, and will stay through Dec. 10.

Burlatskii was a close associate of the late Yuri Andropov in the Soviet KGB back during the 1960s. *Literaturnaya Gazeta* is considered a KGB outlet.

One of Burlatskii's more famous past trips to the United States, involved his participation in the 1983 Minneapolis "nuclear freeze" meeting at which Walter Mondale's election platform stands on disarmament and

the Strategic Defense Initiative were drawn up.

Burlatskii recently completed a tour of Great Britain, where he met with several Soviet studies departments at universities and pushed the idea of a "reform trend" in Soviet culture, mediated through the new Soviet Culture Fund of Raisa Gorbachova.

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## New Orleans bishop blasts Dominican

Archbishop Philip Hannan of New Orleans has publicly blasted Archbishop Rembert Weakland of Milwaukee, the former head of the Dominican order, for attacking the Vatican's crackdown on American heretics Fr. Charles Curran and Archbishop Hunthausen of Seattle.

Hannan took Weakland to task for "wildly exaggerating" when he compared the Vatican's actions against Curran and Hunthausen to the horrors of the Inquisition. In an editorial for his diocesan newspaper, reprinted in the Nov. 20 issue of the national conservative Catholic newspaper *The Wanderer*, Hannan wrote that the "scourge of abortion, drug addiction, pervasive sexual immorality, racism, and the weakening of family life are of prime concern in my opinion."

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## DNC ducks demand by Jesse Jackson

The Democratic National Committee ducked a demand by Jesse Jackson that it intervene in the Chicago battle between Mayor Harold Washington and Cook County Democratic chairman Ed Vrdolyak. The request was supposedly made to "prevent a campaign of racism, mud-slinging, and divisiveness" in the Feb. 24 mayoral primary.

DNC chairman Paul Kirk did, however, pledge to discuss the Vrdolyak challenge with Washington and speak out against "any overtone of racism at any level of the party," according to the Nov. 23 *Washington Post*.

Jackson dominated the DNC meeting at the Washington Hilton Hotel, claimed the *Post*, and staked out other areas for future challenges to the party's rules—including proportional representation of primary voters, a challenge which he carried all the way to the floor of the 1984 convention.

## California judge curbs PANIC raiders

A California judge has placed curbs on overzealous officials of the state Justice Department who raided the Los Angeles offices of supporters of Proposition 64, the ballot referendum that would have treated AIDS with traditional public-health measures. The initiative was defeated in the Nov. 4 election. Following the Nov. 20 raid, a judge has ordered illegally seized material to be placed under seal in his custody.

On Nov. 21, the attorney for PANIC (Prevent AIDS Now Initiative Committee), Bob Levy, presented motions before Judge Schwab, who had originally authorized the search warrant, demanding a return of illegally seized property. Once the First Amendment violations involved in seizing membership lists and journalists' files were laid before Schwab, he ordered that these materials be placed under seal of his personal custody.

California Attorney-General John Van de Kamp's office was apparently caught unprepared, and had no one available to oppose the motions. Judge Schwab also ordered that any illegally seized material from the Livermore offices be placed into his custody.

During the raid, Van de Kamp's agents revealed that they were not merely investigating "petition irregularities"—the ostensible purpose of the operation. They indiscriminately confiscated property belonging to the National Democratic Policy Committee (NDPC) and *Executive Intelligence Review*, whose West Coast offices are housed in the same building. In the case of the NDPC, its membership lists were illegally seized. *EIR*'s office had journalists' investigative files confiscated, of an ongoing in-

vestigation of the California organized-crime mafia. Many of these files were on Van de Kamp's ties to these circles, especially his friend, Sidney Korshak. Both of these seizures were protested by legal counsel as being in clear violation of the search warrant. A hearing is set for later in December to determine the final fate of the seized materials.

The legal basis for the raid was alleged irregularities in the gathering of the petitions to place Proposition 64 on the ballot. A similar raid was conducted Oct. 6 against offices of associates of Lyndon LaRouche in Leesburg, Virginia, by 400 armed law-enforcement agents.

## California doctor withheld AIDS view

Only two days after the Nov. 4 election, the same California medical "authorities" who bitterly denounced Proposition 64, started to demand action to make AIDS a reportable disease—as Proposition 64 would have done. According to the *Los Angeles Daily News* of Nov. 7, Dr. Jack E. McCleary, the head of the Los Angeles County Medical Association, called for doing away with a state "confidentiality" law that prevents doctors from telling anyone that a patient has AIDS—even the patient's spouse or other doctors!

After he and his associates have contributed to defeating a public health measure that would have made AIDS reportable and begun to save lives, McCleary stated that "the danger to a third party outweighs a patient's right to privacy when the danger is lethal."

McCleary admitted that he had withheld his statement until after Californians went to the polls to vote on Proposition 64, because "talking about this during the campaign might have helped the LaRouche Amendment get passed." Now, however, Dr. McCleary claims that "it's something that has to be said," and that many doctors agree with him.

An average of one person a day dies of AIDS in Los Angeles County, and two new cases are reported each day, officials report.

# Briefly

## ● CIA DEPUTY DIRECTOR

Robert Gates said in a speech in California on Nov. 25 that the Soviet Union has spent \$150 billion on its own version of the SDI during the past 10 years. The U.S.S.R. has the ability to construct individual ABM sites in a matter of months, rather than years, he said, and the new devices they have developed could violate the 1972 ABM Treaty.

## ● THE STATE DEPARTMENT

is being sued for libel by British AIDS expert Dr. John Seale, for circulating the evaluation that Seale is "imbalanced or rather crazy" and "a prophet of doom who has been getting worse year after year," the *Daily Mail* of London reported Nov. 27.

## ● EDUCATION SECRETARY

William J. Bennett told a meeting of the Fairfax, Virginia, Chamber of Commerce Nov. 21 that third graders should not receive "safe-sex" education about AIDS. He was replying to a question on whether he agreed with Surgeon-General C. Everett Koop about AIDS education of third graders.

## ● DOMINIQUE DE MENIL'S

Rothko Chapel is giving its annual prize to the sanctuary movement for Central American refugees and to the "Red Bishop" of Ecuador, Leonidas Proano, among others. The prizes will be awarded Dec. 10 in Houston.

## ● U.S. EDUCATION fails to pre-

pare Americans to compete in the international marketplace, according to a Southern Governors' report released Nov. 21. "We know neither the globe nor the cultures of the people who inhabit it," says the report, titled *Cornerstone on Competition*. The report recommends greater emphasis on geography and foreign languages in the schools, suggests that states set up world trade centers to provide education and marketing assistance, and says that foreign exchange programs should be expanded for Americans.

## Editorial

### *Now, let's get the 'homintern'*

Around Thanksgiving, the State Department announced that all U.S. foreign service personnel will be tested for AIDS.

Our first thought was, is this the end of the U.S. foreign service? Has someone at the Pentagon, or somewhere like that, finally caught on?

It is reported in one Asian nation that every known case of Acquired Immune Deficiency Syndrome (AIDS) has been traced back to the U.S. embassy.

In Britain, the demand has frequently been raised that foreigners entering the country be tested for AIDS—perhaps with an emphasis on U.S. diplomats.

It is said that Gen. Douglas MacArthur once said, that the great failing of President Eisenhower was not to have cleaned the homosexuals out of the U.S. State Department.

Now, MacArthur also stated that in his experience, the typical State Department policy-shaper was a cross between a communist and a British imperialist. Obviously, he meant those homosexuals.

And, as history would have it, in the postwar period, that is precisely right.

During the 1950s, U.S. intelligence services were engaged, according to *EIR*'s sources, in an intense investigation of an apparatus originating not later than the period of the German Occupation, an apparatus taken over by the Soviet KGB. The central figures in this apparatus all had one thing in common that subjected them to KGB blackmail. They were homosexuals.

The appellation chosen for this network, it is said, was "the homintern."

One of the central figures in this network, according to these sources, was a former Pfc. jeep driver from Oberammergau who was promoted by a certain Swiss aristocrat with a lifetime of service at the U.S. State

Department, into a nest of British limp-wristed "political science" types at Harvard University under Britain's William Yandell Elliot. These types were very much a part of Soviet intelligence operations into North America. Being promoted into their midst also guaranteed one some kind of foreign service career or policy influence at the State Department.

This particular jeep driver cum political-science major was Henry A. Kissinger.

Kissinger's "homintern" code name, say our sources, was "Bor." At the end of the 1950s, the investigation of "Bor" dating from the postwar Occupation was suppressed by the circles around Eastern Establishment "president" McGeorge Bundy.

"Bor" is precisely what Henry Kissinger thereafter did, inside the U.S. government, to the pinnacles of power. The U.S. State Department today is totally dominated by circles associated with, or protégés of, Henry A. Kissinger.

Now, Kissinger and his boyfriends, of course, are the ones wholly responsible for the policy of overthrowing the Shah and building up "Islamic fundamentalism" in the Middle East as "a bulwark against communism"—the policy that has of late been blown out of the water by the "Iran arms-deal" affair.

Thus, while the congressional investigations proceed, while the "independent commission" explores the matter, while Attorney-General Meese conducts his own ponderous investigation, with many a Kissinger associate and protégé, especially those among the old Carter administration circles, sure to come under the axe, the announcement that every foreign service man will be tested for AIDS prompts us to ask:

Has someone at the Pentagon, or somewhere like that, finally caught on to what has been wrong with U.S. foreign policy in the postwar period?

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