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EIR

From the Editor

Our investigative reporters have just completed what may become the most “explosive” of the *Special Reports* for which EIR News Service has won worldwide respect: the soon-to-be-printed dossier on Project Democracy, the Iran/Contra scandal, and the case of Michael Ledeen, a massive documentation of the treason occurring now, in the United States. Steinberg,

A sampling of that report, which will include an introduction by Lyndon H. LaRouche, Jr., appears in the *Feature* beginning on page 34. The deeper we delved into the evidence in the public domain, the more breathtaking we found the cover-up perpetrated by the Tower panel.

The Tower Commission Report, in paperback form, may become a best-seller, but unless you buy *EIR's Special Report* as a guide to its true implications, you'll be throwing away the cover price.

Recent events have vindicated the analysis published over the past two years in the extraordinary series of *Special Reports* issued by *EIR*. The pattern makes it clear why our publications must become the basis for making policy now:

- **Soviet war plans:** On page 44 of this issue, the famous Edinburgh Sovietologist John Erickson, otherwise favorable to the Bukharinite revival going on in the U.S.S.R., denounces the current Gorbachovian reforms and “peace offer” to the West as strategic deception. *EIR's* 1985 “Global Showdown” report, to name only the most lengthy of our studies on this topic, predicted this deception operation and proved Russia's actual plan to dominate the world by 1988.

- **Palme assassination:** *EIR's* 1986 report, “A Classical KGB Disinformation Operation: Who Killed Olof Palme?” exposed the political targeting against LaRouche associates by the KGB-tainted “bungling” investigation in Sweden. See pages 50 and 72 for a report on events that have fully vindicated our analysis.

- **Pollard case:** *EIR's* 1986 *Special Report*, “Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia,” mapped out the networks behind Jonathan Pollard, who was sentenced to life in prison on March 4 for spying for Israel (see page 58). These treasonous networks will surface again in the “Project Democracy” dossier.

Nora Hamerman

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After Brazil, \$300 billion real estate bubble sags

by David Goldman

No sooner had American bank regulators begun considering how to re-cook the books of the big commercial banks—some of whom stand to lose twice their shareholders' capital through Brazil's debt moratorium—than an even bigger pot exploded. American savings and loan institutions are sitting on at least \$100 billion of worthless real-estate loans, amounting to about 11% of their total deposit base, and about four times their net worth.

The costs of paying off the depositors of the weakest of these institutions has already ruined the Federal Savings and Loan Insurance Corporation (FSLIC), which was pronounced insolvent by a report of the General Accounting Office of Congress on March 4.

The FSLIC's bankruptcy raises the question: How long can the Emperor stand around in his "new clothes," before he freezes to death? The \$80 billion Farm Credit System went bankrupt at the end of 1985, and regulators responded by opening a second set of books for the failed agency which does not account for loan losses. The FSLIC has permitted hundreds of insolvent institutions, with deposits of about \$100 billion, to continue operating, despite the fact that their net worth is, or is about to be, less than zero, because it cannot afford to close them, sell off the assets, and pay off the depositors.

Now, according to sources close to federal regulatory agencies, the Federal Reserve and Treasury officials responsible for the health of the nation's banking system, are hoping to ignore the Brazilian debt moratorium, and find some way to postpone writing off Brazilian debt.

Unless there is a run against the banks, the regulators hope, the entire bankrupt mass may drag on indefinitely.

However, the unraveling of the thrift sector, with \$900 billion in deposits, suggests that the near-term effect of the bankruptcy will be to force a generalized collapse of real-estate values, let alone a collapse of the homebuilding industry, and commercial real-estate construction, as bankrupt institutions are forced to realize whatever cash they might from devalued assets.

The FSLIC's demise

The nation's insurance fund for savings deposits lost up to \$8 billion last year, more than wiping out its remaining reserves, according to the General Accounting Office (GAO) report. GAO is the research arm of Congress.

So-called "contingent liabilities," i.e., the costs of paying off depositors of bankrupt thrift institutions closed during 1986, could rise to \$20 billion—dwarfing the \$1.9 billion earnings of the FSLIC, which guarantees thrift-institution deposits of up to \$100,000, according to the report. The report estimates that the FSLIC ran a loss of between \$6 and \$8 billion, rather than the \$1.9 billion reported surplus.

In fact, the FSLIC has permitted hundreds of bankrupt savings and loans to continue operating, simply because it cannot afford to close them and pay off the depositors. Estimates by Wall Street analysts of the cost of closing these institutions run between \$50 and \$100 billion.

Although the GAO report is supposed to motivate an emergency congressional plan to bail out the bankrupt insurer, the amounts that Congress is willing and able to spend for such a bailout are trivial compared to the monstrous overhang of bad debt on the S&Ls' books.

House Banking Committee Chairman Ferdinand St. Ger-

main (D.-R.I.) is currently fighting with his counterpart at the Senate Banking Committee, William Proxmire (D-Wisc.) over whether to offer \$15 billion or only \$7.5 billion to the FSLIC during the next five years (for more of the story, see *Congressional Closeup*, page 68).

In effect, they are squabbling over sums that amount to a tenth or twentieth of what the savings banks will need.

EIR's Quarterly Economic Report for Summer 1986 calculated that at least \$100 billion of bad commercial real-estate assets were sitting on the books of savings and loan associations, and that an additional \$150 billion stood to go sour after "tax reform" eliminated most of the reasons such projects were built in the first place.

Tax reform kills building boom

An unofficial calculation of the thrift industry's performance during the third quarter of 1986, conducted by the Federal Home Loan Board Bank in early October, shows a net loss for the entire industry of \$257 million. A wave of billion-dollar bankruptcies in Texas, California, and Florida will increase the losses drastically.

Twenty-five percent of the nation's prime commercial property stands vacant, as a result of the overbuilding boom created by this blunder. Worse, recently passed tax reform legislation eliminates all the tax breaks found in the 1981 bill, plus most of the ones that real estate investors got earlier.

The flip-flop on tax policy will blow away another \$150 billion in real estate loans, on top of \$100 billion already gone sour—a total of \$250 billion in bad debt, more than American banks' total lending to the Third World. That is more than enough to blow the banking system out of the water.

The price of prime commercial property—including the Manhattan market—will fall by at least 25% in the next year, and perhaps considerably further.

The worst of it is that the S&Ls, as major holders of problem properties, have maintained real-estate values at artificial highs, by keeping bad loans on their books. As they are forced to liquidate such loans, they will force more property onto the market, collapsing the value of other properties, and forcing rents down. The self-feeding cycle will make life exciting for the bank regulators for some time to come.

Implications for U.S. economy

Already, the FSLIC's limited, timid attempts to prune the most bankrupt among the S&Ls, have collapsed home and commercial-property prices in affected areas, according to a study conducted privately for the FSLIC by the consulting firm Booz Allen Hamilton. The report, released by the *Washington Post* on Feb. 28, says that the FSLIC's frantic effort to raise funds for depositors has led to "forced sales" of properties into already depressed real-estate markets.

At very best, the geniuses at the regulatory agencies be-

lieve, they will be able to preserve the fiction that several hundred billion dollars' of mortgage paper are worth something, by shutting down the construction sector of the U.S. economy. Housing starts are down to an annual rate of barely 1.5 million units a year, fully 25% below the peak of early 1986, while sales of single family houses fell to a seasonally adjusted annual rate of 716,000, about 7% below the previous month's level.

That apparently shows the first effects of the contraction of the volume of mortgage-backed securities, which reached a staggering \$400 billion annual rate during the third quarter of 1986. Since the principal purchasers of such securities are the savings and loans, and the savings and loans are entering into a generalized shakeout, it is not surprising that the leading private credit forecasts show the annual issue volume falling by half, i.e., to only \$200 billion during 1987.

U.S. thrift institutions stopped issuing straight fixed-rate mortgages against deposits, for fear of being crushed between low-yielding mortgage portfolios and high-interest deposits. Now, at least 40% of their assets are "securitized" mortgages, of which the federal government guarantees close to \$1 trillion.

As noted, the savings and loans are already liquidating real estate at distress prices, either on their own initiative, or on the initiative of federal regulators, who are anxious to raise what cash they might in order to pay off depositors. What happens now?

Both the Proxmire and St Germain schemes imply—by the minuscule amount of funds they provide—that the regulators will have to "pay their own way," by squeezing the declining, solvent portion of the thrift industry, and liquidating the rest to raise cash. Already, the U.S. League of Savings and Loans has raised a strong protest against both schemes, warning that the increased insurance costs to surviving institutions would be prohibitive. That is a serious worry, but it pales beside the potential for a collapse of asset values.

The regulators will find that their ability to realize any cash whatever on the sale of commercial properties financed by defunct S&Ls has disappeared, in a bottomless decline of speculative real-estate prices. At this point, the defunct institutions will have to sell off their tradeable paper, in order to raise cash. What then happens to the re-sale value of \$1 trillion of mortgage-backed securities? The United States faces a collapse of bond prices comparable to the murderous 1930-31 bear market, where the liquidation of bonds by cash-desperate institutions brought bond prices as far down as the stock market.

Under these circumstances, the net worth of the thrift industry could fall by an additional \$50 to \$100 billion, merely on the account of bond portfolio declines; and Congress will be contemplating a bill an order of magnitude larger than the currently proposed bailout of the FSLIC.

Brazil wins West European support for debt moratorium

by Robyn Quijano

Brazilian Finance Minister Dilson Funaro left Rome on March 6, having received support and new credit lines from his counterparts in France and Italy. Brazil's declaration of a unilateral debt moratorium on Feb. 20, for reasons of national security and its obligation to its population, was "understood" by both governments, which took the ethical principles put forward by the Vatican in a recent document on the debt as the basis for the talks.

Funaro had previously been in Washington and London, where he was told that he should submit to the monitoring of the International Monetary Fund (IMF), before he could expect any cooperation from those quarters.

He responded: "History shows that no country among those considered to be insolvent has exploded. We are going to find a solution. We will pay part of the interest and they [the banks] will finance the rest. If not, we are not going to pay at all."

While Funaro was in London, the Vatican daily *Osservatore Romano* in its Sunday, March 1 editorial, "Acta Diurna," stated, "The European Community should endorse Latin America on the debt issue." *Osservatore Romano* reminds the European Community that March marks both the 20th anniversary of Pope Paul VI's encyclical *Populorum Progressio* and the birth of the EC, and states that the best way to celebrate is to endorse the struggle for survival of those countries "such as Brazil" which cannot pay its debt. The Vatican recommends the launching of a "Marshall Plan" for the developing sector, and calls for a "higher law" to prevail in debt negotiations, inspired by *Populorum Progressio* and the idea that "development is the key to peace." "Alarming signals of underdevelopment come every day: countries ripped by violence, hunger, and epidemics, hot spots of that economic financial unbalance which has become explosive," warns the editorial.

In Brazil, one of the richer of the debtor nations, epidemics have taken off for lack of budgets for sanitation and medical care. Over the last years, IMF demands for massive exporting of anything that could bring in foreign exchange, and restrictions on imports of crucial medical supplies, have left the population in the poorest regions defenseless. In the state of Paraiba, the infant mortality rate is 15%. There, life expectancy is 48 years, a calculation based only on the population that lives past four years of age. Forty-eight percent of all deaths are of children under four.

Brazil's economic crisis has left 36 million hungry children, 7 million of whom are abandoned. Pope John Paul II was interviewed on Brazilian radio on March 4, to inaugurate a program called "Whoever Takes In a Child, Takes Me In,"

What Funaro said in Paris

Excerpts of the transcript of the press conference by Brazil's Finance Minister Dilson Funaro following his meeting with his French counterpart Balladur in Paris:

Q: What are the results of your discussion with Minister Balladur?

A: He is one of the men who represents the Group of Five industrialized nations, which has always defended and will continue to defend, he told me today at the meeting, a position seeking to find new ways to resolve the problems of the legitimate crisis existing in the debtor nations. He knows the effort which Brazil has made . . . and he is favorable to growth and dialogue among the nations that need to develop, as is Brazil's case.

EIR: Minister Balladur just stated in an interview to *Paris-Match* that one must study the document of the Vatican's "Justitia et Pax" [Commission].

A: Yes, he also told me he was in the process of studying the Vatican document by Justitia et Pax, on the question of the debt. That was one of the high points of the discussion between ourselves and Balladur. . . . It is also a coincidence that President Sarney also is studying this document and that we find in fact, that aside from debt, there is also social justice.

Q: Was there concrete discussion of how a country like France could aid in negotiating the Brazilian debt?

A: By supporting development. It is a question there of a point that is different from previous years. In

a program of the bishops' council to find homes and food for the children.

In London, Funaro emphasized the fact that it was the U.S.-led high interest rates from 1979 to 1985 "that swelled Latin America's debt to unmanageable proportions . . . for Brazil, every 1% rise in U.S. interest rates meant an extra \$600 million per year to pay, or an increase of 30% over the period." It is thus that the Brazilian finance ministry has determined that over \$27 billion of Brazil's \$108 billion foreign debt is "illegitimate." This is without calculating \$70 billion that Brazil lost since 1977, due to the collapse in the prices paid for its exports.

On his way to the airport in London, Funaro examined a small computer carried by a reporter. He commented that, had it not been for Brazil's subjugation to IMF conditions

from 1982 until 1985, Brazil would now be able to manufacture such advanced technology itself. "Until 1981, Brazilian technology kept up with international progress." But the IMF cut in half Brazil's imports of modern machinery (largely from the United States—which now desperately needs such markets). As a result, "Brazil grew old," and fell behind. Funaro insisted that Brazil must obtain the world's most advanced machine tools to have a future as the world's eighth-largest economy.

On departing from London, Funaro said that "no specific proposals on refinancing" had been discussed with the British finance minister, while the press reported that he had been told to go to the IMF. "I explained that we need efforts on both sides to solve the crisis," said Funaro at Heathrow Airport. "This means that we should seek financing mechanisms

ing years, recession was preached to the debtor countries as the means to earn surplus and pay the debts. Now that takes place through growth.

Q: Starting from the accord of the Club of Paris there has been talk of reopening credit lines for industrial plant and for exports. . . .

A: Minister Balladur told me that he has already freed up two credit lines from the official French agency and that he will free up others.

Q: Do you think that this was a gesture?

A: Yes, it was a good gesture. France has always made good gestures of friendship for Brazil.

Q: Brazil only has one representative in the Bank Committee.

A: That's the problem with committees, there are committees where the American banks represent 50%, while the United States only represents 30% of the debt. Hence, even the Japanese and the Europeans are not represented as they ought to be on the Bank Committee.

Q: So you find that the American banks are more inflexible than the European and Japanese banks?

A: No, no, at the moment there is no inflexibility. For right now, no question has yet been posed with the banks. We are in the process of posing the question of a linkage between Brazil and the representatives of each country.

Q: More specifically, in France, for example, it is easier for the government to act upon the banks, because the banks are state banks, but in countries like the United States, what are the mechanisms which the government can use on the banks?

A: Normally the Federal Reserve, which is like Brazil's

Central Bank, is a link between the government and the financial system.

EIR: Speaking of the intransigent position of the U.S., do you think that a presidency of Lyndon LaRouche, who supports the Brazilian position in that country, would help all of Ibero-America to resolve its economic problems?

A: I find that the question of the debt has been posed. LaRouche posed the question of the debt in his campaign. It is a problem which is more and more discussed and debated. That has been a motive of concern in the meeting of the Group of Five and Group of Seven two weeks ago. . . . The question of the debtor countries will be more and more debated. Today the approach is different. Previously, the solution was seen as a big recession. Today it is for the bias toward growth. I hope that this change will augur a somewhat better world.

Q: Does Balladur accept the thesis of debt moratorium?

A: Moratorium is not something that nations appreciate. It is a unilateral position of the Brazilian government. Everyone would have preferred it not to have taken place, all nations, and Brazil too, if we had had the financing to allow us not to go to a moratorium. That does not mean that they don't understand that Brazil did it at the moment when the reserves started to drop; this understanding I have found with all the governments I have spoken to so far. But the question I always pose, is how a country like Brazil, which always had an excellent surplus, has reached such a situation that it has to interrupt its payments. It is because there is something in the international refinancing mechanisms that . . . pushes a big country like Brazil, which has made an excellent effort abroad, reach the point of interrupting payments. Once interrupted, we have to discuss the debt politically. And now we are going to discuss politically.

that would enable Brazil to have a trade surplus . . . to meet its debt-service payments. Four years ago Brazil had a deal with the IMF, and we aren't going to return to this, because the plan only involved exporting more and importing less. It put Brazil in a huge recession and we don't want this program ever again."

When asked if he was not afraid of the retaliations the banks are capable of, Funaro said: "I did not fear death; I have no reason to be afraid of life." Funaro, who is known as an austere and incorruptible family man, survived lymph cancer several years ago. He is feared by his enemies for his sense of mission, his determination to save his nation.

Reception in France and Italy

In France, Economics Minister Edouard Balladur defended Brazil's right to grow, did not make any demand for an agreement with the IMF, and said he was studying the Vatican's document on the debt (see the transcript of the press conference).

Jornal do Brazil reported March 4: "When the minister [Funaro] arrived at the Rue de Rivoli, he could see a banner of support reading, 'Brazil 1, IMF 0.' The banner was put up by an American group with links in Europe, led by Lyndon LaRouche. . . ."

After meeting with Funaro, Italian Treasury Minister Giovanni Goria said that Italy not only understands Brazil's situation but holds a special place for Brazil, "always a friend. The world is small and problems of one are the problems of all," he said. "If we don't work together, it will be hard to think of the future." Italy will propose to the Venice economic summit that the industrialized nations try to seek solutions to the debt crisis that take the common interests of debtors and creditors into account. Funaro said that Brazil "believes new paths to solve the crisis must be sought. Until now paths have been proposed for living with the crisis, but we want to find a path that will enable us to get out of the crisis."

Back in Brasilia, where internal opposition among the bankers' boys is fierce, President José Sarney told the Congress that he was impressed by the good will shown by France and Italy. "Nobody expected the bankers to applaud us," he said. Italy offered \$57 million in new loans during Funaro's visit, and France promised several new credit lines. Brazil's new policy was defined by the head of the Central Bank, Gros: "We are changing focus. Before, it was what Brazil had to do to pay the debt. Now, it is growth which determines how to pay the debt."

Debtor payoffs

While support for Brazil's moratorium has been strong and growing among the continent's trade unions, the church, and a few governments, most of the major debtors have used the crisis to try to get a better deal. And the bankers' strategy, to buy off other governments still renegotiating, has cooled things off, but only superficially.

Funaro said he expected other countries to be given quick debt deals. "We all know that we rushed the debt renegotiating processes of the others. The banks feared these debtor countries would do what Brazil did. This is good for us, because we are, in the end, to negotiate alone, the way we want. Thus the possibilities for reprisals are reduced." Funaro added, "The fundamental problem is the international financial system, and not just my country's."

The president of SELA, the Latin American Economic Community, Sebastián Allegrett, backed Brazil: "The countries of Latin America and the Caribbean should maintain full and unreserved solidarity with the position assumed by Brazil; the Brazilian determination is a sovereign decision that should be able to count on the support of the region. With its decision, the panorama radically changes, improving the conditions of other nations, especially the small ones, regarding their needs in payment of the foreign debt. It is not a question of seeking a crisis of the world financial system, but of ratifying that growth is non-negotiable, and that Latin America should balance the payment of its foreign debt with the necessity of development of its internal economy."

"It is certain that no one is morally obliged to commit suicide by being subject to economic and social burdens that exceed his ability to meet them," said the Archbishop of Santo Domingo, López Rodríguez, in a homily discussing the debt burden. He said it was "the duty of all people to prevent demands being made against the country which damage our economic sovereignty, and that in this sense we must remember the example of the patriots 143 years ago who confronted the invader to give birth to the Dominican Republic." He was speaking on the anniversary of the independence of the Dominican Republic, in the main cathedral, with President Joaquín Balaguer in attendance. Balaguer has supported Brazil's debt moratorium, and indicated that his nation is not capable of meeting its interest payments.

"We want the formation of a new world economic order with creation of a Latin American and Caribbean common market," the acting president of Brazil's General Confederation of Workers (CGT) declared March 1. Ricardo Baldino said that, with such a common market, "We could take care of all our needs, such as petroleum and medicine," and that "we would never again see our currency so devalued."

Baldino also gave strong support for the debt moratorium: "We have to participate in the sacrifices which will come, but it must be clear that this is only possible in support of national development. . . . Now is not the time for strikes. There must not be strikes, since that would be to ally our movement to the international bankers."

The Schiller Institute Trade Union Commission, which met with Peruvian President Alan García in support of his battle against the IMF, also backed Brazil's moratorium.

The Colombian CUT trade union, which unites 80% of Colombia's organized workers, also hailed Brazil's courage and called for continental unity around the debt issue.

Domestic foes fear Brazilian greatness

by Lorenzo Carrasco

The Brazilian agents of the major creditor banks, entrenched in the media, business circles, and the foreign ministry, fear that under the leadership of President José Sarney and his finance minister, Dilson Funaro, a nationalist spirit is emerging which seeks to convert the recent debt suspension into a total reform of the international financial system, and allow for the development of great infrastructure projects, scientific and technological advances, and the economic integration of Ibero-America.

Dailies like *Jornal do Brasil*, representing the oldest monarchical Brazilian families, and mouthpieces of the international bankers such as former ministers Roberto Campos and Delfim Netto, fear that a faction may come into power that could unify the whole political spectrum—including the military, business, and labor leaders—around a national project to make Brazil into a world-class power by the turn of the century.

This faction is described by the Brazilian oligarchy as “nationalist Nasserism,” a term invented to avoid mentioning two great figures closer to home—Getulio Vargas and Juan Domingo Perón. William Waak expressed this fear in a signed editorial of *Jornal do Brasil*: “Perhaps the great irony is the fact that, willingly or not, Brazil in fact heads a debtors’ club. In the wake of our imposing \$108 billion of debt, countries like Vietnam or China, Poland or Paraguay, Mexico or Yugoslavia, and especially Argentina, are aligned, the better to take advantage of the crisis triggered by Brazil. It was a moment like this which, in the 20th century, made leaders like Vargas or Perón immortal.”

Getulio Vargas, nation-builder

Getulio Vargas was the man who laid the basis, from the 1930s on, for turning Brazil from a coffee plantation into an industrial nation, breaking the oligarchic stranglehold on the land. He believed that the economic exploitation of Brazil’s vast territory (8.5 million square kilometers) could only be possible with the building of great projects of economic infrastructure.

With this vision, he created Volta Redonda, the first large-scale steel complex in Ibero-America. In 1951 he set

up Petrobras, the state monopoly today in charge of the production, processing, and distribution of petroleum and its derivatives, and one of the largest companies in the world. In 1954, he launched a national electrification plan and shaped the state electric company Electrobras, another giant motor for industrial development. It was also during the Vargas years that Brazil’s iron mines were nationalized, and Companhia Vale de Rio Doce was founded, responsible then as now for developing the world’s largest and purest iron deposits, in the Carajás valley in Brazil’s far north.

Around these nation-building companies, was forged a faction of military officers, technicians, and politicians, who have acted to defend industrial development even in those moments when it was not hegemonic in the government. With the decision to declare a debt moratorium, this faction has emerged anew.

In his weekly radio message on Feb. 27, President Sarney showed that he is well aware of the opposition he faces. “It is difficult, and perhaps causes confusion, for one to go against stratified interests that have consolidated over such a long time, but one must have the courage to make decisions necessary for the present and future of the country. . . . I know perfectly well that these decisions, these measures of courage and determination, will cost me greatly politically.”

The most notorious representatives of these “stratified interests” are the above-mentioned Delfim Netto and Roberto Campos, who are busy trying to prove that “this moratorium was not a sovereign decision, nor an act of courage.” Netto instead, openly praises the model of Hitler’s Economics Minister Hjalmar Schacht, seeking to turn the country’s central bank into a financial entity “rigorously independent of the executive”—and at the service of international usury.

President Sarney, in his annual message to Congress on March 1, demolished such critics: “Contrary to those who say that the emergency [debt] initiative stemmed from our internal necessities, I can assure them that this was the sovereign act of a sovereign nation. . . . I carried out this act with my eyes on the future.”

While the President did not mention names, Luis Gonzaga Belluzo—top adviser to Finance Minister Dilson Funaro and serving as acting finance minister during the latter’s journey abroad—was much less diplomatic. “What we are going to do is talk directly with the owners of the dogs, with the international financial community,” and not with Roberto Campos and Delfim Netto who are merely “representatives of the international establishment. . . . Funaro is not (ex) Minister Delfim Netto. He is not like the man who was resentful for not being invited to join the soccer team when he was a boy. Dilson Funaro was invited.”

The battle within the cabinet

Despite the obvious weakness of the monetarist factions within Brazil, it would be a serious error to underestimate their ability to counterattack. Several of their top spokesmen



NSIPS/Stuart Lewis

Ex-minister Antonio Delfim Netto: "resentful about not being on the soccer team when he was a boy."

hold official positions, such as the current Ambassador to Washington, banker Marcilio Marques Moreira, the presidential adviser on international affairs, Ambassador Rubens Ricupero, and Planning Minister João Sayad, who until now has been losing all the fights to Funaro and could end up being replaced by Eliazer Batista, one of the fathers of the Great Projects plan and a political ally of Sarney.

Now this same group wants to monopolize the post-mortatorium international talks, hoping to exclude Finance Minister Dilson Funaro by keeping him busy at home with domestic concerns. This would explain the request of the Itamaraty foreign ministry crowd to "concentrate" the debt renegotiation process. Their plan involves what they call the "internationalization" of the Brazilian economy, which would bring the foreign debt home by using the blocked interest payment accounts (in cruzeiros) at the central bank as investment funds on the Brazilian stock market. Thus, the mechanisms for massive debt-for-equity exchanges would be put in place, leading to the total denationalization of the Brazilian economy.

In a Jan. 11 interview, Ambassador to Washington Marques Moreira said that "some kinds of solutions . . . like moratoria, are narrow, because they think they are resolving a past debt but are causing a giant mortgage in terms of a better insertion for Brazil into the world economy." Brazil

could do so much better in getting funds, he claimed, by entering the speculative markets of "instruments such as floating rate notes, or RUF [Revolving Underwriting Facilities], or NIF [note insurance facilities]." The economic team at the Planning Ministry is already training a staff to negotiate such funds.

Presidential adviser Rubens Ricupero stated his position at an Oct. 1, 1986 seminar of the Sao Paulo Trade Federation: "Although they may eventually irritate us, many of the recommendations in the neo-liberal report merit consideration and adoption." Ricupero was referring to the report issued by David Rockefeller's Americas Society, "Toward Renewed Economic Growth in Latin America," which demands the final looting of the region (see page 12).

These cabinet battles also reach into the central bank and Banco do Brasil. The central bank's director of foreign debt matters, Pádua Seixas, and Banco do Brasil vice-president of international operations Adroaldo Mora da Silva, want to make the Brazilian position "more flexible," especially in regard to the freeze of interest payments on short-term debt. On the other side of the fence is the central bank's foreign affairs director Carlos Eduardo de Freitas, who has warned that if the advanced sector countries do not accept Brazil's position, interest payments on debts owed to the Club of Paris will also be frozen. Freitas is the most open advocate of rapid integration moves with the rest of Ibero-America, to consolidate Brazil's position toward the creditor banks, and to block reprisals.

The fight for Brazilian greatness

The skirmishing aside, the *raison d'être* of the Brazilian nationalists' decision to suspend debt payments is their decision to relaunch the great infrastructure projects stalled by the genocidal policies of the International Monetary Fund. In his state of the nation speech to the Brazilian Congress, President Sarney said: "We are aware of our commitments and of our historic destiny. We all know the exact dimension of our greatness. We know what we are capable of, and have no reason to fear conscious acts taken in defense of our interests, of our sovereignty, and of the options we have deliberately chosen."

Since 1980, the policies of U.S. Federal Reserve chairman Paul Volcker not only ended the flow of investments into large public works, but also into the science and technology sectors. Now President Sarney is saying: "If, on the one hand, we contemplate substantial resources to vital sectors, such as energy, transport, and food production, we will on the other hand continue in the effort to assure resources for the areas of education, health, and training of human resources. Investments in science and technology will be intensified, creating the conditions for the country to definitively overcome its technological dependency, which is one of the points of strangulation of our economic independence."

Railroads will bring back great projects

by Lorenzo Carrasco

For at least one faction of the Brazilian ruling elite, the decision to indefinitely suspend service payments on the foreign debt was necessary to re-start construction of the great infrastructure works which, since 1980 and under the crushing austerity of the "Volcker revolution," have either ground to a halt or been dismantled. The looting stalled, among other things, Brazil's immense nuclear project.

President José Sarney and his Finance Minister Dilson Funaro have declared that the first order of business after suspending debt payments would be renewed investments in infrastructure, science, and technology, in hope of recovering seven long years lost. One of the sectors that most suffered under International Monetary Fund policy was transportation, especially the rail integration plans. Transportation Minister José Reinaldo Tavares, one of President Sarney's closest collaborators, announced that construction of the North-South Railroad would begin in June. That railway will join the extreme north of the country with the central triangle composed of the key states of Sao Paulo, Rio de Janeiro and Minas Gerais.

Integrating Brasilia

The North-South Railroad will fully integrate Brasilia, the capital which until now has been virtually isolated on the central plateau, with the rest of the country. Above all, it will integrate the agricultural and industrial production of the northern states of Amazonas, Pará, Maranhão, Santos and Rio de Janeiro, with the rail line crossing the industrial heartland. The 1500-kilometer North-South Railroad will hook up with another 900 kilometers of line, already finished, which joins the richest iron ore deposits in the world at Sierra de Carajás with the Itaquí port in São Luis Maranhão. With the completion of the railroad and its connections, the iron, strategic minerals, and agricultural production developed by the state company Vale de Río Doce, will be joined with the major population centers, promoting further development in the south-central zone of Brazil.

At an estimated cost of some \$2 billion, the North-South Railroad is Brazil's first big investment in a general freight railroad in 40 years, according to statements by Transport Minister Tavares to the magazine *Senhor*. The decision is so

significant that it will, in one blow, reverse the policy of exclusively highway transport initiated under the "developmentalist" government of Juscelino Kubitschek, a policy carried to absurd lengths with the virtual slave-labor construction of the Trans-Amazon highway. Built under World Bank guidelines, the Trans-Amazon Highway achieved no useful economic purpose other than the deforestation of immense regions of the Amazon.

Trucking unprofitable

Brazil, a continental country, cannot afford the luxury of basing its transportation on truck and trailer hauling over average distances of 1,000-2,000 km, when the profitability of this mode of transportation ends after a maximum of 200-300 km, according to Tavares.

Besides the North-South rail line, Tavares has also just announced an investment of \$400 million to reform and modernize existing railroads between Rio and Sao Paulo, including consideration of a French-styled "turbo-train," although for the moment, the minister believes that lack of funds makes the project unfeasible. "Later, in a second stage," he indicates, it will again come under consideration.

With an estimated three years' construction time, the North-South Railroad will revolutionize transport, reduce fleet costs, open up new lands for agriculture, make cheaper and more efficient the transport of minerals and other raw materials and, above all, will provide a healthy shaking up of the Brazilian economy.



Book Review

Rockefeller's gameplan to collect Ibero-America's illegitimate debt

by Dennis Small

Toward Renewed Economic Growth in Latin America

by Bela Balassa, Gerardo Bueno, Pedro-Pablo Kuczynski and Mario H. Simonsen
Institute for International Economics,
Washington, D.C. 1986
205 pages, paperbound.

This bankers' manual for handling the current Ibero American debt crisis were better titled: *Toward Renewed Debt Service Payments from Ibero-America*. Published in late 1986, it is a mean-minded attempt to forestall other countries from adopting President Alan García's solution of limiting Peru's debt service payments to 10% of export earnings, and a rejoinder to the Schiller Institute's August 1986 book in support of Peru, *Ibero-American Integration: 100 Million New Jobs by the Year 2000!*

The study was commissioned by David Rockefeller's Americas Society, and has been actively promoted across Ibero-America in the last few months by a traveling road show of Rockefeller and some of the authors. In content, it is an uninspired rehash of every monetarist policy which the IMF has already forcibly applied across the continent, with the well-known devastating results. Indeed, behind the fancy words and pompous (and always undocumented) assertions, the real policy proposals of this book are best characterized by the current legal plight of one of its authors, Peruvian banker and co-president of First Boston International, Pedro-Pablo Kuczynski. Kuczynski was Peru's Minister of Energy and Mines in the early 1980s, and he was recently indicted in Peru for the following crimes committed while holding that post:

- embezzlement;
- fraud;
- tax evasion; and
- negligence in the defense of state interests.

Kuczynski and cohorts Balassa, Bueno, and Simonsen

should all be indicted again for the far worse crimes they promote in their book.

The book's central thesis is that it is possible to have "self-sustaining economic growth in Latin America and simultaneously enable the continent to cope with its external debt problems." By "cope," what the authors really mean is "pay":

We do not advocate defaults, debt forgiveness, unilateral modification of interest obligations by the debtors (as in Peru at present), or other "radical" approaches—because we believe they would not be in the interest of either debtors in Latin America or creditors elsewhere.

Yet if the last decade of Ibero-American economic history shows anything at all, it is that the unbridled payment of largely illegitimate debt has led to a net capital *outflow* of hundreds of billions of dollars from the continent, which has made economic growth impossible. The authors candidly confess that their "growth" strategy would mean more of the same:

For some time to come, the inflow of new capital may not fully offset interest payments on the external debt, and therefore *the net outward transfer of resources will continue*.

How do Kuczynski et al. intend to achieve this result? Through a four-part strategy:

1) Export. The book's authors are quite hostile to the sort of protectionist measures used by the young United States—and every subsequent industrializing nation—to create a national market which domestic industry then produces for. They lie that such "inward-oriented policies have retarded economic growth in Latin America," and insist that the nations of Ibero-America should produce for export, reduce their tariffs on foreign imports, and devalue their currencies dramatically to "remain competitive." They are emphatically opposed to the formation of an Ibero-American Common Market, which would create a protected continental internal market, but can adduce no arguments against

it other than a vague reference to "differences in the level of industrial development among Latin American countries" and other "conflicting views" among the nations of the region.

2) Cut consumption. Rockefeller's bankers believe that Ibero-Americans consume too much—and thus they propose a series of measures to cut consumption to the bone, and profitably channel the resulting savings in their direction. "Tax policy," they suggest, "can also boost domestic savings by taxing consumption." Also, high interest rates are important: "The proposed approach is to assure that real interest rates remain sufficiently positive to induce a stable and substantial level of domestic savings." As for how to invest the miserly resources left behind in Ibero-America, the authors repeatedly insist that capital-intensive (i.e., highly productive) technologies are to be prohibited at all cost: "Favoritism of capital-intensive activities . . . should be avoided." They also advocate the elimination of minimum wage laws and virtually all protection of workers' living standards. In fact, their logic leads them to argue that wholesale layoffs are conducive to "growth":

On the whole, labor regulations, especially limitations on reductions in employment, inhibit job creation and economic growth in general in Latin America.

Kuczynski et al. also recommend that the nations of Ibero-America open themselves to untrammelled foreign investment, abandoning all pretense of sovereignty in order to attract it:

The acceptance of international arbitration on contentious issues related to foreign direct investment is a sovereign decision. Refusing arbitration of disputes, however, deflects investments to countries that do accept it.

3) Eliminate the state sector. The authors share the IMF's incompetent analysis that government budget deficits are the root of all economic evil in Ibero-America, and must therefore be slashed at all costs. They therefore propose a drastic policy of privatizing as many state sector companies as possible—including those in strategic areas, such as oil and communications. They bemoan that "there had been a very large expansion of the role of the state in Argentina when Juan Domingo Perón came to power," and urge that such redoubts of nationalism and dirigism be smashed as soon as politically feasible:

It is obviously impossible to privatize all state enterprises in the competitive sector overnight . . . [but] a clear movement toward privatization should be set in motion.

Like all free-market theorists before them (such as Adam Smith and Milton Friedman), the authors show a preference for what is known as the "informal sector" of the Ibero-American economy—the black economy, which is increasingly dominated by the drug trade. They exude uncontrolled

praise for the "business acumen" and "entrepreneurial spirit" that this criminal layer displays. Could this possibly be related to the fact that Kuczynski, in addition to his criminal activity in Peru, found time to be a member of the exclusive Inter-American Dialogue group, which promotes the legalization of the international drug trade?

4) International aid. Rockefeller's authors propose that promises of small doses of international credit be used to induce the Ibero-American nations to adopt the above reforms: any that don't go along, get strangled; for those that do, "new capital inflow can support the adjustment programs." The Baker Plan, which proposes a paltry \$29 billion in new money for Ibero-America in each of three years, is endorsed as a step in the right direction. Beyond that, they propose nothing to deal with the debt problem other than the standard measures associated with the likes of Kissinger: capitalize interest payments; convert debt to equity; strengthen the role of the IMF and the World Bank; and establish an "explicit linkage between debt rescheduling, additional financing, and the adoption of a comprehensive reform program."

Bail out the banks

The authors pretty much confess that the whole purpose of their report is to devise a strategy that will shore up the dangerous insolvency of the banks that they speak for: "The extensive exposure of U.S. banks in Latin America represents an ongoing threat to the American financial system." They propose that the current debt crisis be turned to the banks' advantage, by forcing through major structural reforms that will permit the ongoing looting of the Ibero-American economies:

The previously entrenched forces of resistance to reform [in Ibero-America] seem to be yielding in the face of crisis. . . . [Some] miss the depth and fundamental nature of the crisis of the 1980s. Historic opportunities arise from unprecedented difficulties. Extreme need can overcome deep-seated opposition.

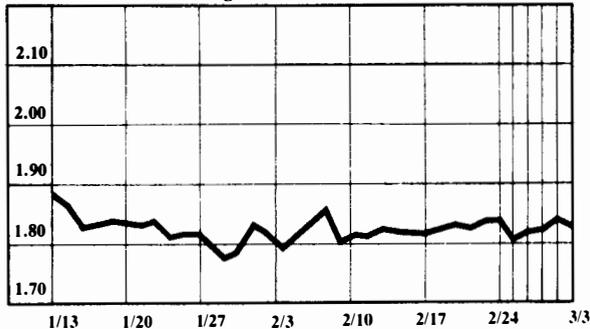
This open appeal to extortion comes naturally to the likes of Kuczynski and Rockefeller. But what they never stopped to contemplate is the possibility that some nations in Ibero-America might revolt against such treatment, and follow the Peruvian example of conditioning debt payments to development needs. In fact, the biggest irony of the whole book is the fact that it repeatedly cites *Brazil* as the example of a "good" country that has purportedly shown that you *can* pay all your debts and still get by: "Brazil appears to have resumed a substantial degree of self-sustaining growth while continuing to service its large external debt."

Brazil's Feb. 20 declaration of a unilateral debt moratorium—on the precise grounds that they could *not* continue to grow if they fully serviced their debt—is perhaps the best refutation, both economically and politically, of the book under review.

Currency Rates

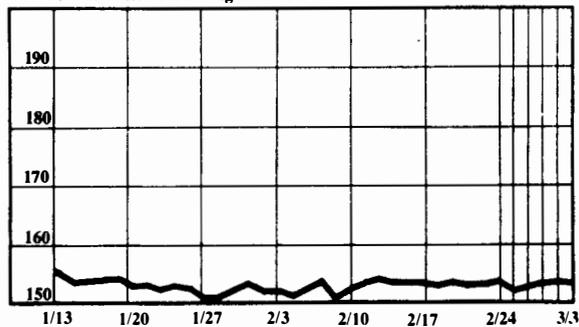
The dollar in deutschemarks

New York late afternoon fixing



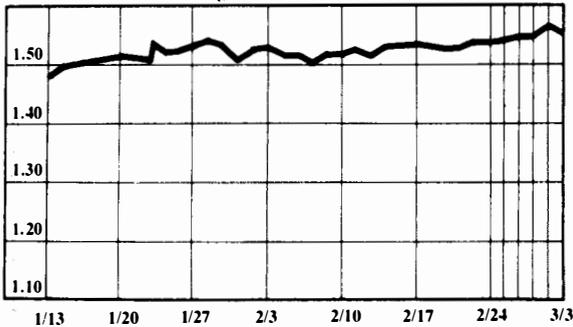
The dollar in yen

New York late afternoon fixing



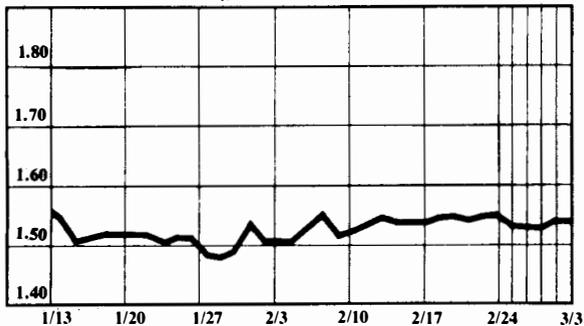
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



War against AIDS: Bavaria goes it alone

by Wolfgang Lillge, M.D.

The Bavarian state government of Franz-Josef Strauss decided on Feb. 26 to implement public health measures to contain the spread of AIDS. This decision comes just after the failure of the West German federal government in Bonn to initiate a nationwide AIDS legislation including mandatory testing of broader layers of the population and mandatory reporting of AIDS cases and infections.

The Bavarian move is a slap in the face of West German Health Secretary Rita "Rubbermaid" Süßmuth, notorious for her manic insistence of a "voluntary" approach to the AIDS problem and huge public information campaign for "safer sex" and condom use. For about two months, there has been a growing debate in Strauss's Bavarian Christian Social Union (CSU), the sister party of the governing Christian Democratic Union (CDU) of which Mrs. Süßmuth is a member, to challenge the "preservative" rather than "conservative" policy in Bonn.

The measures to be taken in the state of Bavaria include:

- Testing of all applicants to public service employment;
- Testing of all prisoners in Bavarian jails and isolation of AIDS-positive inmates in separate sections;
- AIDS-positive persons are banned from donating blood, semen, and organs;
- Testing of all foreigners from non-EC countries applying for residence;
- Testing of all drug addicts, male and female prostitutes, homosexuals, if necessary enforced by police;
- Job ban for AIDS-infected male and female prostitutes;
- Strict regulations for red light districts and gay bars;
- Strict enforcement of the law against anyone spreading the disease intentionally;
- Anonymous counting of all cases of infection and disease.

While these measures do not include a general testing of the population and mandatory reporting by name, they are a first step that could be a model for other states. They also reflect the growing influence of the work of the Patriots for Germany, who for two years have demanded the enforcement

of the German law on epidemics and a crash scientific program to develop a cure and a vaccine against AIDS.

Beside Strauss, a key proponent of public health measures is Peter Gauweiler, undersecretary in the Bavarian Interior Ministry, who stressed the civil right to life and well-being for every citizen as the main motivation behind the Bavarian initiative. "In the case of AIDS, this fundamental right obliges the state to protect the non-infected part of the population from the virus and to give aid to the sick ones," Gauweiler stated in the German mass daily *Bildzeitung* Feb. 27.

Meanwhile, in Bonn the coalition talks to form the new federal government, after the general elections on Jan. 25 failed to address the AIDS issue in a rational way. Reportedly, Strauss and other CSU representatives put the demand of anonymous reporting on the table but were rebuffed by the "condom mafia" of Süßmuth, CDU General Secretary Geisler and the Free Democrats who argued that any state or police enforcement of laws against AIDS victims would send them underground and worsen the problem. The only measure the coalition partners could agree upon is an anonymous gathering of data from laboratories involved in AIDS testing and a commitment for closer national research coordination. Otherwise, the public information campaign about "safe" sexual practices and use of condoms will be continued.

There are totally divergent reactions in the German pop-

ulation and the institutions to this political in-fighting around the AIDS issue. While in recent polls, 70% of the Germans favored an AIDS test ranging "from the prostitute to the chancellor" and 67% would agree to mandatory reporting, there is violent rejection of the Bavarian approach by most politicians and even medical institutions. Health Minister Süßmuth claimed that these measures are not for the welfare of AIDS patients and AIDS virus carriers, a quite moderate statement from her side as she might prepare to cover her position for the future. The Social Democrats stated in an official release that the way in which the CSU would "stigmatize" AIDS patients and exclude them from society is "intolerable." The only effect these measures will have is to drive prostitutes and other high-risk persons out of Bavaria and aggravate the AIDS problem in other states.

The most extreme reaction came from the Association of German Private Physicians whose director stated that mandatory reporting and quarantine would create a "gigantic state surveillance network" that reminds him of George Orwell's novel *1984*. He announced resistance by his colleagues to participating in any mandatory reporting scheme.

Given the clear view of a large majority of the population concerning AIDS, it becomes more and more obvious that it is those who block the way toward implementing public health measures who will be held responsible for the unchecked spread of the deadly disease.

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AIDS threatens population's survival

The most appalling facts are those that show how AIDS is killing newborn infants and pregnant women.

If rapid action is not taken to stop the spread of AIDS, Africa will return to the Dark Age it underwent in the 18th and 19th centuries, after centuries of looting and slave trading. The latest figures on Africa were put out in an article in the January issue of a German review, *AIDS-Forschung*, warning that in 10 years most Africans will be infected. The most appalling facts given by the author, who wished to stay anonymous so as not to jeopardize his work in Africa, are those showing AIDS is killing newborn infants and pregnant women.

"Around 5% of all infants being born in the epidemic urban areas may be expected to develop AIDS during the next two years; another 5% are infected, but it is not yet known how rapidly disease will develop in them." AIDS develops in infected infants by two years of age and is rapidly fatal. The author predicts that within the next 10 years, 24% will develop full-blown AIDS within two years of birth, with another 24% infected. In other words, almost half Africa's children—48%—will have AIDS.

The author notes that infant mortality rates in Africa are already around 50% before the age of five, and that only communities with very high fertility can overcome this to flourish. However, the "critical level" of infant mortality is 55%—above this level, no matter how high female fertility is, the population will decline. The author writes that "It is predicted that AIDS will both increase infant and childhood mortality far beyond this critical level, and also drastically re-

duce female fertility.

"About 15% of the general population in the sexually active range in urban Eastern and Central Africa is seropositive in 1986. Symptom-free adults are progressing to AIDS Related Complex (ARC) at 10% per annum, that is 1.5% of the sexually active population, and to AIDS at 1% per annum, that is 0.15% of the sexually active population. . . . It may be predicted that almost all fertile women will enter a second pregnancy during the next five years, approximately one-half of those infected (about 7% of all fertile women) will proceed to AIDS during this second pregnancy. Two-thirds of infants born to infected mothers are infected, and one half of infected infants develop AIDS within two years. . . .

"Seropositivity has multiplied tenfold in 10 years in the general adult population of Africa where HIV is epidemic, so it is not an unreasonable worst prediction that 70% seropositivity in all sexually active adults could be reached in urban Africa in the next decade.

"A disease selectively causing ill-health and death in the most productive age group and in the best educated (at least in the earlier stages of the epidemic) will have crippling effects on the already unsteady economies of African states. Modernization programs will be jeopardized, with a return to subsistence farming in rural areas, and hunger in the towns."

The author summarizes the research material available on AIDS in Africa, which, he says, shows that

"HIV is being spread throughout tropical Africa primarily by promiscuous heterosexual contacts." He shows that infants are infected in the womb, and through the virus being present in breast milk. He reports "a series of 49 patients (10 with AIDS and 39 with ARC) aged 1 to 17 months in Rwanda," another group of 28 infected children from Central Africa, while "At least 6% of ARC and AIDS is the consequence of transplacental transmission in Zambia. . . . [In] Kinshasa, 23 (15%) out of 150 ill children under two years old were HIV-seropositive. . . ."

Transmission by blood transfusion is also widespread, and "The greatest calls for blood are made for pregnant women and children." On insect transmission, the author comments that "The passive transfer of HIV-infected blood on the mouth-parts of blood-sucking insects . . . is a theoretical possibility, but does not appear to be playing any significant role in the epidemic of AIDS in Africa," although he notes that "HIV has been shown to survive for at least one hour after ingestion by the bedbug *Cimex lectularius*."

The author calls for urgent measures, setting up as many centers as possible for detection of the AIDS virus, investment in prenatal clinics to screen all pregnant women, limiting transfusions because of the danger of unscreened blood containing the virus, replacing reusable syringes with disposable, and educating the young on the dangers of promiscuity. Yet implying that these steps will not really be enough, the author in *AIDS-Forschung* concludes: "We are still only at the beginning of this disastrous epidemic in Africa. Africa today foretells the future of all other continents, unless there is an effective worldwide strategy for prevention."

Rheumatic fever returns

The return of another old scourge shows it's not yet time to abandon well-established procedures for identifying and treating strep.

Along with measles and tuberculosis, another unwelcome visitor from the past appears to be staging a comeback in the present economic "recovery." Rheumatic fever, which in the 20th century had "virtually disappeared," is back in force in the intermountain area of the United States.

Writing in the Feb. 19, 1987 issue of *The New England Journal of Medicine*, a group of physicians at Primary Children's Medical Center in Salt Lake City, Utah, report on an outbreak of 74 cases of rheumatic fever over an 18-month period. This is an eightfold increase in annual admissions for this disease compared to the 1975-85 decade.

As with TB, rheumatic fever had declined after World War II, especially in the last 20 years when incidence among school children in major cities dropped by over 90%, and the great rheumatic fever sanitariums had gone the way of the tuberculosis institutions. The disease has continued to be a major cause of death and disability among children and adults in the impoverished areas of the Third and Fourth World.

While rheumatic fever is generally concentrated in socio-economically deprived minority groups, this outbreak appears to violate that rule. The patients were predominantly white (71 of 74 cases) and came from families with an average income of \$34,000 a year, compared to an average income of \$24,000 a year for the state of Utah. Yet the average number of family members in the households of rheu-

matic fever cases was 6.5, compared to 3.2 family members per average household, and 65% of the patients shared a bedroom with one or more family members. Thus the same conditions of crowding, which predispose to transmitting the streptococcal bacteria which cause rheumatic fever, are beginning to affect the so-called middle class.

Another factor in this outbreak appears to be a change in the nature of the bacteria which causes the disease, the beta hemolytic streptococcus, which causes streptococcal pharyngitis or "strep throat." The problem with this type of infection is that, besides the sore throat and fever associated with the acute infection, a number of secondary problems arise after the acute infection is over. These problems center around various misfunctions of the immune response to the primary infection.

Rheumatic fever is one of these post-infectious problems and gets its name from one of its major symptoms, inflammation of multiple joints, known as polyarthritis. The other major organ systems affected are the heart and the nervous system. The whole heart muscle can become inflamed (carditis), or the process can especially attack the heart valves, most commonly the mitral valve which separates the two left chambers of the heart. In the nervous system, the inflammation affects the brain centers responsible for coordinating body movement, producing a syndrome of repetitive, dance-like movements known as

Sydenham's chorea.

The cause of these problems is the fact that certain surface antigens of the streptococcal bacterium are very similar to antigens on the surface of the body's own heart, brain, or joint cells. So when the body makes antibodies against the streptococcus, these antibodies attack the body cells which share these common surface antigens. Since there is significant variation from one strain of streptococcus to another, some strains are highly rheumatogenic (i.e., commonly cause rheumatic fever) whereas others have almost no ability to produce rheumatic fever.

In the Utah cases, not only was the organism highly rheumatogenic, but the incidence of heart involvement was extremely high, affecting 91% of the patients. Such high levels of cardiac involvement have not been reported among white patients in other studies. The incidence of nervous system involvement was also quite high, compared to other studies, indicating that this particular organism particularly disposes its victims to the more disabling and life-threatening manifestations of rheumatic fever.

Because of the dramatic decline in rheumatic fever, many authorities have questioned the "cost effectiveness" of aggressive diagnosis and therapy of streptococcal pharyngitis and such measures as cultures of family contacts. To quote the Utah physicians: "Our experience in the last year and a half clearly demonstrates that acute rheumatic fever has not disappeared from our area. The outbreak does demonstrate however, that acute rheumatic fever is still present in the continental United States and remains an important threat. We believe that abandonment of well-established principles for recognizing and treating streptococcal infection is not yet justified."

Vultures overhead

One prominent bird of prey is Charles Manatt, as the FmHA proceeds with the farm delinquency process.

As of the beginning of March, the Farmers Home Administration will have sent out loan delinquency notices to another 26,000 farmers, following those sent to 62,400 farmers last year. The FmHA insisted, on March 2, that the letters—called “letters of intent to take adverse action”—are not automatic foreclosure notices, but rather, notices that “servicing options” are required to be exercised at the farmer’s discretion.

The letters sent out by the FmHA are part of a general process of close-out for the U.S. farm sector—the food supply potential required to restore world nutrition levels. The FmHA has already begun to put its foreclosed farmland up for sale. In addition, the Farm Credit System, holder of one-third of the national farm debt, is also selling off foreclosed farmland.

For its part, Congress has put the FCS once again on its agenda for consideration for an emergency bail-out, but indications are that once again, nothing adequate will be done.

The FmHA holds the debt of 250,000 farmers out of a national official total over 2 million farmers. The FCS holds a full one-third, or about \$60 billion of the national total agriculture debt of \$200 billion.

As this collapse of national farm credit institutions proceeds, the vultures have begun to circle overhead to snap up the best land. One prominent buzzard is Charles Manatt, key campaign leader for the soon-to-be-announced Gary Hart presidential bid.

Manatt comes from Iowa, and at present, is participating in various land

company schemes to make money off brokering the FCS farm property sell offs.

As of year end, the estimated U.S. farmland held by lenders was the following:

- Farm Credit System—2 million acres, valued at \$1.26 billion.

- Farmers Home Administration—1.4 million acres, valued at \$841 million.

- Insurance companies—600 million acres, valued at \$500 million.

- Commercial banks—400 million acres, valued at \$350 million.

Out of a total of close to 400 million acres, the 4.4 million acres held and being sold by lenders may not seem like so much, but given that it is geographically concentrated in the farm belt, the significance becomes clear.

Since the farm sector has declined under the worsening depression, farmland values have plunged. Since 1980-81, farmland values have fallen 62% in Iowa and 57% in Nebraska.

For the past two years, the FmHA refrained from selling off their foreclosed properties, for the sake of driving down farm prices further. But this year, they lifted the ban. The sale of FmHA land, in addition to the FCS land sales, presents a major transformation potential in the farm belt counties.

As one Iowa farmer put it, “By 1990, whole counties could become someone’s private property.”

The local bankers are more understated, but say the same thing. The president-elect of the Independent Bankers Association, Tom Olson, a

Lisco, Nebraska banker, warned, “Every lender is concerned about quick sales.”

Enter Charles Manatt. Former head of the national Democratic Party, Manatt once tried to cultivate a friend-of-the-people veneer, but that didn’t work. He was known in California as “bankers’ boy Manatt.” Back in Iowa now, Manatt is involved in loathsome deals to acquire cropland from dispossessed farmers.

Charles Manatt is associated with an Omaha-based outfit called LeDioyt Land Co., that manages and sells Farm Credit System property. A year ago, Congress mandated the creation of the Farm Credit System Capital Corp., to warehouse and dispose of FCS foreclosed farmland.

The LeDioyt operation is a local collaborator of this effort. Glen LeDioyt, president of the company, maintains that there are plenty of farmers in the market for new land, so there is no reason to fear the corruption of the market.

Officials of the FmHA and the FCS insist that the bottom has been reached on land values, and that their sell off of property will not force down land values, or allow concentration of property in the hands of alien interests.

However, incidents of land dumping abound. Manatt and other operators have opportunity to acquire choice holdings, and create virtual estates with former farmers as vassals.

For example, a 70-acre parcel near Tekamah, Iowa recently sold for \$450 an acre: the original investor would likely have paid \$500 or \$550 an acre for, and still have expected a 6-8% return on investment.

In three Iowa counties—Clinton, Scott, and Jackson—recent sales of Farm Credit System land have gone for \$50-100 an acre under the expected market level.

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Business Briefs

Energy

García says Peru has gas for 120 years

Peruvian President Alan García on March 1 announced the first stage of exploration for huge gas reserves discovered by Shell Oil Co. in the jungle area of Ucayali in the south of Peru. The discovery was first revealed on Feb. 21, and is estimated at 7.2 trillion cubic feet of gas—equivalent to 1.2 billion barrels of oil. The value of the find is about \$20 billion, and according to García, will last for 120 years.

The President said that development plans include the construction of one 540-km pipeline to carry gas to Lima, and another smaller one to carry liquid gas found nearby, which is comparable to high octane gasoline.

García said that the findings will make it possible for Peru to substitute gas for oil, and to export 35,000 barrels a day of oil that is now consumed domestically. He said that the possibility of exporting gas to Brazil is under study, but has not been determined yet. García, who will be going to Mexico in mid-March, added that he would consult with public and private companies there on alternative technologies for exploiting gas reserves.

Shell's contract expires in January 1988, and García said that the company's future in Peru depends on its good behavior.

The Recovery

U.S. cities set for massive layoffs

Unless the governor and state legislature agree on a bailout, hundreds of police officers and firefighters are slated for layoff in New Jersey. The State Senate will be voting on a \$99 million aid plan, but Gov. Thomas Kean has announced that he will veto it as "irresponsible."

Plainfield Mayor Richard Taylor, who is preparing to lay off 25 workers, including

4 police officers, said, "Putting up this legislation is like giving kool-aid laced with cyanide—it's going to pass, but Kean's going to veto it. We can't afford to wait any longer. . . ."

Trenton plans to lay off 200-400 workers on March 12. Newark and Camden are delaying layoffs in hopes that the state will provide more aid. Newark Mayor Sharpe James said that he would have to lay off 200 "essential personnel," including police and firefighters, if they lose state aid.

In Ohio, according to the *Cleveland Plain Dealer*, cities are about to lose \$200 million per year because of the Gramm-Rudman-Hollings "budget balancing" act. State Rep. Marc D. Guthrie called for an increase of state aid to cities there from \$300 to \$360 million per year. But State Budget Director William Shkurty said municipalities will just have to compete for pieces of the shrinking pie.

In his State of the State speech on Jan. 13, Ohio Gov. Richard Celeste (D) took the credit for Ohio's "economic recovery."

The Debt Bomb

Unofficially, Egypt is in default

"Banking sources in Cairo have quietly acknowledged that Egypt is in de facto default on its debt payments," says the "Intelligence Report" column of the March 2 *Washington Times*.

"Western bankers say that delays in debt payment, which were six or seven months a year ago, now total twelve months or more. Foreign banks no longer finance major projects in Egypt or take part in refinancing operations with its banks."

The column says Egypt's combined civilian and military debt has reached \$35 billion.

The government, meanwhile, is resisting new demands from the International Monetary Fund. Egypt and the IMF have not yet agreed on a letter of intent that would secure Cairo a \$300 million stand-by credit, according to the economic weekly *Al-Ah-*

ram Al-Iqtisadi. The paper said there are "many points of difference between the two parties," including Egypt's refusal to increase interest rates, and domestic energy prices by 60%.

In the meantime, a high-level delegation from Russia has been exploring the possibility of securing political concessions from Egypt in return for easing repayment terms on debts to Moscow.

Space Science

Fusion propulsion being developed for Mars trip

Scientists at the University of Wisconsin are developing a first-generation fusion propulsion system, applicable to a manned mission to Mars. Dr. John Santarius told a reporter March 3 that a first-generation fusion propulsion system, using deuterium and helium-3 that would be mined on the Moon, could reduce the Earth-Mars trip time from 6-8 months, to about 10 weeks.

According to Santarius, a 500-ton tandem mirror fusion reactor would produce about 1,000 MW of power, and a rate of acceleration between .01 and .001 Earth gravity. In his estimation, some of the deleterious effects of zero gravity might be mitigated by introducing even a small percentage of Earth gravity to a spacecraft. Higher acceleration systems would be developed for second-generation systems—the era of Mars colonization.

At present, NASA managers are discussing four possible initiatives for the space program over the next decade. Says the March 2 *Defense Daily*, quoting Dr. Sally Ride, Space Shuttle astronaut and special assistant for long-range planning to the NASA director, one initiative is a manned Mars expedition, which would not take place until the first decade of the next century. Before that can happen, there might be two robotic initiatives, one for spacecraft monitoring the environment of Earth, and the other a probe to Mars to return a sample of the planet to Earth.

The fourth initiative is called, "Return

Briefly

● **RAJIV GANDHI**, the Indian prime minister, announced a huge increase in defense spending Feb. 28, but ordered a freeze on other expenditures in a belt-tightening 1987-88 budget. Gandhi increased defense outlays 43% to \$10 billion for the year beginning April 1, bringing defense to more than 17% of total spending.

● **GENERAL ELECTRIC'S** Astro-Space Division will close its Houston operations office in August. Opened in 1962 to work on the Apollo program, it employed 1,200 at its peak in 1968. Employment dropped to 600 when the Apollo program ended. It currently employs only 73.

● **OPEC** will not hold an emergency meeting, despite the recent decline in prices on the world markets, said Indonesian Mines and Energy Minister Subroto on March 3. "OPEC has decided not to revise its policy or to hold an emergency meeting. We expect the price will be better entering the third and fourth quarters of this year."

● **THE INFLATION** index in the United States rose by 0.7% in January, according to statistics released Feb. 27, an annual rate approaching "double-digit" inflation. A 6.6% increase in gasoline at the retail level accounted for only a small part of the increase.

● **AFTER SEVEN MONTHS** of silence, the White House is going to respond to the *Report of the National Commission on Space*, Science Adviser William Graham told the Senate Feb. 27.

● **50,000 CHILDREN** in Colombia die annually from water-borne diseases, caused by a lack of potable water, poor sewage, and inadequate garbage collection. The government plans to invest \$1.6 billion in water and sewage projects, which will bring potable water to 11 million Colombians and sewage systems to 16 million.

to Moon to Stay," which Ride said "is intended to change the perception that the Apollo program is a dead end."

The Deficit

Gramm-Rudman goes to the hospital

The Gramm-Rudman "balanced budget" law is in "intensive care," said the outgoing Congressional Budget Office director Rudolph Penner on NBC's March 3 "Today" show. He also thought a tax increase was needed.

Penner said that the scandals around the Iranian and Contra arms aid would help prod President Reagan into reducing the deficit.

"I think he'll be interested in redeeming his presidency. The deficit's a horrible legacy for him to leave and I think he will be more willing to bargain with the Congress, especially with Howard Baker there. He'll know what compromises are possible. I think you'll have to see some little tax increase this year."

The Gramm-Rudman law, he added, "may not be dead, but it certainly is in intensive care. I think the law has never worked very well."

Free Enterprise

Warner convicted in Ohio savings swindles

Jimmy Carter's ambassador to Switzerland, Marvin Warner, whose looting practices at his Home State Savings Bank closed down the state's entire thrift industry for a time in 1985, was convicted in Ohio state court in Cincinnati of banking and securities violations.

The March 3 *Wall Street Journal* says that Warner was found guilty of six counts of unauthorized acts in connection with investments made by Home State through E.S.M. Government Securities, Inc., and of three counts of state securities violations.

Warner, a big contributor to the Ohio Democratic Party and Gov. Richard Celeste, faces a maximum prison sentence of 13½ years, fines, and possible restitution to the state of Ohio for its payments to defrauded depositors. Sentencing is scheduled for March 30.

Agriculture

Debate bill to destroy food output

Texas Agriculture Commissioner Jim Hightower March 2 accused the W.K. Kellogg Foundation of Michigan of distorting the facts about the effects of a proposed 1987 national farm bill he helped write. The bill, sponsored by Rep. Richard Gephardt (D-Mo.) and Sen. Tom Harkin (D-Iowa), calls for a cartel-style "supply management" approach to produce a drastic reduction in food output in the United States.

The Kellogg report, with nothing better to recommend, did point out that food prices could rise under this regime.

"They're not just cooking corn flakes in Battle Creek, Michigan," said Hightower. "Their foundation-funded researchers are also cooking figures with self-interested disregard for the truth."

Hightower said Kellogg "has financed a skewed report to scare consumers into thinking that the farmers want to jolt consumers with a massive price increase." As a result, he said, the study's conclusions on farm income, food costs, and business controls under the proposed legislation are inaccurate. He said the nation's big processors and international commodity shippers do not want a change in farm policy because "they want to perpetuate a policy that brings them fat profits at the expense of farmers and consumers."

True enough, but the Hightower-Gephardt-Harkin bill would perpetuate exactly the same kind of policy, guaranteeing not only expensive food, but massive food shortages inside the United States. And from what *EIR* knows about Jim Hightower and his ties to KGB front-operations like the Institute for Policy Studies, he knows it.

The great projects in agriculture

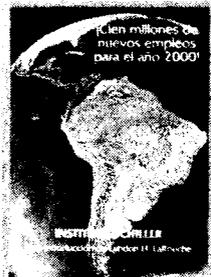
Part 25

Ibero-American integration

To provide a healthy diet to the 700 million Ibero-Americans who will be living in the year 2015, agriculture must be transformed from "subsistence farming" to a modern, efficient industry. Concentrating energy, capital, and modern technology into farming will double its yields, and simultaneously open up new lands for cultivation.

This installment begins Chapter 8 of the Schiller Institute book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000!* The book was published in Spanish in September 1986 and is appearing in English exclusively in *EIR*. It was commissioned from an international team of experts by the Schiller Institute's Ibero-American Trade Union Commission, to elaborate the "nuts and bolts" of the proposal by Lyndon LaRouche in 1982 for an "Operation Juárez" that will transform the huge foreign debt problem into the springboard for a regional economic boom—and an unheralded world recovery.

Numbering of the tables and figures follows that of the book.



The first thing that is required to guarantee that population density will increase, is to assure that enough food of high quality is produced for the population and for the next generation. The full development of the creative capacities of the human individual—the real driving force of economic development—requires a diet which is optimal in caloric and protein content, as well as in animal proteins. On average, to live and produce in a fully progressing society, an individual requires a daily consumption of 3,200 calories and of 100 grams of protein, 65 of those animal protein.

Food strategy will have to be, therefore, one of the central cogs in the Ibero-American Common Market. Such a strategy, moreover, will have to lead to the food self-sufficiency of the region and of each of its nations in the shortest term possible. This is not just for economic reasons, but also because Ibero-America is obviously vulnerable today in this sector, and as things stand now, would suffer seriously if a food war were unleashed, as Henry Kissinger and others have threatened. In no way is it desirable that the population's food supply remain to any important extent in the hands of the grain-cartel companies and their allies.

The clearest way to measure how capable a society is of sustaining itself today and tomorrow, is to know what percentage of its working population participates directly in producing the food this society consumes. This figure tells how large the portion of the population is, that can be freed for industrial production, building infrastructure, developing science and technology, and so forth. And, by implication, it gives us an idea of how capable this society is of prolonging the time period for the education of children and youth for the productive process, as well as of maintaining the productive life of persons of advanced age.

China, for example, has to employ 60% of its workforce

in the production of food; in contrast, the United States only needs to employ in this activity 3.5% of the economically active population, to obtain all its basic food needs and even to export.

Naturally, this depends directly on productivity, which is the same as saying that it depends on the technology used in agricultural production. The high yields of U.S. agriculture per man-hour and per unit of land surface are the outcome of a sustained effort of farm mechanization, rural electrification, intensive use of inputs, and construction of modern infrastructure. This implies, moreover, that while the ordinary U.S. farmer has to be a skilled technician, with broad knowledge of agronomy, animal husbandry, and veterinary medicine, capable of repairing machinery or interpreting satellite-transmitted weather information, the Chinese villager is submerged in thousand-year-old cultural backwardness.

If we examine the statistics of Ibero-America with this in mind, we run into the fact that the percentage of the working population that works in agriculture has declined at a steady rate over the last 20 years, from 48.3% of the economically active population in 1960 to 28.8% in 1980. But this decline, as **Figure 8-1** shows, was not reflected in a substantial increase in the ability to feed the population; rather, there has been a virtual stagnation of per capita food production. And since 1980, as a result of the "conditions" imposed by the International Monetary Fund, there is less and less food being produced, and whole zones of the region are beginning to experience famine.

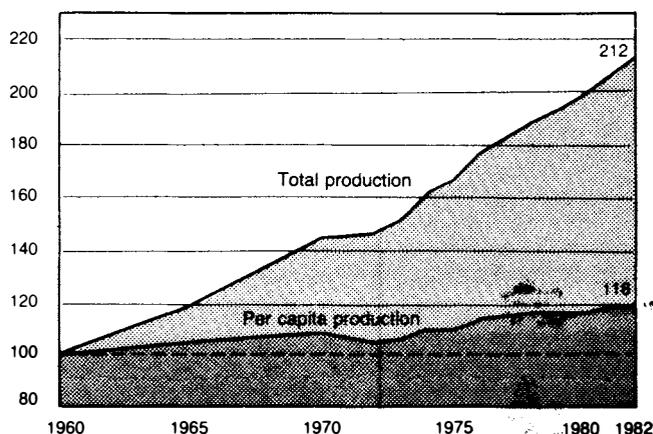
Figure 8-2 illustrates this situation. The Ibero-American population in 1980 consumed, per capita, barely two-thirds of the total protein intake needed for a healthy diet, and less than half the total amount of animal protein needed. Only Argentina had an adequate caloric and animal-protein consumption.

It is worth dwelling briefly on the case of Peru, the most malnourished of the major Ibero-American countries. As **Table 8-1** shows, the vast majority of the Peruvian population (included in the official "lower class" and "middle class" categories) in 1976 consumed less than 1,700 calories per capita per day, and some 50 grams per day of protein. But there was a dramatic drop from these already abysmal levels, and by 1979 only 1,500 calories and 45 grams of protein per capita per day were consumed—less than half the satisfactory levels.

This was the result of the criminal economic policy which was followed by the government of Gen. Francisco Morales Bermúdez (1975-80) and continued by his successor, Fernando Belaúnde Terry (1980-85), both under the direction of the International Monetary Fund. As one observes in **Table 2**, the production of the principal food products fell by about one-third between 1976 and 1983, while the economic imbecility of *reducing* hectares under cultivation by more than 10% was achieved in the same time-frame.

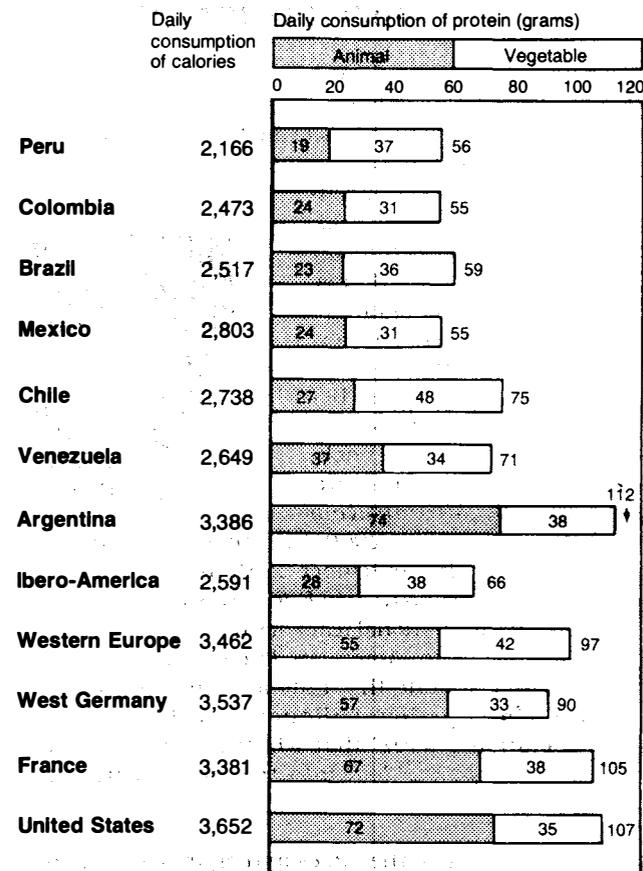
Not enough statistics are available for the last five years to document the present nutritional situation of the region.

FIGURE 8-1
Food production in Ibero-America 1960-82
(base 1960 = 100)



Source: United Nations Food and Agriculture Organization

FIGURE 8-2
Per capita nutrition, various countries 1980-82



Source: United Nations Food and Agriculture Organization

TABLE 8-1

Peru: per capita nutrition 1976-79
(daily consumption)

| | 1976 | 1979 |
|-------------------------------------|-------|-------|
| Calories per capita: | | |
| Lower strata | 1,645 | 1,486 |
| Middle strata | 1,700 | 1,595 |
| Grams of protein per capita: | | |
| Lower strata | 47.6 | 41.3 |
| Middle strata | 55.6 | 48.4 |

Source: Peruvian Ministry of Agriculture

But the proliferation of epidemics which commonly go in tandem with malnutrition is a sign of how serious malnutrition is in the region. Ibero-America will soon suffer famines like those scourging Africa, if the present direction of the farm sector does not change. Bolivia and the Northeast of Brazil are already on the verge of such a catastrophe. From 1979 to 1983, more than 3.5 million people died in the Brazilian Northeast; most of them were children. And it is calculated that of every 1,000 children born in the Northeast, 300 die of hunger and 300 of various diseases, before they reach one year of age. Of those who survive, more than 70% are malnourished.

It is difficult to appraise how much the farm crisis of Ibero-America is due to the boom in the mind-altering drugs in the last few years. But reliable Bolivian sources insist that up to 80% of the rural population of their country is totally or partially involved in the production of coca, the plant that yields cocaine as its final product. While the mafias obtain billions of dollars annually from this, Bolivia is not producing enough food to feed its own population; and to assuage their hunger pangs, the peasants chew on coca leaves.

Even the most developed countries in the region, such as Argentina, are beginning to feel the agricultural crisis. Live-stock herd reduction some years ago provoked something unusual in this country: government-ordered meatless days every week, and imports of beef substitutes.

Production and productivity

The terrible irony of this entire situation is that what is least lacking in Ibero-America are the natural conditions favorable to agricultural production, compared with other regions of the world. Table 8-3 indicates, for example, that this region, where 8% of the world's population lives, contains around 15% of the planet's land surface, and an equal portion of the land surface potentially usable for farming. But this potential is vastly underutilized, to such a degree that Ibero-America currently cultivates only 8.6% of its total land surface, that is, less than one-fourth of its potentially arable land—below

the world average.

As a result, the subcontinent's agriculture does not produce enough to feed the population as it should, because of the lack of hydraulic infrastructure to incorporate a larger cultivated area, as well as the lack of inputs and technology to cultivate it efficiently, and because a considerable part of farming activity is dedicated to producing for export.

Let us make a simple comparison, based on the figures presented in Table 8-4. Brazil, one of the most developed countries of the region, has only slightly less land area than the United States, and its population is a little less than half the U.S. population. But, in respect to grain, Brazil cultivates less than one-third of the area the United States devotes to those crops, and it obtains per hectare yields which are nearly three times lower, which results in a grain production 10 times below that of the United States.

The situation of the rest of the continent is similar. Altogether, Ibero-America's grain cropland is 20% above that of Western Europe, but it obtains a production 40% lower because its yields are very low, averaging around 2 tons per hectare, as against 4 tons per hectare in the European countries.

Table 8-4 gives a partial answer as to why there is such a marked difference. Ibero-America uses less than one-fifth of the fertilizers that Western Europe uses per unit of area, and cultivates its farmland with a level of mechanization 18 times lower than Western Europe, and 50 times below that of the United States.

Besides having such low productivity, many of the continent's countries export disproportionate amounts of food, in order to obtain foreign exchange to cover their foreign debts. Thus, for example, Brazil is in second place in the world in soybean exports, one of the best sources of vegetable protein, while its population only consumed 59 grams of

TABLE 8-2

Peru: agricultural production, main products 1976-83

(thousands of tons)

| | 1976 | 1983 | % 1976-83 |
|--|-------|-------|-----------|
| Cotton | 165 | 104 | -37.8 |
| Rice | 570 | 791 | 38.8 |
| Coffee | 65 | 91 | 40.0 |
| Sugar cane | 9,792 | 6,533 | -33.3 |
| Corn | 726 | 595 | -18.0 |
| Potato | 1,667 | 1,153 | -30.8 |
| Cultivated area (thousands of hectares) | 1,256 | 1,112 | -10.7 |

Source: Peruvian Ministry of Agriculture

protein per day in 1980. This is not an isolated case, by a long shot: Under the Belaúnde government, Peru was paying its debts to Russia with chickens, while the poor people in the cities could not buy adequate food, and were eating chicken feed!

The result is that Ibero-America as a whole exports some 25% of its agricultural production.

To guarantee a healthful diet for this population and the

coming generations of Ibero-Americans, presupposes a rapid pace of increase in the region's farm production, the reduction of exports out of the region, and the modification of the qualitative composition of farm production. Concretely: One would have to almost triple the daily per capita intake of products of animal origin (especially meat, milk, and eggs) and, in turn, reduce to less than half the consumption of products of low nutritional value, such as roots and tubers,

TABLE 8-3
World availability of arable land 1982

| | Total area (millions of hectares) | Area with agriculture potential* (millions of hectares) | % of total area | Area under cultivation** (millions of hectares) | % of total area |
|-----------------------------|---|--|-----------------|--|-----------------|
| Ibero-America | 2,020 | 721 | 35.7 | 174 | 8.6 |
| U.S. and Canada | 1,835 | 498 | 27.2 | 237 | 12.9 |
| Western Europe | 373 | 166 | 44.4 | 95 | 25.5 |
| Eastern Europe and U.S.S.R. | 2,327 | 667 | 28.7 | 278 | 11.9 |
| Asia | 2,679 | 1,107 | 41.3 | 458 | 17.1 |
| Africa | 2,966 | 967 | 32.6 | 183 | 6.2 |
| Other regions | 877 | 516 | 58.8 | 45 | 5.1 |
| World total | 13,077 | 4,641 | 35.5 | 1,469 | 11.2 |
| % Ibero-America | 15.4 | 15.5 | | 11.8 | |

*Includes cultivated land plus permanent pasture.

**Land used for both annual and permanent crops.

Source: United Nations Food and Agriculture Organization

TABLE 8-4
Profile of Ibero-American agriculture 1982

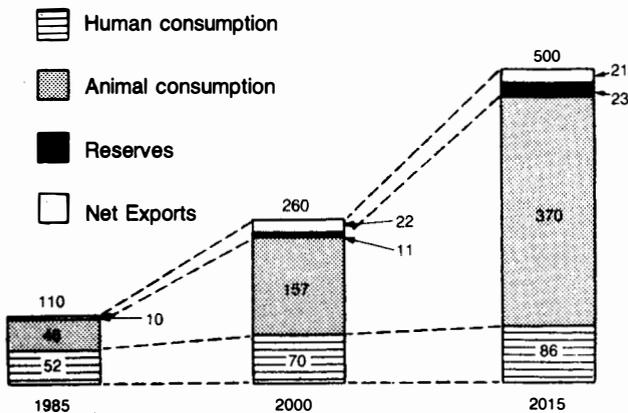
| | Area (thousands of hectares) | Grain cultivation Production (thousands of tons) | Yield (tons/hectare) | Number of tractors per 1,000 employed | Consumption of fertilizer* (kilograms/hectare) |
|----------------------|------------------------------------|---|-------------------------|--|--|
| Argentina | 1,962 | 33,609 | 2.41 | 139 | 5 |
| Brazil | 22,000 | 34,041 | 1.55 | 25 | 59 |
| Colombia | 1,396 | 3,611 | 2.59 | 10 | 73 |
| Chile | 649 | 1,507 | 2.32 | 66 | 26 |
| Mexico | 9,172 | 22,826 | 2.49 | 24 | 52 |
| Peru | 782 | 1,536 | 2.00 | 7 | 35 |
| Venezuela | 739 | 1,509 | 2.04 | 61 | 73 |
| Other countries | 5,480 | 8,749 | 1.60 | n.d. | n.d. |
| Ibero-America | 54,180 | 107,388 | 1.98 | 27 | 48 |
| United States | 79,966 | 339,350 | 4.41 | 1,343 | 110 |
| Western Europe | 45,337 | 179,231 | 3.95 | 480 | 261 |

*Consumption of fertilizer in nutrient kilograms. 1980 figures.

Sources: United Nations Food and Agriculture Organization, and United Nations Organization.

FIGURE 8-3
Projection of grain production in Ibero-America 1985-2015

(millions of tons)



whose protein content per gram is almost 10 times below that of foods of animal origin and which lack, in general, the essential amino acids.

Agricultural production will have to grow at a rate of at least 6% per year in the next 15 years, and this growth will have to be oriented to producing foods of animal origin, in order for Ibero-America to eradicate malnutrition and progress most of the way toward an advanced diet, which could easily be achieved over the following 15 years by maintaining a rate of agriculture growth of 4% per year.

Concretely, grain production must increase from 110 million tons, in 1985; to 260 million tons in the year 2000, and

500 million tons in 2015 (see **Figure 8-3**). This would cover the necessary level of consumption; the formation of a food reserve of 5% of annual production; and would leave a margin for export of 10% of the product in the first 15 years and 5% in the following years. This reckoning is based on the fact that, after the year 2000, it is likely that there will be little international market for food, since self-sufficiency would be a reality in all countries.

The majority of this increase in grain production will be used to feed the livestock and poultry for producing meat, milk, and eggs. Most of the cattle which are now range-fed will have to be put into feedlots at an accelerated rate, in order to obtain the maximum efficiency in utilization of inputs, automate tasks such as milking, facilitate veterinary treatment, and free pasture lands for cultivation.

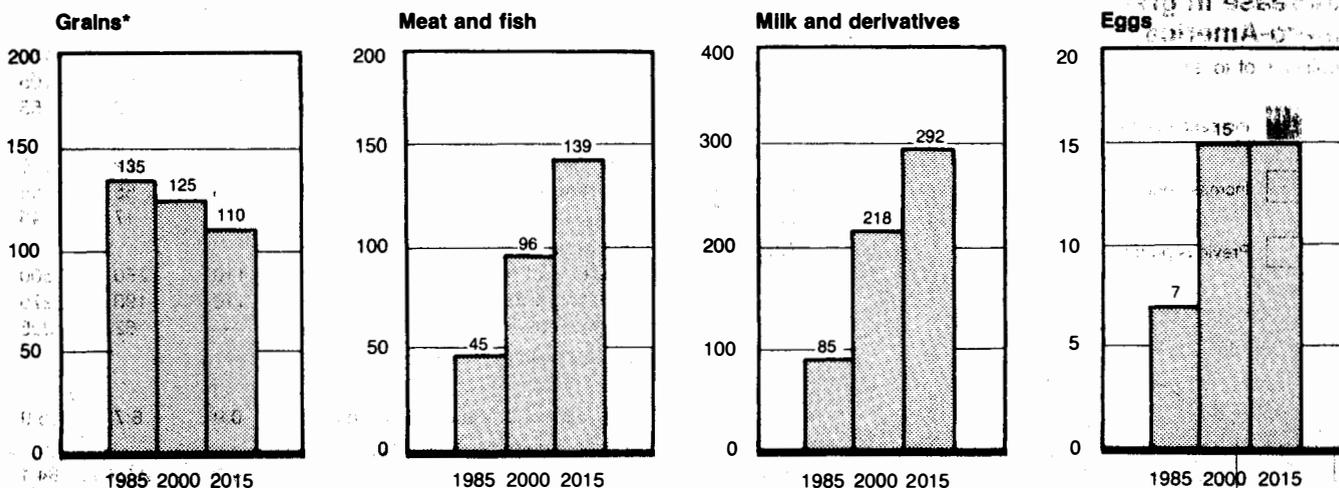
With all this, the Ibero-American countries would reach the year 2000 with a per capita daily food intake of 3,200 calories and 90 grams of protein, 55 of the latter of animal origin, very close to what the majority of Western European countries currently have. In other words, malnutrition would end. And in the next 15 years the per capita protein intake would be increased from 90 to 100 grams per day, and that of animal protein from 55 to 65 grams per day—our ultimate goal.

Figures 8-4 and 8-5 indicate the consumption levels per capita of the major food products which Ibero-America would require by the years 2000 and 2015, and the total volumes of production of those products.

Most of the increase in agricultural production will have to come, in the next 15 years, from the increase in productivity in already cultivated lands, which presupposes an extremely intense effort of mechanization and technical up-

FIGURE 8-4
Projection of food consumption in Ibero-America 1985-2015

(kilograms per year per capita)

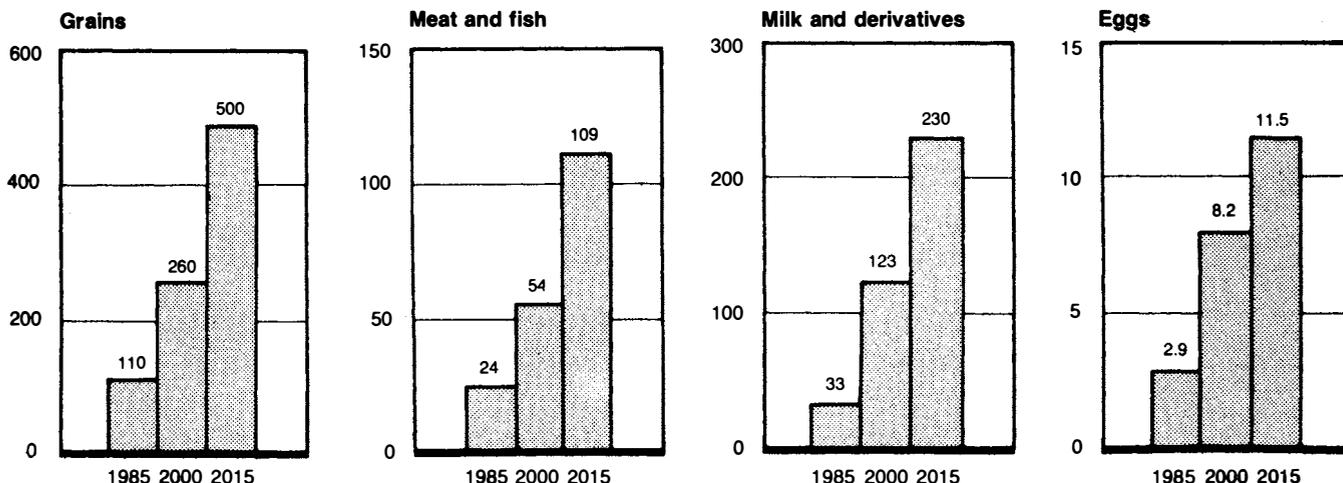


*Does not include grains for animal consumption

FIGURE 8-5

Projection of food production in Ibero-America 1985-2015

(millions of tons)



grading of farming activity. Of course, new lands will have to be opened to cultivation, something which will take on greater importance after the year 2000, at the same that satisfactory levels of productivity are achieved on the land already under cultivation (see Figure 8-6).

In respect to area, about 22 million hectares will have to be brought under cultivation between now and the year 2000, and 33 million additional hectares in the following 15 years, by which means the present area under cultivation would be increased by a little more than 50%. As far as productivity goes, the required effort implies going from an average yield of 2 tons per hectare today to 3.6 in the year 2000 and 5 in

the year 2015. To achieve this will require dramatically intensifying the use of inputs and mechanization. Concretely, between now and the year 2000 we will need to increase the number of tractors in use to nearly 7 million (7 times the current number) and the consumption of fertilizers to 28 million tons (4 times what is used today). The need for inputs and mechanization will, however, be much higher by the year 2015, as Table 8-5 shows.

FIGURE 8-6

Increase in grain production in Ibero-America 1985-2015

(millions of tons)

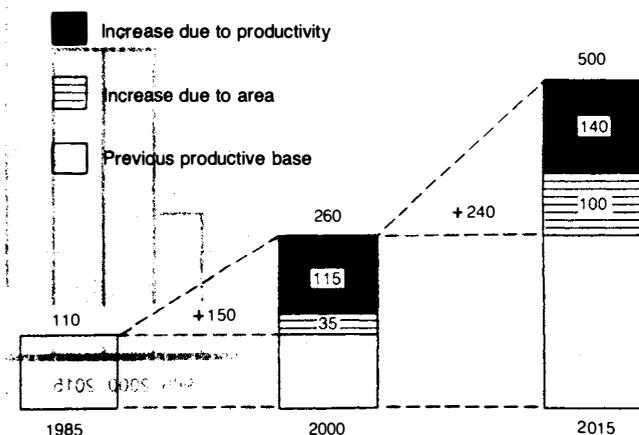


TABLE 8-5

Parameters required to increase food production in Ibero-America 1985-2015

| | 1985 | 2000 | 2015 |
|---|------|------|------|
| Total area of cultivation (millions of hectares) | 105 | 127 | 160 |
| Existing areas | 105 | 105 | 105 |
| New areas | — | 22 | 55 |
| Area under grain cultivation (millions of hectares) | 55 | 72 | 100 |
| Existing areas | 55 | 55 | 55 |
| New areas | — | 17 | 45 |
| Total grain production (millions of tons) | 110 | 260 | 500 |
| Existing areas | 110 | 198 | 275 |
| New areas | — | 62 | 225 |
| Average yield of grains (tons/hectare) | 2.0 | 3.6 | 5.0 |
| Total number of tractors (millions) | 0.9 | 6.7 | 15.9 |
| Total consumption of fertilizer (millions of tons) | 7.5 | 27.9 | 84.1 |

Parameters for a research mobilization against AIDS

A real war on AIDS will make use of the most advanced technologies, techniques, and ideas in biological science. Part two of Jonathan Tennenbaum's report.

This second installment of the article continues to review the instruments of optical biophysics, which began last week with the discussion of 1) Laser Raman spectroscopy and the "tuning" of living tissue, and 2) multiparameter light scattering. After examining the leading work on these technologies, we shall indicate how they provide to answering those questions about AIDS, which today's molecular biology is unable to resolve.

The instruments of optical biophysics

3. Ultraweak photon emission from living cells. The discovery of ultraweak light emission from living tissue and gradual unraveling of its biological significance, in work spanning from the Russian researcher A. Gurwitsch in the 1920s to the work of Fritz-Albert Popp and his group today, must be classed among the most far-reaching biological discoveries of this century.

All living cells spontaneously emit a weak light radiation at intensities of the order of 10-100 photons per second per square centimeter tissue surface, over a broad frequency range from infrared into the ultraviolet. Thanks to the perfection of photomultiplier tubes and, more recently, of sensitive solid state sensors, this radiation can be measured precisely. The instrument employed by Dr. F-A. Popp at his laboratory in Kaiserslautern, West Germany is sensitive enough to detect the light of a firefly at a distance of 5 kilometers!

The most immediate commercial application of this ultraweak photon emission (UPE) detection technology is in the measurement of potential toxic effects of various drugs.

When even minute quantities of a toxic substance are introduced to a cell culture, we register a rapid "burst" of photon emission, indicating a disruption of the normal "least action" configuration of the living system. A "hybrid" biological-physical detector, Popp's system may constitute the most sensitive detector of various toxic substances in existence today—with potential applications in studies of pollution, in pharmacotoxicology, forensic medicine, and defense.

Such practical applications are far outshaded by the implications of UPE in fundamental research. Although the total amount of energy measured at the photon detector is very small, the *energy density* of the radiation *inside* the cell may be large. Relative to events on the "molecular" level, a single photon in the ultraviolet range is the equivalent of a heavy artillery shot: A single ultraviolet photon suffices to fracture a powerful chemical bond, activate an enzyme or send an electron through a long chain of transformations. Experiments by the Soviet spectroscopist Prokhorov show that a single ultraviolet photon suffices, under certain conditions, to trigger the division of a cell.

More important still is to understand why any disturbance to living tissue *increases* the light emission. This fact points to two main conclusions: 1) The source of the UPE is "universal" in the sense that it is affected by every change occurring in the tissue. In fact, as Popp has shown, the UPE has coherent, "laser-like" properties characteristic of a single, unified source rather than a mere collection of independent sources. Thus, the UPE of normal tissue derives from a coherent field "coupling" the activities of thousands of mil-

lions of cells via long-distance electromagnetic interactions. 2) In normal tissue, the actual photon flux is much higher than the residue measured outside. Undisturbed tissue tends toward least action states in which almost all emitted energy is coherently observed in the work processes of the cells. Disruption of a least action state results in the incoherent release of "unused" photons, which Gurwitsch called "degradation radiation."

Evidence assembled by Popp and others points to a central role of cell nucleus DNA in the observed photon emission. This may finally explain an anomaly which has much embarrassed the molecular biologists: More than 95% of the DNA in human, animal, and plant cells has no "coding" function in the production of proteins. Rather than accept the fact that living cells do not function in the digital computer-like fashion some would like to imagine, dogmatic molecular biologists like Crick insist on slandering this 95% of the genetic material as "parasitical" or "junk" DNA! More likely, it is the dogmas of molecular biology which are the "junk." Popp has a much better hypothesis: Experiments and calculations show that the DNA molecule can function as an ideal *microscopic laser*, storing energy in a ratchet-like process and releasing it again in coherent bursts at shorter wavelengths. In this process, the nucleotide pairs form exciplexes—metastable excited complexes similar to the excimers employed in short-wavelength laser technology (excimer lasers). The pumping energy for this process derives from the cell metabolism. Living tissue produces 10^{40} times more ultraviolet radiation than nonliving matter at the same temperature. As opposed to most technical lasers, which work only at one or a few wavelengths, the DNA functions as a *multi-mode* laser, putting out perhaps thousands of different frequencies and regulating, via the resonant absorption of specific frequencies by specific cell processes, the entire complex of metabolic activity in the tissue. These, at least, are the working hypotheses around which Popp et al. are gathering a remarkable complex of theoretical and experimental work.

The fruitfulness of Popp's approach has already been demonstrated in cancer research, an area very close to that of AIDS. The emission characteristics of malignant cells are discovered to be radically different from those of normal cells. When human hepatocyte cells and the corresponding malignant cells were exposed to white light, the "decay radiation" (i.e., release of light "stored" in the tissue) was measured by the UPE technique, showing the amount of light released by malignant and normal cells in the first seconds after exposure, which was shown to be a *function of the density of cells in the cell suspension*.

For normal cells, the total observed re-emission actually ~~decreases~~ with increasing density, indicating a strong interaction between emitting cells as soon as their average distance becomes approximately 10 cell diameters or less. This interaction either reduces the emission rate of the individual

cells, or (what is more probable) increases the proportion of photons which are resonantly re-absorbed by cells in the suspension. For malignant cells, *the result is exactly the opposite*: The emission increases dramatically with increasing density. This "repulsive" or chaotic behavior of tumor cells correlates closely with their degree of malignancy as measured in clinical terms. Measurement of "re-emission UPE" thus provides researchers with an objective physical criterion for the efficacy of experimental treatments against cancer. This method has provided the first direct experimental confirmation of the biological effect of certain substances found statistically to reduce the malignancy of tumors in cancer patients. A related line of research has traced the carcinogenic effects of a wide variety of chemical substances to their optical properties, indicating that they act by interfering with the coherent photon field regulating normal tissue activities.

The most direct link from this research to the AIDS problem is probably via the study of cancer-inducing retroviruses such as HTLV-I, which is morphologically and genetically close to the AIDS virus HIV. More generally, the study of UPE may help to localize the mechanism of cytopathic effects of HIV and other viruses. Furthermore, we may learn under what conditions *new* retroviruses may be generated in cells. There is evidence that such viruses may be spontaneously "ejected" from diseased cells as fragments of "detuned" or destabilized genetic material.

The central focus of the indicated studies, as in biology in general, is the process of mitosis. Measurement of the UPE allows us, together with other spectroscopic methods, to characterize the successive phase changes in healthy and pathological cell division processes. In this context, it will be of great interest to develop methods by which not only the residual external photon emission, but also the *internal* photon flux in various parts of the cell could be measured. This might be done using ultrafine optical-fiber probes, or by focusing very short pulses of laser light or particles onto specific regions of the cell and observing the ensuing UPE emission.

4. *In vivo* NMR technology: A development out of radar research during World War II, nuclear magnetic resonance technology detects the characteristics of the local electromagnetic fields experienced by various types of nuclei in a living or nonliving sample, as reflected in the shifts in resonant frequencies of these nuclei when placed in a powerful magnetic field. Long a standard tool of chemists and biochemists, the vast potential of NMR for fundamental research in biology has hardly begun to be tapped.

In fact, NMR is the *in vivo diagnostic instrument par excellence*. The resonances of nuclei deep inside a living organism—a human patient, for example—can be excited and measured entirely by a system of coils arranged *outside* the experimental subject. Hence, NMR has given medicine the most revolutionary clinical diagnostic technology since

the discovery of x-rays: the NMR tomograph (Figure 6). In one form of this instrument, the whole-body tomograph, the patient is placed inside a powerful superconducting magnet with a set of auxiliary coils. In this whole-body tomograph, the resonances of nuclei throughout the body are measured with respect to a varying "structured" electromagnetic field, and the total information is stored in a high-capacity computer system. The patient may then return home, while the physician or researchers, working at the computer console, instruct the computer to *reconstruct* the image of any desired "slice" of the patient's body! The resulting computer-generated image can show subtle differences in tissue metabolism, depending on the particular resonant frequencies used.

Work is now proceeding to develop the microscopic analogue of the NMR tomograph, a device which might make it possible to "dissect" single living cells *in vivo*, perhaps even inside a living human patient, using remotely sensed information. Together with the x-ray microscope and x-ray holography (discussed below), such NMR micrographs will totally revolutionize our knowledge of three-dimensional organization of living organisms.

NMR spectroscopy provides an additional phase-space "direction" in addition to ordinary photon spectroscopy. The resonant frequencies of the nuclear component of living material reflect not properties of individual nuclei as isolated entities, but the *peculiar mode of organization* of matter in the living cell. In a typical result of NMR spectroscopy, we find that the NMR spectrum of complexes of molecules, as they are assembled in living cell structures (e.g., a portion of a cell membrane), fails to show the characteristic "peaks" of the individual molecular components taken separately.

A related case is NMR spectroscopy measurements of the plant virus CCMV. These can be graphed to show the difference between the spectrum of fully assembled virus particles, consisting of coiled RNA in the center and an icosahedral array of proteins around it, and the spectrum of reconstructed "empty" particles consisting of the icosahedral protein assembly alone. Such studies are crucial to identifying the characteristics of viruses which cannot be determined from their genetic material alone. It is known, for example, that different virus preparations with one and the same genetic material can have widely differing degrees of virulence and infectiousness, depending on the exact geometries and physical states of the virus particles generated by a given infected tissue. NMR is one of the most powerful tools in the study of this and other problems of virology relevant to AIDS.

A particularly important, fundamental application of NMR is to the study of "structured water." The water which makes up the vast bulk of most living tissue is not "ordinary" water, but a variety of *semi-crystalline states*, which form the hydroelectromagnetic medium in which complex macromolecules such as DNA and proteins are embedded in the living cell. The problem of structured water is key to understanding the systematic difference between *in vivo* and *in vitro* processes.

5. X-ray microscopy and holography. One of the most obvious problems of virus research is that no one has actually seen a virus in the process of infecting a living cell, or a virus replicating in a living cell. Viruses are too small to be seen with an ordinary light microscope—virus diameters are generally of the order of 10-100 nanometers, or about 10 times smaller than the wavelength-range of visible light. Viruses can only be seen with electron microscopes. But, in order to view biological material in an electron microscope, the material must first be fixed (killed), then sliced very thin and coated with metal. Hence, photos that show AIDS virus "budding" from a cell, are pictures of dead cells, not live cells. What we really need for research is *movies* of processes in living cells taken with a resolving power sufficient to image virus particles. Exactly this is now becoming possible, thanks to the development of x-ray microscopy and holography.

A prototype x-ray microscope is under development at Göttingen University. This apparatus operates at 4.5 nanometers, with a potential resolving power 100 times better than the best light microscopes. The x-ray source is synchrotron radiation from an electron storage ring (BESSY in Berlin). While such an electron accelerator is an enormous machine, plans exist to use instead a *plasma focus* device, developed in fusion research, as the x-ray source. This could in principle permit laboratory x-ray microscopes to be built, having about the same dimensions as today's electron microscopes.

Although the magnifying power of such an x-ray microscope is less than that of electron microscopes, the great advantage is that *living cells* in nutrient media can be photographed. Studies indicate that x-ray doses could be made so small, that cells could survive a series of many successive "shots." This would open the way to a biologist's dream: x-ray microscope movies of living cell processes!

The key to this revolutionary technology is a series of breakthroughs in the construction of *x-ray optics*. Microscopic zone plates must be produced to precisions of only a few atomic diameters. Thanks to laser holography, molecular-beam coating techniques, and other developments, this extraordinary challenge is now being met. The Göttingen group is planning to go to even shorter wavelengths—2.4 nanometers or less—at which the contrast between water and protein structures is enhanced by a factor of 10. Since x-rays interact very differently with cell material than ordinary light or electron beams do, we can expect new structures and new phenomena to become visible, which have never been viewed before. X-ray microscopy will constitute an entirely new domain of microbiology.

Besides the Göttingen group, a number of other laboratories around the world are working on alternative approaches to x-ray microscopy. A historic breakthrough is currently in the making at California's Lawrence Livermore National Laboratory, where preparations are under way to produce the first *x-ray holograms*—three-dimensional images of living

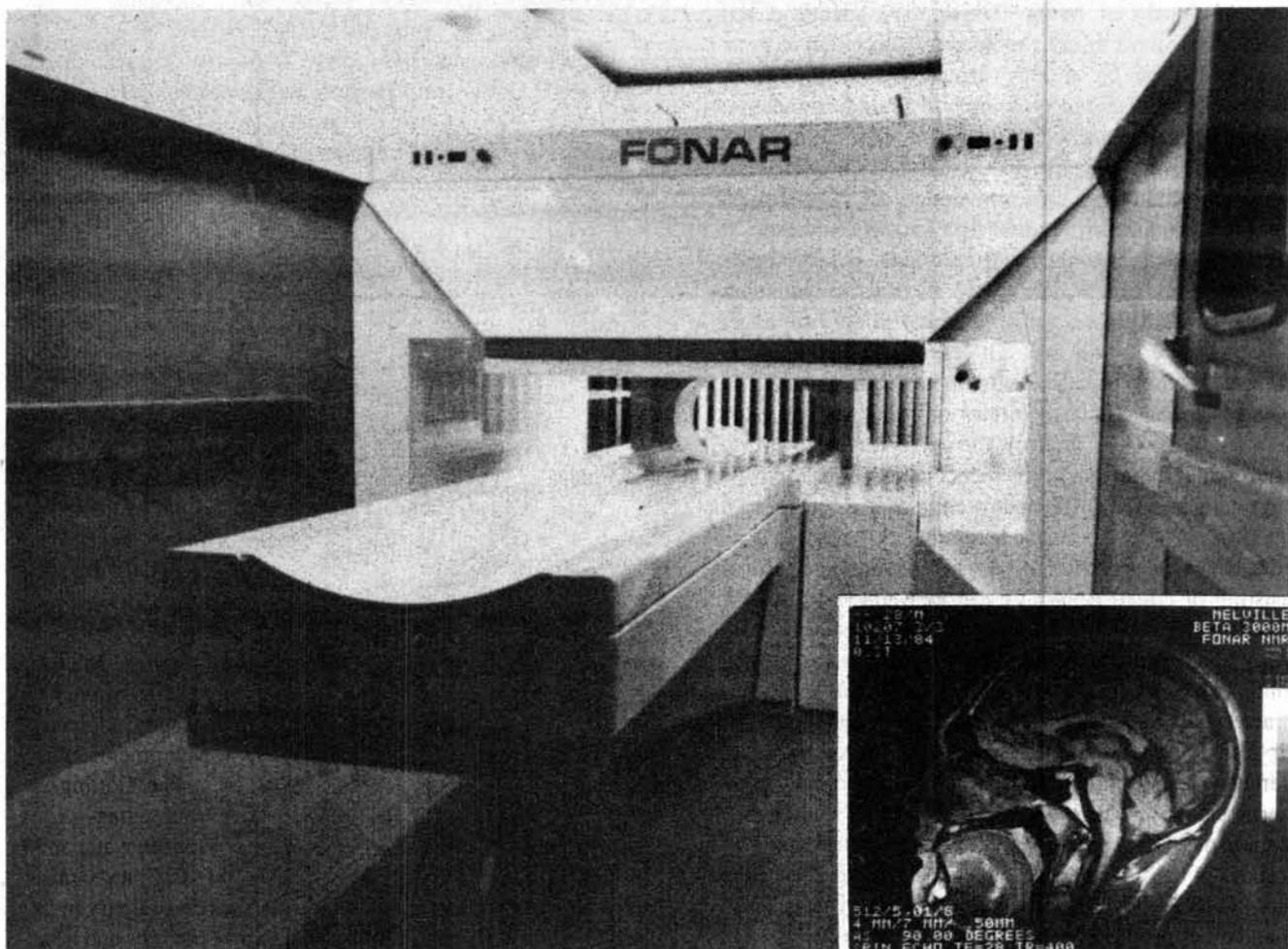
cells. This has been made possible by the creation of laboratory x-ray lasers, as an offshoot of the American Strategic Defense Initiative (SDI) for anti-missile defense. The Lawrence Livermore x-ray consists of a thin film of selenium or yttrium, which is transformed into a plasma by a powerful light pulse of more than 20 trillion watts produced by the Nova laser system. Collisions between electrons and partially ionized atoms in the plasma "pump" a coherent x-ray emission wave propagating along the plasma.

As a three-dimensional image, an x-ray hologram con-

tains orders of magnitude more information than a simple micrograph taken at the same wavelength. So, for example, we shall be able to study the precise changes in the geometry of the DNA of living cells during various phases of cell division and viral reproduction cycles. We may be able to see what actually happens to the proviral DNA of a retrovirus inside the nucleus of an infected cell.

Given a scientific crash program, x-ray microscopy and holography techniques could be available for AIDS research within a few years.

FIGURE 6
An NMR scan



In an NMR scan, the patient lies on a table surrounded by a receiver coil and large magnets. The magnetic field is turned on, tuned to the same frequency as an alternating electromagnetic field generated by a radio frequency transmitter—a frequency that matches the natural frequency of hydrogen nuclei. This boosts the energy level of the patient's hydrogen nuclei into a higher energy nuclear spin state in the area of the patient's body that is being scanned. Once the radio frequency is turned off, the excited nuclei will re-emit the extra energy at varying rates, as they flip back to their lower energy nuclear spin state. This extra re-emitted energy is picked up by the radio frequency receiver coils around the patient, and fed to the receiver. Then it is converted from an oscillating wavelength form to a digital form by the digital converter. Once available in digital form, the information is analyzed and color coded by the computer, to form a convenient display image for the physician. The inset shows an NMR scan of a patient's head.

The theoretical framework for the scientific war against AIDS

Besides the complete deployment of existing and rapidly developable potentials for scientific instrumentation, an improved methodological approach will be decisive for the success of the effort against AIDS. Some elements have been mentioned in our discussion of biophysical instruments. The following short summary indicates the nature of the approach as a whole.

Since World War II, fundamental research in biology has been dominated by the study of the mechanics of large molecules, at the expense of the original focus of biology upon living processes *per se*. In the words of Sidney Webb:

Studies over the past three or four decades into the chemistry of living entities have advanced scientific concepts of life processes and have led to great progress in the technology associated with every practical aspect of modern biology. It is understandable, therefore, that with such successes, the leading concepts of what life is are dominated today by biochemical considerations. As knowledge of the chemical workings of living entities has grown, however, it became clear that the vital reactions and syntheses inside a living cell take place in orderly sequences with each sequence performed only at specific times in the lifetime of a cell. The existence of this metabolic, or cell, timeclock now is well established as is the fact that . . . *in vivo* rates of synthesis are many times faster than those observed in the test tube in which the reactants are isolated from the cell and its natural barriers. Such findings suggest that metabolites are directed to vital sites within the cell, with *in vivo* metabolism governed not by the random kinetics of physical chemistry, but by a process able to direct the positioning of reactants in both space and time. . . . Energy, too, must be directed in specific sites at which the reactions are to occur. . . . It is not generally recognized that the cell does not use energy in the form of heat, indeed heat often is a toxic waste of metabolism. . . . Experimental data now available, if viewed collectively, indicate that the living cell is a unique assembly of macromolecules which acts as a single unit using properties that are much more than the simple sum of its component parts. This plus its ability to perform each of its many functions in a set time sequence, at rapid rates and at what must be considered as low temperatures suggests that it employs some form of 'electrical' property analogous to certain types of crystals. . . .

In a word, molecular biology has fixated only on the *algebra*, as opposed to the *geometry*, of living processes. As Leonardo da Vinci already developed the point in rigorous scientific terms, living organisms are characterized by

a systematically different *morphology* in space and time, than non-living matter. Molecules incorporated into the space-time geometry of the living process behave *differently* than they do in the biochemist's test tube.

The space-time manifold of a living process is constructed, in synthetic-geometrical terms, from self-similar conical action—the mathematical form of the negentropic growth process characterizing life. That particular type of relativistic space-time manifold is revealed, as Leonardo already pointed out, by the *golden mean proportions* dominating the visual morphology of living organisms. Today, we know that the biologically active form of DNA is itself constructed according to pentagonal golden mean proportions. Those golden mean proportions simply reflect, in visual-geometrical terms, the peculiar "curvature" of the physical space in which the living organism "lives."

It is primarily the work of the 19th-century mathematical physicists Gauss and Riemann, in developing the synthetic geometry of the complex domain (construction of Riemann surfaces of increasing numbers of singularities), which has provided us with the elements of a mathematical language adequate to describe living processes in precise physical-geometric terms. Riemann in particular developed an approach to physics and biophysics appropriately called "hydroelectrodynamics." In Riemann's hydroelectrodynamics, such entities as electrons, atoms, and molecules are understood as *singularities* in the space-time geometry of the universe, and the apparent "forces" between them are merely reflections of that geometry. Einstein's version of relativity was only a narrow and confused version of Riemannian physical geometry; Einstein omitted the crucial process of successive addition of singularities, typified by a growing organism. Hence, the hypothetical universes of Einstein's general relativity theory are "dead." In these universes, life—and, in particular, scientists—could never exist. Since life exists, Einstein's general relativity theory is fundamentally flawed. Similarly, attempts to create a mathematical biophysics along the same lines are doomed to fail. Riemann, and Kepler before him, understood that the universe itself is a negentropic process, within which living organisms constitute a localized, intensified expression of a characteristic of the universe as a whole.

It is only from the standpoint of Kepler, Gauss, and Riemann that the fundamental significance of *spectroscopic data* on living organisms can be grasped. Sets of spectral lines correspond to modes of negentropic growth or entropic decay, as Gauss showed in his development of the theory of elliptic functions. Thus, when we observe harmonic arrays of frequencies in a living sample, these are in general not mere *oscillations* like the vibrations of a string or some other non-living system, but are elliptic orbital values characterizing a process of generation of singularities. The central object of study for these nonlinear spectroscopic methods, as of biology in general, is the process of cell division, the

characteristic singularity-generating process in life.

The immediate task of laboratory work is to carry out a complete spectroscopic mapping of the mitotic process, through the entire spectrum of electromagnetic emission and absorption as well as magnetic resonance. To organize the vast quantities of spectroscopic data obtained, we shall require advanced computer "architectures" (including hybrid digital-analog systems), based upon Gaussian synthetic geometry.

The study of *pathological processes* such as AIDS must be pursued in this context of fundamental biological research. What is the relationship of viral replication to normal cell division processes? How does infection with the HIV virus reflect itself in changed spectroscopic characteristics of the infected cell? What are the harmonic spectral values of a healthy, as opposed to a diseased immune system? These are some of the key questions which must be addressed by basic scientific research into AIDS.

Organization of the scientific war against AIDS

Merely scaling up existing research efforts, as proposed, for example, by the U.S. National Academy of Sciences, is not going to guarantee success in the race against time to find effective vaccines and treatments for AIDS. What is required is nothing less than a coordinated international War Against AIDS. Just as in a shooting war, nations must enter into alliances against AIDS, and scientific general staffs must be established to direct research *and* public health efforts at the highest level. General staffs must not omit any of the following areas of competence:

- 1) public health policy, economic policy, foreign policy, and national defense;
- 2) virology, immunology, genetic engineering;
- 3) biotechnology;
- 4) clinical medicine and epidemiology;
- 5) tropical diseases, ecology of microorganisms, insects, animals, and man under various geographical and climatic conditions;
- 6) biophysics, with emphasis on nonlinear spectroscopy;
- 7) physics and engineering related to the creation and perfection of scientific instruments for treatment and fundamental research in biology and medicine;
- 8) synthetic geometry of the complex domain (Gaussian-Riemannian mathematical physics);
- 9) advanced computer hardware and software.

Since there is no alternative to success in this effort, the war against AIDS must be conducted not only on the standard "front" of molecular biology and classical virology, but with the launching of multiple, parallel "flanking" assaults in a variety of directions, with major emphasis on optical biophysics. The effort must be supported by maximum financial resources and minimum bureaucratic interference, in order to ensure that one or a combination of the pursued approach-

es will actually lead to the goal. In this respect, the war against AIDS will resemble the wartime Manhattan Project which created the first atomic bomb.

Just as in a shooting war, the AIDS general staff must have *the authority to deploy whatever manpower and resources it judges necessary* to guarantee success. This means, in particular, an *unlimited budget*. We cannot permit victory in this scientific war to be sabotaged or delayed by misplaced considerations of "cost-effectiveness."

International cooperation will be decisive for the success of this effort. The United States, Great Britain, France, Germany, Japan, Israel, and the Soviet Union, for example, have major capabilities in biophysics, molecular biology, and other relevant fields. AIDS is one of the few crucial areas in which serious cooperation between East and West is both feasible and potentially of great benefit.

For further discussion of this and other crucial aspects of the war against AIDS, the reader is referred to the policy statement by Lyndon LaRouche, "Parameters for U.S.-Soviet Talks on AIDS Pandemic."

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Tower Commission covers up for 'Project Democracy'

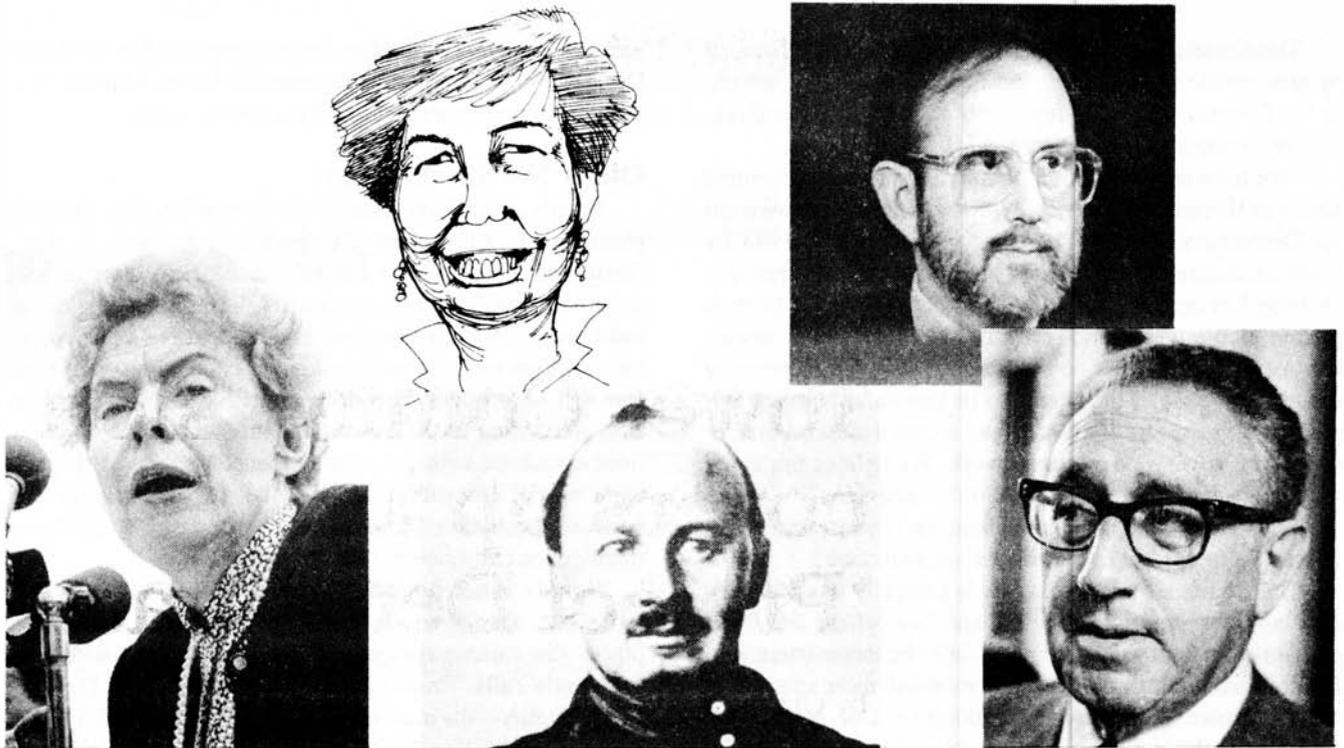
by Criton Zoakos

An EIR research team is currently preparing for immediate release a Special Report on the "invisible government" that has been running U.S. foreign and economic policy, titled "Michael Ledeen, Project Democracy, and the Secret Government Behind the Iran-Contra Affair." We present here some highlights of that study.

As soon as it appeared on Feb. 26, 1987, the so-called Tower Commission report, the *Report of the President's Special Review Board*, caused the demise of White House Chief of Staff Donald T. Regan and of CIA director-nominee Robert M. Gates; further, it set into motion a purge in the Executive Branch of government, whose scope continues to grow. Appearing at the height of a national and international strategic and economic crisis, the political processes and forces working behind that report, will continue to shape history.

Yet the Tower Commission report, with all that it reveals, is a coverup: It covers up a sinister secret in the national affairs of the United States—ironically the very same secret which it threatens to expose: the apparatus behind "Project Democracy." In addition, the report contains no criticism of either the dangerous policy of appeasement toward the regime of Ayatollah Khomeini, or of the administration's disastrous Central American policy. It accuses no one of breaking any laws; it simply complains that

. . . failure to deal adequately with these contradictions resulted in large part from the flaws in the manner in which decisions were made. Established procedures for making national security decisions were ignored. Reviews of the initiative by all the NSC principals were too infrequent. The initiatives were not adequately vetted below the cabinet level. Intelligence sources were underutilized. Applicable legal constraints were not adequately addressed. The whole matter was handled too informally, without adequate written records of what had been considered, discussed, and decided [p. IV-1].



The "Bukharinite" faction, East and West: (clockwise, from top) Raisa Gorbachova, Michael Ledeen, Henry Kissinger, Nikolai Bukharin, Jeane Kirkpatrick.

In short, the Tower Commission, reluctantly and obliquely, was forced to state that the problem in our public life is the existence and functioning of an informal, invisible, parallel government which acts beyond legal constraints. The Tower Commission's reluctance, though inexcusable, is understandable: Two of its three members, Edmund Muskie and Brent Scowcroft, have been witting participants in this invisible, illegal, para-government. The Commission report's reluctant admission was pried out when one resourceful investigator, Kenneth Kreig of the office of Secretary of Defense Caspar Weinberger, located a large amount of crucial evidence inside the bowels of the White House mainframe computer, evidence which various NSC officials, including Adm. John Poindexter and Lt. Col. Oliver North, believed they had successfully deleted, but had not.

Yet, with all this reluctance, understatement, and whitewash, there are some very potent issues associated with the Tower Commission's report, issues which have the power to topple CIA chiefs and White House chiefs of staff, the power to reorganize the Executive Branch of government. We report here what the Tower Commission hinted at, but failed to attack.

The NED link to Project Democracy

There are two threads, supplied by the Commission report, which, when unraveled, lead, like Ariadne's thread, straight into the lair of the beast: These threads are "Project Democracy" and Michael Ledeen.

The Commission's report makes reference to "Project Democracy" in three different locations, in conjunction with the activities of Lt. Col. Oliver North.

First, on page III-22 *et seq.*: "Other documents and evidence suggest that private contributions for the Contras were eventually funnelled into 'Project Democracy,' a term apparently used by Lt. Col. North to describe a network of secret bank accounts and individuals involved in Contra resupply and other activities. . . ."

Second, on page B-126 *et seq.*, quoting from a computer message from Lt. Col. North to V. Adm. Poindexter: "We are rapidly approaching the point where the PROJECT DEMOCRACY assets in CentAm need to be turned over to CIA for use in the new program. . . ."

Third, in page C-11 *et seq.*, in a chapter titled *Summer 1986: Project Democracy*, which, among other interesting things, contains the following: "In a note to V. Adm. Poindexter several months later, Lt. Col. North once again proposed the creation of a private, non-profit organization to manage the Contra support effort. According to Lt. Col. North, this organization would be involved in tasks the CIA could not perform, including raising money, paying for public relations, organizing UNO activities in the US, and providing medical treatment to wounded contras. Lt. Col. North tells V. Adm. Poindexter that these activities were 'now all being done by Project Democracy,' which he said was supposed to be out of the Central America business on or about Oct. 1, when US funds were due to be appropriated."

These references to Project Democracy are accompanied by two specific disclaimers by the Tower Commission, which, in the form of footnotes, appear on pages III-22 and C-11. The two footnotes are almost identical:

"We have no information linking the activities described herein as 'Project Democracy' with the National Endowment for Democracy (NED). The latter was created in 1983 by Congressional act and is funded by legislation. Its purpose is to strengthen democratic institutions around the world through private, non-governmental efforts. NED grew out of an earlier Administration public initiative to promote democracy around the world, which came to be known as 'Project Democracy.' It appears that North later adopted the term to refer to his own covert operations network. We believe this is the only link between the NED and North's activities."

What is the National Endowment for Democracy, and is Oliver North's "only link" with it a semantic one?

The Commission's disclaimer is carefully worded: "*We have no information linking. . .*" and "*we believe this is the only link. . .*" and would not necessarily be inconsistent with later official findings, which could establish more substantial "links." However, information linking Lt. Col. North's activities with the National Endowment for Democracy, exists in the public domain—and insiders have much more of the picture than what is known to the public.

Readily available elements of public information firmly establish that Lt. Col. North's references to "Project Democracy" involve the NED. Some pieces of information involve an organization called Prodemca, and others involve the Institute for North South Issues.

Prodemca, an acronym for Project Democracy, Central America, was founded by Lt. Col. North's principal stipended protégé, Contra leader Arturo Cruz (whose son is said to have dated North's secretary, Fawn Hall), with help from Angier Biddle Duke and others. Prodemca's co-founder and executive member Penn Kemble, and his sister Eugenia, were among the initiators of the original 1979-82 "Project Democracy" effort which resulted in the creation of the National Endowment for Democracy. Prodemca is also one of the largest recipients of NED grants—over \$300,000 per year. The other major funder of Prodemca was the notorious Carl R. (Spitz) Channell's National Endowment for the Preservation of Liberty, purely a North/NSC creation, as the Tower Commission report shows.

The **Institute for North South Issues (NSI)**, one of Lt. Col. North's main "Project Democracy companies," has received some \$500,000 from the National Endowment for Democracy. NSI was founded by Richard R. Miller and Francis Gomez, the two chief officers of Lt. Col. North's **International Business Communications (IBC)**. Miller is one of the glamorous fundraisers employed by North and the NSC, presumably to mobilize private funds on behalf of pro-Contra policies. They received large amounts of U.S. government money, both from the National Endowment for De-

mocracy and from the State Department's Office of Public Diplomacy, which, under the control of Elliott Abrams, provided over one-quarter of a million dollars to IBC.

Oliver North's flowchart

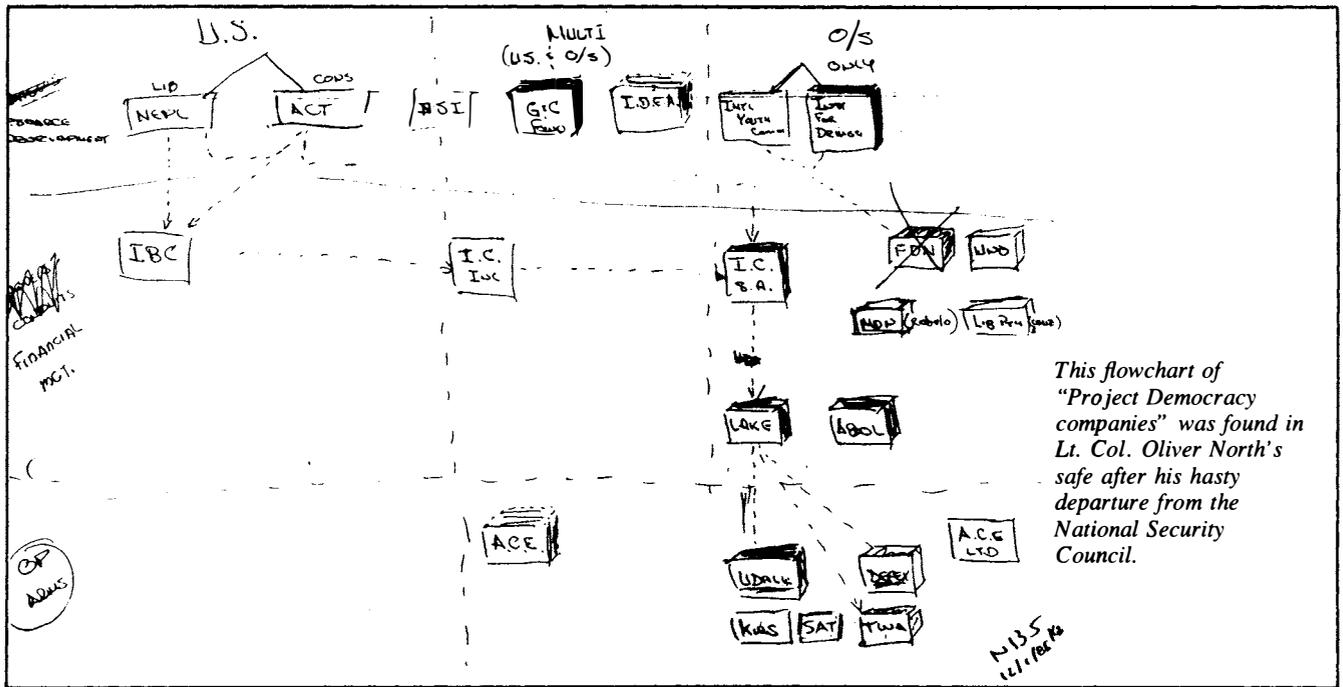
Finally, the Tower Commission report contains a reprint photocopy of a flowchart of corporations drawn by Lt. Col. North and discovered in his safe at the NSC after he had departed. That flowchart, reprinted here, provides additional links, not just to the National Endowment for Democracy, but to certain professional intelligence circles associated with former CIA officials **Theodore Shackley** and **Thomas Clines**. According to the Tower Commission, it was corporations associated with these circles that North dubbed "Project Democracy" companies. As we shall see, the relationship between the National Endowment for Democracy and these intelligence circles merits investigation.

North's handwritten flowchart is a matrix of three columns and three rows. Inside the boxes of this matrix, he places the various companies and organizations which he apparently calls "Project Democracy companies." The vertical columns of the matrix are labeled "U.S.," "MULTI (U.S & O/S)," and "O/S ONLY," denoting the locations in which these companies operate (United States; Multinational (United States and Overseas); and Overseas Only). The horizontal rows in North's diagram, denoting the different functions of these entities, are labeled "RESOURCE DEVELOPMENT," "FINANCIAL MGT.," and "OP. ARMS."

On the first horizontal row, "RESOURCE DEVELOPMENT," there are seven entities drawn. Two are under "U.S.": "NEPL," which is Spitz Channell's **National Endowment for the Preservation of Liberty**, and "ACT," or **American Conservative Trust**. Two are under "MULTI": "G&C Found" (**Gulf and Caribbean Foundation**) and "IDEA" (**Institute for Democracy, Education, and Assistance**). One entity is shared under "U.S." and "MULTI," namely "NSI," the **Institute for North South Issues**; two "O/S ONLY," "INTL YOUTH COMM" and "INST FOR DEMOC." These last two are not further identified.

On the second horizontal row, "FINANCIAL MGT.," there are three entities, connected by a dotted line, one for each column: "IBC," (**International Business Communications**) for "U.S.," "I.C. Inc." (**Intel Corporation**) for "MULTI," and "I.C. S.A." (presumably **Intel Corporation, Sociedad Anonima**), for "O/S ONLY," the dotted line then ending at "LAKE," denoting **Lake Resources, Inc.** of Gen. Richard Secord.

From "LAKE," North's dotted lines go down to the last position in the matrix, marked by "O/S ONLY" and "OP. ARMS," the overseas gun-running entities. These are: **Udall Research Corporation**, **Defex-Portugal**, **Trans World Arms**, **Southern Air Transport**, **Amalgamated Commercial Enterprises**, and an entity with the initials **KMS**, not further identified. Most of these are associated with the busi-



ness enterprises of General Secord, Albert Hakim, and their business associates Theodore Shackley and Thomas Clines, until 1979 with the CIA.

It is surprising that the Tower Commission should assert that it had “no evidence linking” the activities of Lt. Col. North and the National Endowment for Democracy. The public record shows the following, pervasive links between the NED and North’s organizational flowchart:

Of the five identified entities in North’s “RESOURCE DEVELOPMENT” (fundraising) category, four are known to be linked, directly and indirectly, with the National Endowment for Democracy. These are NEPL, NSI, G&C Found., IDEA. The principal, publicly known link between these entities and NED, is Prodemca, one of the Endowment’s principal subsidiaries. Specifically, the Gulf and Caribbean Foundation is run by former congressman Dan Kuykendall, who was initially drawn to Central American lobbying by Prodemca; IDEA is the sister organization of CDEA, the Center for Democracy, Education, and Assistance, run by a friend of Arturo Cruz, cofounder of Prodemca and beneficiary of grants from both the Endowment and North. NEPL, of course, is the other big financial backer of Prodemca, in addition to the Endowment; and finally, NSI, one of North’s “resource development” outfits, received, according to the public record, half a million dollars from the Endowment.

Of the three entities of North’s “FINANCIAL MGT” category, the controlling one, IBC, from which the flowchart arrows proceed to General Secord’s Lake Resources Inc., is managed by two persons, Richard Miller and Francis Gomez, who were the beneficiaries of a \$500,000 grant from the National Endowment for Democracy.

Given the extensive publicly available information concerning the links between North’s “Project Democracy” and the “Project Democracy” known as the National Endowment for Democracy, why did the Tower Commission report go to such lengths to deny the connection? The Tower Commission certainly did have information proving that the “activities described herein” were associated with the National Endowment for Democracy. Not accidentally, one NSC consultant, attached to North’s unit, Michael A. Ledeen, had belonged to a circle of intelligence operatives who initially thought up the creation of “Project Democracy”/National Endowment for Democracy, a long time before Oliver North became interested in Nicaraguan “freedom” or in the Iranian Ayatollahs. The same Ledeen played the critical role in cultivating the relationship between the Iranians, Israeli intelligence, and the “invisible government” structure around the National Security Council in Washington.

But first, what is this National Endowment for Democracy, which the Tower Commission coyly threatens to expose, and then proceeds to protect from exposure?

The NED and the Bukharinites

Henry A. Kissinger and Walter “Fritz” Mondale, the two public figures charged by Lyndon LaRouche in 1984 television broadcasts with being “agents of influence of Moscow,” are members of the board of the National Endowment for Democracy. One of the Endowment’s officers is Sally Shelton Colby, the wife of William Colby, who, as director of the CIA under Kissinger, and in intimate cooperation with the Church Committee, almost wiped out the CIA’s professional capabilities, as they had developed during the tenure

of Richard Helms. Another of the NED's officials is **Barbara Haig**, the daughter of Alexander Haig, Kissinger's sidekick in the Nixon White House, and boss of our hero, Michael Ledeen. The ranks of the most ardent public supporters of the Endowment include **Zbigniew Brzezinski**, **Jeane Kirkpatrick**, and **Cord Meyer**. The chairman and treasurer of the Endowment, **John Richardson**, is a former law partner of Allen Dulles's old law firm, Sullivan and Cromwell, who went on to make a career in the State Department and the CIA. Its president, **Carl Gershman**, was at one point head of the Social Democrats, U.S.A. (SDUSA), the U.S. branch of the Socialist International, and, earlier, head of the Young People's Socialist Alliance. The Endowment's main workhorses are two other famous "State Department Socialists," **Jay Lovestone**, the Lithuanian immigrant who founded the Communist Party, U.S.A., and his sidekick, **Irving Brown**.

In short, the Endowment is a kind of "Who's Who" of a certain politically well-defined section of "the intelligence community."

EIR's information about this grouping is based on cumulative work over recent years, and our political wars with the illegal government structure associated, first with Henry Kissinger's NSC from 1969 to 1977, later with the Carter-Brzezinski NSC until 1981, and now with the post-1981 Reagan NSC which is being dismantled by Frank Carlucci and the Tower Commission. The cluster of persons and organizations involved centers around the legacy of the old 1920s Trust network of Morgan Guaranty Trust-financed Bolshevik leaders, associated with the names of Nikolai Bukharin and Leon Trotsky. The institutional continuity of this political tradition was preserved by the political networks of Jay Lovestone and by the law firm of Sullivan and Cromwell. The Sullivan and Cromwell tradition began at 120 Broadway, in the 1920s, when John Foster Dulles was promoting and financing the Bukharin faction of the Bolsheviks through the Russian Trade Bureau.

This political scheme today includes: the Social Democrats, U.S.A. (SDUSA), the League for Industrial Democracy, International Rescue Committee, Anti-Defamation League, Freedom House, AIFLD—the CIA's principal covert capability abroad—and individuals such as Roy Godson, Arch Puddington, Michael Ledeen, Herbert Romerstein, and Jon Speller.

Properly speaking, Lovestone, Brown, Gershman, et al. are a special category of communist ideologues, known as "Bukharinites," after the Bolshevik leader Nikolai Bukharin, who, during the 1930s, lost out to Josef Stalin in a power struggle now remembered as the "Great Purges."

When the "Bukharinites" lost their fight with Stalin, they proceeded to proclaim themselves "ex-communists," and entered into government positions in various Western countries, from which they continued their fight against Stalin. It is probable that, had Stalin lost the power struggle to Bukharin, Stalin's henchmen in the international communist

movement would have proclaimed themselves "ex-communists," and proceeded to join Western government organizations, such as the State Department. As it turned out, Lovestone, Brown, et al., from the 1930s onward, organized and led the International Department of the American labor movement.

When the CIA was formed after the war, and under the direction of Allen Dulles, Lovestone and Brown's international labor operations were amalgamated into the CIA, under an arrangement with two left-liberal CIA officials, **Tom Braden** and **Cord Meyer**. This "arrangement" eventually came to be called the American Institute for Free Labor Development (AIFLD), and had the blessing of a Russian émigré "Bukharinite," **Arthur J. Goldberg**, the chief of the OSS Labor Branch during World War II, the architect of the merger between the AF of L and the CIO, and later the AFL-CIO's general counsel.

Until 1967-68, this network of "ex-Communist" Bukharinites was part of the CIA's covert operations capabilities around the world. Then, suddenly, as Henry Kissinger was being brought into the government, strange things started happening to the "intelligence community," which ultimately led to the National Intelligence Reorganization and Reform Act of 1978.

The idea for a "Project Democracy," for the National Endowment for Democracy, emerged in 1979, in relation to the Intelligence Reorganization and Reform Act of 1978.

But what is it?

In the autumn of 1983, Congress approved the National Endowment for Democracy Act (P.L. 98-164), which established the NED as a private foundation, financed by congressional allocations. Its character as "private" was initially meant to shield the enterprise from Freedom of Information Act inquiries, and from government financial audits. In its first year it received \$18 million, and subsequently, some \$62 million from the U.S. government, with which to finance the promotion of "democratic ideals" around the world—a euphemism for political warfare.

During the last fiscal year, the NED financed and ran some 250 political projects internationally, including the destabilization of President Ferdinand Marcos of the Philippines, support for the opposition forces in South Korea, support for the Nazi-communist PAN party in Mexico, extensive support for the Medellín Cartel of cocaine barons in Colombia, and attempted destabilization of the government of Panama. In fact, the operations which the Endowment runs and finances today, are at least as extensive as, and perhaps more efficient and successful than, the international political operations that the CIA used to run during the 1960s. This was the purpose of those who had proposed the creation of "Project Democracy" back in 1979.

There is no doubt that the people at the National Endowment for Democracy see themselves as those who flow do, in a private capacity, what the CIA used to do as an official

agency some 20 years ago. They are a "private CIA," and in this sense, an important component of the illegal, secret government, associated with Henry Kissinger's National Security Council system. One of the Endowment's enthusiastic proponents, *New Republic* senior editor **Morton Kondrake**, argues the point as follows:

. . . the Soviet Union spends between \$60 million and \$80 million a year on 13 worldwide front groups that promote its ideological line and \$50 million more covertly aiding Communist parties around the world. . . . Shouldn't we do the same? From the 1940s to the early 60's we did so covertly through the CIA, causing great embarrassment to recipients when the funding was exposed in the post-Vietnam era. The United States resumed help for democratic movements only three years ago, but even now we devote only \$15 million a year to the cause. With these funds, the National Endowment for Democracy is undertaking fascinating experiments in democracy building and doing so openly. . . .

In sum, "Project Democracy," a.k.a., the National Endowment for Democracy, is a "private CIA," the political operations arm of an invisible, secret government beyond accountability and beyond the reach of the law. This illegal apparatus, of which the nominal "Project Democracy" is merely a part, grew, over the years, around the National Security Council as it evolved after the assassination of President John F. Kennedy, but especially after Kissinger was appointed national security adviser in January 1969.

With all its disclaimers, qualifications, and concealments, the Tower Commission report did touch on the subject of this secret structure. Merely touching on it, caused a major political tremor in the United States.

This stuff is potent.

Michael Ledeen's 'universal fascism'

The Tower Commission's report puts a good deal of emphasis on Michael Ledeen, not exactly a famous personage in American public life. The man, however, did make his mark before Lt. Col. Oliver North's extravaganzas in Iran and Nicaragua were noticed. From 1981 to the autumn of 1982, he was a special assistant to Alexander Haig, then secretary of state. At that time, and also after Haig's dismissal from the State Department, Ledeen was cooperating closely with a group of government officials and private persons promoting legislation for "Project Democracy." In fact, Haig's State Department was the one great official promoter of the "Project Democracy" proposal during 1981 and 1982.

Apart from Haig and Ledeen themselves, Department officials involved were: **Lawrence Eagleburger** (who later joined Kissinger Associates, Inc.), **R. Mark Palmer**, and Eagleburger's aide **John Lenczowski**. During the summer

of 1982, Palmer, together with **Robert McFarlane**, co-authored a speech which President Reagan read before the British Parliament, in which the launching of "Project Democracy" was announced.

Shortly after that speech, on Aug. 3, 1982, the President signed National Security Decision Directive 77, ordering the launching of Project Democracy. This NSDD 77, according to published government reports, provided for "covert action on a broad scale" as well as the overt, public actions later to be associated with the Endowment. The directive ordered the CIA to stay out of both the overt and covert parts of the Project, thus giving free reign to the Kissingerian "NSC apparatus." Soon afterward, John Lenczowski was moved into the National Security Council, to replace Prof. Richard Pipes at the Soviet desk. Almost one year afterward, Congress passed the National Endowment for Democracy Act. In October 1983, McFarlane was appointed NSC director and he, in turn, appointed Lt. Col. North to head up the covert component of Project Democracy.

During 1983 and much of 1984, Michael Ledeen retained a part-time position as a "counterterror" consultant with both the State Department and the Pentagon. He was also associated with both the Center for Strategic and International Studies at Georgetown and the American Enterprise Institute. In October 1984, he was appointed consultant to the National Security Council, reporting directly to North. He stayed in that position until December 1986, when the Iran/Contra scandal broke out.

Ledeen's case is useful to focus on, not because the man is of any unique significance, but because the simplicity of his case is most illustrative of the nature of the political network we are dealing with in the case of "Project Democracy." As the Tower Commission report repeatedly demonstrates, Ledeen, who otherwise helped give Israeli spy Jonathan Pollard his job in the Department of the Navy, was instrumental both in making the connections between Israeli and Iranian officials and the NSC, and in promoting the policy of supplying weapons to the Iranian ayatollahs. Among Ledeen's activities, featured by the Tower Commission report, is the following:

Beginning late 1984, Ledeen, in conjunction with the parallel activities of former CIA official Theodore Shackley and Israeli "counterterrorism adviser" **Amiram Nir**, developed a channel of Israeli policy influence into the National Security Council. The report cites trips to Israel on May 4 or 5, 1985, for the purpose of establishing contact between the NSC and Iranian "intermediary" Manucher Ghorbanifar. It is conjectured that Theodore Shackley probably suggested to Ghorbanifar that he request that Ledeen be made his direct contact with the U.S. government. No other explanation has been offered, as to why Ghorbanifar insisted on Ledeen and no other being his "contact." Otherwise, Ledeen's relationship to Shackley goes at least as far back as the time that Ledeen protested Shackley's forced resignation from the CIA at the

height of the Terpil-Wilson scandal, which concerned selling weapons to Libya's Qaddafi. Ironically, if neither Ledeen nor Shackley ever discerned anything wrong with supplying Qaddafi's terrorists with weapons and C-4 *plastique*, it would not be surprising if they saw nothing wrong with wholesale rearming of Khomeini's butchers.

In Italy, where Ledeen studied during his formative years, he is known as a consummate superspy, an operative of the infamous, now defunct Propaganda Due (P-2) freemasonic lodge, in whose ranks, at various times, had been included Henry Kissinger and Alexander Haig. P-2 was a "political" lodge, which was shown, over the years, to have controlled key elements of European (both West and East) intelligence services, as well as a good chunk of U.S. intelligence since the time that Kissinger was national security adviser, William Colby CIA director, and, later, Alexander Haig White House chief of staff. Propaganda Due played an important role in installing Qaddafi in power in September 1969, eight months after Kissinger took over at the NSC. Among its other exploits, P-2 boasts of having attempted a fascist coup d'état in Italy; of having forged a special relationship with Yuri Andropov's KGB from 1967-68 onward, when the KGB got involved in the world drug trade on a large scale; of having attempted to bankrupt the Vatican; of having attempted to assassinate the Pope. The list could go on, covering some of the most crucial events of the 1970s and 1980s.

The "philosophical," so to speak, outlook, of P-2, is well expressed in three books associated with the group: the Swiss Nazi Armin Moeller's *Conservative Revolution*, Muammar Qaddafi's *Green Book*, and Michael Ledeen's *Universal Fascism*. Their contents represent a coherent, Nazi-communist political outlook, and they refute the widespread, but thoroughly mistaken opinion that Nazism and fascism are different from and even antagonistic to communism. At the level at which these ideological concoctions are manufactured, and before they are placed on the market for mass circulation, they are indistinguishable, in the sense that they represent one and the same political principle, that of militant irrationalism, as a means of manipulating broad masses of people. This, for example, is the reason the militant irrationalist Qaddafi has such a dedicated following among both nominal Nazis/fascists and communists around the world.

Michael Ledeen, who, in the early 1970s was a leftist militant irrationalist, who had in fact joined the Eugene McCarthy campaign, has been a "right-wing" figure in the 1980s. The way he explains this phenomenon, in his various writings, is rather obvious, for anyone who is conversant in the history of 20th-century fascist and communist movements. Referring to the Italian fascist/syndicalist poet-politician Gabriele d'Annunzio, Ledeen writes: "D'Annunzio considered politics a form of theater and believed in the rule of a charismatic leader at the crest of the masses mobilized by Myth and symbols. D'Annunzio possessed the key to modern politics, providing a common point of departure for radicals of both right and left."

Historical roots of Project Democracy

The predecessor of Michael Ledeen's Propaganda Due, was the 19th-century Propaganda lodge, which today is known as Propaganda Uno. Its chief organizer was Giacomo Mazzini, and its second in command the southern Confederacy's "General" Albert Pike. Propaganda Uno was the creator and organizer of the 19th-century anarchist and syndicalist movements, Marxism, and the First International, the organization which housed both Karl Marx and his "scientific socialist" revolutionaries, and Mikhail Bakunin's bomb-throwing anarchists, the direct ancestors of the modern anarchists and terrorists.

Propaganda Uno's joint anarcho-syndicalist/Marxist roots, are the origin of the 20th century's twin phenomenon of "right-wing" fascism and "left-wing" communism. The ultimate political controllers of both "left" and "right," throughout the last two centuries, since the 1815 Congress of Vienna, have, invariably, been one, continuous, self-perpetuating political intelligence agency. P-1, P-2, Universal Fascism, and "Project Democracy," are merely some of its more public manifestations and spinoffs.

Both "left-wing" and "right-wing" political movements, and their 20th-century expressions, fascism and communism, were launched, by the intelligence agencies of the political forces at the 1815 Congress of Vienna, for the express purpose of combatting what was then a new political phenomenon emerging in the world, the democratic republic of the United States of America. To exactly the same extent that the authors of the U.S. Constitution and the Federalist Papers argued that the power of *reason* and *reasoned argument* would be the only ultimate guarantee for the survival of their unprecedented republic, to that same extent, the oligarchical enemies of that republic understood that *radical irrationalism*, systematically cultivated, would be the most effective means for preventing the spread of the American republican example around the world. Thus, during the 19th century, "left" and "right" anarcho-syndicalism were evolved, and from them, during the 20th century, fascism and communism. Ledeen's hero Gabriele d'Annunzio, Italy's equivalent of Ezra Pound, was one such fascist-communist, promoted by the political gamemasters of Venice of the period, Italo Balbo and Volpi di Misurata, the powers behind Il Duce, Benito Mussolini.

The present Project Democracy's great sympathy for Mikhail Gorbachov's so-called reforms in the Soviet Union, stems from the 1917 Italian origins of the Bolshevik Revolution, on the island of Capri. Nikolai Bukharin, the political hero of Jay Lovestone, Irving Brown, and Jean Kirkpatrick's Social Democrats, U.S.A., was one of numerous Bolshevik leaders associated with a political and cultural program concocted on the island of Capri by the same political forces that were in control of the nascent Italian Fascist movement. Venetian Count **Volpi di Misurata**, representing Venetian insurance company interests and Swiss banking concerns, played a central role.

Volpi di Misurata's key agent was the legendary **Alexander Helphand-Parvus**, the millionaire theoretician of German socialism who invented both the theory of Permanent Revolution, for radical irrationalists of "left-wing" proclivities, and the theory of Pan-European Union, for radical irrationalists of the "right." Volpi di Misurata's Parvus, as documents of the German foreign ministry show, was the master and controller of the entire logistical support base of the Bolshevik Revolution, including the provision of money to Lenin and his friends, as well as the smuggling networks from Scandinavia in the north to Odessa in the south.

The original sponsors of the Bolshevik Revolution had envisaged it as a variant of "universal fascist" experimentation, just like the Italian Fascist state and the German Nazi state which followed it. Generically, these political movements were the fruit of efforts, going back to the deliberations of the Congress of Vienna and of Mazzini's Propaganda Uno, to bring about the "New Age," a project which was revived in the U.S. Eastern Establishment-sponsored "New Age" and "Age of Aquarius" of the late 1960s—from which both the "New Left" and the "New Right" sprung.

Social Democrats, U.S.A. and their allies and confederates in the intelligence community—Herbert Marcuse, Cord Meyer, Jay Lovestone, Tom Braden, et al.—from the 1960s onward, played a seminal role in shaping both the "New Left" and the "New Right." As a result, today, they are in a position to mobilize support, from both the "left," and the "right," for the efforts of one of their own, Mikhail Gorbachov, to promote what these fellows seem to view as a more viable variant of "universal fascism," one which gives Russian imperialism, and its home-grown "Matushka Rus" ideology, a preeminent position in world affairs.

The 'Third Rome' and the NSC

One of the NSC's "Project Democracy companies," the Dolmy Corporation, instructed a Danish shipping company, Queen Shipping, to go to the Polish port of Szczecin and pick up a shipload of Soviet-made AK-47 rifles. The shipping company promptly picked up the rifles, transported them to North Carolina, from where they were ultimately sent to the Nicaraguan Contras.

In short, the National Security Council, the nerve center of American national defense, carries out gun-running for the Soviet bloc—to the Contras.

Why?

As *EIR* reported in its Feb. 27, 1987 issue ("Project Democracy: Moscow's Hook Into NSC"), during the summer of 1983, the author had a meeting at the Old Executive Office Building, with the then-acting head of the Soviet desk of the NSC, Dr. John Lenczowski, who was standing in for Prof. Richard Pipes, who had just then inexplicably resigned. The subject of our meeting was *EIR*'s estimation of the strategic threat to U.S. national security posed by the fast-expanding Russian chauvinist moods and tendencies inside the Soviet ruling elite, the famous doctrine that Moscow is des-

tinued to become the "Third and Final Rome." To the author's astonishment, Dr. Lenczowski argued that any tendency of Russian nationalism should be viewed favorably by the United States, as a potential ally against the Communist Party.

It turned out that Lenczowski's view was by no means idiosyncratic, but was being promoted with vigor by such institutions as the U.S. Information Agency, under the direction of **Charles Z. Wick**, the friend of Moscow's friend **Armand Hammer**. The USIA, Voice of America, and Radio Liberty were busy beaming broadcasts into the Soviet Union that would foster Russian nationalism.

Such are the foolish and shortsighted calculations that lie behind Project Democracy's connivance with Moscow, in supplying weapons to the Contras.

Lenczowski was one of the key individuals who convinced President Reagan to accept the Project Democracy proposal. During 1981 he wrote an article in the magazine of the Heritage Foundation, titled "A Foreign Policy for Reaganauts," in which he proposed to the new administration, the establishment of a combined government and private-sector institution to carry out a foreign policy of spreading "private enterprise and democracy." Dr. Lenczowski was advertising a project which was already in its formative stages under the aegis of the bipartisan American Political Foundation. The project was called the Democracy Program.

Charles Wick, Armand Hammer, Dwayne Andreas, and John R. Stevenson, senior partner of Sullivan and Cromwell, play a unique role, in association with the powerful **Raisa Gorbachova**, the head of the Soviet Culture Foundation. They are presiding over an ambitious effort to force through a Russian nationalist cultural offensive in both the U.S.A. and Russia. Hammer, Wick, and Stevenson are the sponsors and executors of a series of "cultural exchanges" which have flooded the U.S. cultural scene with the works of Russian composers, performers, painters, and playwrights in the last two years. Stevenson, the chairman of the National Gallery, plays the gracious host to the Bolshevik Dr. Armand Hammer.

The purpose of this Russian cultural invasion, sponsored by Raisa Gorbachova, is aptly described by the president of the National Endowment for Democracy, John Richardson, a former partner at Sullivan and Cromwell: "Cultural exchange can help to accommodate differing perceptions and expectations, facilitate cooperation in devising common strategies—above all to increase respect and appreciation for differing values, by far the healthiest approach toward reconciliation and convergence of values."

Today, this faction is very happy with Gorbachov's Russian nationalist mobilization. So is Carl Gershman, the chairman of Project Democracy—as the former executive director of SDUSA, he is a Lovestonite—i.e., a Bukharinite.

All these passionate "anti-communists" have suddenly become Moscow-lovers. Now that Bukharin is about to be rehabilitated by Gorbachov, one wonders if Dr. Lenczowski thinks that he has accomplished his purpose.

INF draft treaty: Don't revive Reykjavik!

by Konstantin George

On Saturday, Feb. 28, Soviet television carried a policy statement by General Secretary Mikhail Gorbachov, who announced that the Soviet Union was prepared to sign an agreement, "independent of other issues," with the United States, for the mutual removal of all intermediate-range nuclear forces (INF) in Europe and the European part of the U.S.S.R.. Such an agreement, a strategic disaster for the NATO alliance, was actually reached during the October 1986 Reykjavik pre-summit.

At the time of the Reykjavik pre-summit, we were lucky. Only rigid Soviet insistence then, that an INF accord had to be linked to a "package," including U.S. abandonment of plans for serious testing and deployment of the Strategic Defense Initiative (SDI), saved us from a Reykjavik "Munich." Moscow's temporary obstinance prevented President Reagan, who had arrived in Reykjavik prepared to sign a "zero option" INF agreement to remove all Pershing II and cruise missiles from Europe, from selling out our European allies by signing such an accord.

The "near miss" of Reagan's capitulation at Reykjavik precipitated the so-called Irangate crisis. "Irangate" is only symbolic for the power struggle raging in the United States, over which factional grouping shall control government policy. The day before Gorbachov spoke, White House Chief of Staff Don Regan, one of the key architects, if not the key architect of the planned Reykjavik sell-out, was fired.

Moscow's perception of, and response to, the transformed factional situation in Washington, was instantaneous. Gorbachov's offer of a separate INF agreement marks a de-

cision taken by the Soviet Politburo and military high command that now is the last opportunity—a chance, not a certainty—that an INF agreement can be signed under a Reagan presidency.

Key phrases in the Gorbachov Feb. 28 statement reveal the Soviet intention of intervening into the U.S. power struggle, to attempt to buttress the weakened position of the U.S. liberal East Coast elite. The Soviet general secretary declared, for example: "We were assured repeatedly that, if the U.S.S.R. removed the question of the medium-range missiles from the package, it would not be difficult to reach an agreement on their liquidation. Now there exists a good opportunity to prove this through deeds."

This was an open call to the liberal, anti-Weinberger faction of the Reagan administration to "prove through deeds" that they can get President Reagan to agree. On this point, the strategic decoupling faction has prevailed. But, there are many weeks and months of political earthquakes ahead in Washington, which will erupt and rumble around the Reagan presidency. No one can now predict that Reagan will be in position to actually sign and deliver on the sell out that he has agreed to.

The points of the Gorbachov offer

The word "sell-out" is not an exaggeration. The INF agreement proposed by Gorbachov at Reykjavik, and again on Feb. 28, and endorsed by Reagan at Reykjavik, and in his March 3 White House televised address, contains the following points, which we cite from Gorbachov's address:

1) All "medium range missiles," meaning the Soviet SS-20s stationed in the European U.S.S.R.; the U.S. Pershing II missiles stationed in West Germany, and U.S. ground cruise missiles, stationed in West Germany, Great Britain, Italy, and Belgium, would be removed. This means in fact that the entire U.S. nuclear missile arsenal based in Western Europe, capable of hitting the Soviet Union, would be gone, and gone forever.

On the Soviet side, the hundreds of short- and medium-range nuclear missiles, with a range up to 1,000 km, namely the SS-21 (120 km, or 70-mile range); the SS-23 (500-km, or 325-mile range); the SS-22 (1,000 km, or 625 mile range), the Soviet missiles actually slated for destroying European targets in a war, would remain fully intact.

2) The Soviet Union would retain 100 SS-20 warheads in Siberia and the Soviet Far East. The SS-20 is multi-purpose missile. It can carry either three warheads, giving it intermediate range (5,000 km), or one warhead, with intercontinental range (8,000 km). Therefore, the figure "100 warheads" can mean 33, or 100 SS-20 launchers. The United States would be allowed 100 intermediate-range warheads on U.S. soil, meaning Alaska, for the Pacific theater.

3) The first two points correspond to the original Reykjavik formula. Gorbachov added, as a contentless "sweetener," a third point. He pledged that Soviet "short-range missiles of greater length" would be removed from East Germany and Czechoslovakia. Much has been made of this alleged Soviet "concession" to "placate European fears" concerning the Soviet short-range missile threat, to cite typical phrases appearing in the German press over the past few days. Let's ignore the atmospheric and look at Gorbachov's carefully formulated wording in this portion of the resolution.

Gorbachov pledged to remove *only* "operative-tactical [short and medium range, up to 1,000 km] missiles of greater range." This means, as a White House background briefing of March 3 stressed, that only the 1,000 km range SS-22s would be removed from the German Democratic Republic (G.D.R.) and Czechoslovakia (C.S.S.R.). Note also that the verb employed by Gorbachov was "remove," not "scrap." Gorbachov has not given away one iota of Russian military advantage. The SS-23s and SS-21s that are to remain forward-based in the G.D.R. and the C.S.S.R. are sufficient to totally blanket and take out all necessary targets in West Germany, the Low Countries, Denmark, and Northern France, should it come to war. If necessary, the "removed" SS-22 units, with their intact launchers, crews, and missiles, could be back in forward deployment within 48 hours of receiving such an order.

4) Gorbachov pledged that once an INF agreement is signed, then talks could begin on reducing European theater short-range missiles. This is a pure propaganda stunt, again "offering" something contentless to "sweeten" the West's surrender.

No one in Washington should be deluded into believing that Reagan's insistence on "strict verification" will place any obstacle in the path of the agreement. Such wishful thinkers should carefully read the text of Soviet Chief of the General Staff, Marshal Sergei Akhromeyev's March 2 Moscow press conference, where he added three crucial points to Gorbachov's proposal, two of them explicitly designed to ease the path to early ratification. Akhromeyev said the accord must be verified through "on-site inspection" (why wouldn't Moscow wish to be certain that the U.S. nuclear arsenal were removed from Europe?) and that French and British nuclear forces are specifically exempt from the negotiations. The third point was that Moscow would make no reductions in Soviet conventional forces, a condition which Reagan is not insisting on, in any case.

The response from Western Europe

European government reactions to Gorbachov's offer run the gamut from acceptance (above all in West Germany), to a combination of interest and caution (Great Britain), to outright rejection (France).

From France, the denunciations of a "zero option" deal are across the board. At the top, Socialist President François Mitterrand and conservative Premier Jacques Chirac both denounced the offer as unacceptable. On March 3, French Defense Minister André Giraud, while on a visit to Djibouti (former French Somaliland) on the Horn of Africa, expressed his "severe worry" over any such deal, adding that an INF agreement would: "remove all American missiles in the West [of Europe], which are capable of reaching Soviet territory, while removing only a small part of the Warsaw Pact missiles, which are capable of hitting Western Europe." French Foreign Minister Jean-Bernard Raimond, commented in Paris, that a "zero option" agreement would create "very grave problems for the military balance in Europe." The solid all-party (except naturally, the Communist Party) unity in opposing Gorbachov, was further demonstrated when former Socialist Defense Minister Charles Henru, also attacked the Soviet "offer."

Britain's response has been lukewarm. Prime Minister Margaret Thatcher did refer to Gorbachov's offer as a "step forward," but cautiously withheld any official endorsement. The British press has been openly linking the timing of Gorbachov's move with the intense factional situation inside Washington. Some quotes from the March 5 *Daily Telegraph* are most enlightening on this subject:

U.S. "officials claim, not very convincingly, that there is no evidence Mr. Gorbachov made his proposals in the context of Mr. Reagan's Irangate difficulties," and, "analysts suggested that Mr. Reagan will be looking for the glittering political prize of an arms treaty while negotiating from a desperately weakened position because of the Irangate scandal."

The response of the German government to the Gorbachov offer can be called nothing short of alarming. Bonn, led by its liberal foreign minister, Hans-Dietrich Genscher, has wholeheartedly endorsed Gorbachov's proposal. The latest expression of this endorsement came in a March 4, Ash Wednesday speech (Ash Wednesday political speeches are an annual ritual in West Germany) by Genscher, in the Lower Bavarian town of Bayerbach. Genscher called Gorbachov's proposal, "the Zero Option we always wanted. . . . The [West German] Federal government must campaign energetically for it, so that this goal is reached." Genscher called for the United States to conduct negotiations "leading to success," so that a treaty can be signed "during Reagan's presidency."

Genscher, in his Ash Wednesday speech, also let a post INF agreement cat out of the bag, in the following passage, which began with a call to support "Gorbachov's policy of openness": "That this policy is successful lies in our own interest as well. Every step taken, which helps overcome the East-West partition, is also a step toward overcoming the partition of Germany."

This is the not-so-behind-the-scenes secret governing the politics of most of the West German elite today. The German elite, faced with the prospect of the Pershing II and cruise missiles being withdrawn, and with the prospects of large-scale U.S. troop withdrawals (U.S. troop withdrawals being "taken for granted" was openly stated by Chancellor Helmut Kohl's national security adviser, Horst Teltschik, in an interview with the *Stuttgarter Zeitung*, Feb. 24), are in a frame of mind best characterized by the words hysterical and fatalistic.

Under these conditions, the tendency toward decoupling, and putting out feelers to Moscow on the question of a strategic accommodation with Russia, incorporating some form of "reunification" or "confederation" on the German Question, has been growing. One of the key German elite figures involved in the feelers on the German Question, West German President Richard von Weizsäcker, has been invited by Soviet ambassador Yuli Kvitsinski to Moscow, and will be going sometime this spring.

In the context of the feverish U.S.-Soviet negotiations to conclude an INF deal, before, from Moscow's standpoint, the Washington factional situation goes out of control, von Weizsäcker's pilgrimage to Moscow will be but one of many in the near future. The show starts on March 16-17, when U.S. Undersecretary of State Michael Armacost arrives for talks on "settling regional conflicts" and paving the way for a visit by Secretary of State George Shultz. At the end of March, British Prime Minister Thatcher will arrive for lengthy talks with Gorbachov. Thatcher will be followed in April by Shultz. Shultz, in his talks with Soviet Foreign Minister Eduard Shevardnadze, will include in the agenda planning for a Reagan-Gorbachov Summit in the autumn, to ratify the "zero option" 1987 agreement. Gorbachov will certainly be available for such an occasion. Will Reagan be available for Munich II?

Interview: John Erickson

Russification, lies, Soviet strategic aims

On March 5, University of Edinburgh Defense Studies Prof. John Erickson made a number of on-the-record comments and evaluations, in a discussion with Mark Burdman of EIR. We print excerpts from the discussion with Professor Erickson, who had returned a few days earlier from a visit to the Soviet Union, for discussions with Soviet government officials, academicians, and others. Erickson, a widely read expert on Soviet military strategy, is the coordinator of the "Edinburgh Conversations," which brings British spokesmen regularly into contact with their Soviet counterparts.

Q: What can you tell us about the reaction or evaluation in Britain, to the arms proposals made by Gorbachov?

A: I think, from the government side, the attitude is one of extreme caution—and skepticism. The Gorbachov proposal has many implications for British government policy. There is a feeling of "let us see." There is a difference, you must understand, between the government and the population.

Q: The *Daily Telegraph* of March 3 cites comments of yours, on coming back from Moscow, that one must wonder whether what the Soviets are doing is really *perestroika* ("restructuring"), or *peredyshka* ("buying time"). What can you say on this?

A: Well, what I said was somewhat misprinted, although it really doesn't matter. The point is, I quite heatedly and agitatedly debated this question last week with Soviets I talked to. Is this all a great big strategic deception? Or is it for real? They were very upset when I brought it up, but I said I had every intention of doing so, and I told them, "You must answer this."

Q: You and colleagues in the past have stressed the importance of *maskirovka*, or camouflage, in Soviet planning. Ogarkov was formerly a coordinator of *maskirovka* operations, and there are others. What can you say about *maskirovka*, in the context of what you have just said?

A: It is tied to the question of joint ventures. Very recently, the Soviets have begun talking about joint ventures. But they haven't gotten the legal underpinnings for this! I said to them, "You'd better get your act together."

Of course, it depends on who you speak to in the Soviet Union. The higher up you go in the scale, the better the arguments are. From discussions with higher-up people, what I understand is that the Soviets' Number One priority, above all else, is achieving a modern economy. This is the great thing on their mind, and this is what the internal changes are about. There is a link between the internal changes, and their concept of security.

Q: I saw references in the *Telegraph* piece, to your saying that the Soviets are talking about revisions in the international security system.

A: Look at what they're saying about the new international economic order. That has to do with their talk of recasting the nature of the international security system.

Q: You also mentioned that the Soviets are now using the term "sufficiency," to refer to their military aims, rather than, for example, "parity." Isn't this a conditional "sufficiency," dependent on the U.S. giving up the Strategic Defense Initiative? In that sense, isn't talk of "sufficiency" also part of the strategic deception?

A: If you have looked at Soviet writings for the past six months carefully, you will have noticed that there is no more talk of "parity" and "equal security," as in the past, but rather the talk is of "sufficiency." I don't think it need be associated with the way they are approaching the matter of the SDI. The strange thing, to me, is that the SDI was never mentioned once when I was there, in discussions. I think they think that discussing the SDI has become fruitless. A very sensible point was made by Academician Sakharov, a couple of weeks ago, when he said the Soviet position on the SDI was nonsensical. He was right.

Q: Speaking of Sakharov, what do you think the Soviets are up to with release of dissidents?

A: There won't be any human rights in the Soviet Union. Don't talk of human rights. Talk of co-optation. The Soviets need the dissidents. They have brains, they're clever, they're astute, and, frankly, they are more patriotic.

Q: Our evidence is that there is a big push toward Great Russian cultural chauvinism, Russification, etc. What can you say about this?

A: Yes, that's one of the implications, absolutely. Russification is the name of the game. And they are not fooling around! The primacy of the Russians has become the key thing. This has to do with the tremendous argument now going on, about the implications of the October Revolution. It has become a furious argument.

Q: You mean to say, that the Bolshevik Revolution was the means to accomplish old Russian-imperial aims, by different means, so to speak? Is that what you mean? What do you

think the aim of the Bolshevik Revolution was?

A: To give Russia back to the Russians. Get out the Westernizers. Get out the separatists. I tried to see all this, in visiting the recently renovated Menchikov Palace. It's very interesting. We had quite an argument there, about all this. I see this as linked to the interest now in Bukharin. I bet some Russians in December 1985, that they would be rehabilitating Bukharin. Now, indeed, they are *reviving* his ideas. As you may know, Bukharin was a philosopher of science. He was very good. He also had a social philosophy and he was not interested in class war. It's good stuff.

Q: Backtracking a bit: On the Bolshevik Revolution being what we've just discussed, are you saying that there was a continuity within certain units of the Okhrana, from the pre-Bolshevik period, into the post-Bolshevik period, to bring about some aims that the Okhrana wanted?

A: Oh, yes, sure.

Q: So the Bolsheviks were the Raskolniks, the Old Believers, come back into power?

A: It's a very interesting question. I spoke to a senior Party chap in the U.S.S.R., and he had to ask me what the Raskol were! I repeat what I said before. It all depends on what level you speak to there. Sophistication varies. At the higher-up level, it's not only camouflage you get. The spearheads of the current transformation are the writers and poets. The head of the Soviet Writers Union is publishing the writings of the poet Gumilyov.

Q: And what did you mean before about discussions on the new international economic order?

A: There is a discussion about this. There are three groups in the Soviet Union. There are those who want autarky. There are those who want international revolution, themselves divided into two groups, those who want violence to achieve their aims and those who don't. And then, there are the globalists. The globalists want *access*, not *conquest*. These are the ones who are concerned with the implications of the new international economic order. An example is Zagladin [first deputy head of the International Department of the Central Committee of the Soviet Communist Party]. Read his book, *Globalistika*. There are about two dozen, three dozen of these types. Economists, scientists, people working on predictive techniques.

Q: On Gorbachov's latest arms proposal, do you see the agreement now as a *fait accompli*, totally fixed, or do you think the applecart is going to be upset?

A: If anyone upsets the applecart, it will be the Europeans. I agree, in this sense, entirely with Zagladin. The problem in reaching an agreement is not military, or strategic, it is *psychological*. The Europeans, I think, will drag their feet. It is most extraordinary, everyone has reversed his role!

Attack on IIASA hurts Raymond Barre

Premier Chirac's cut-off against the systems analysis coven, will hurt the key Soviet agent of influence in France.

On Dec. 26, 1986, at 5:30 p.m., the French government announced, through its foreign and research ministries, that it had decided to stop funding one of the world's largest Soviet espionage centers, the International Institute for Applied Systems Analysis (IIASA), based since its creation in 1972 at Laxenburg near Vienna, Austria. The Institute was co-founded by the U.S. Eastern Establishment's McGeorge Bundy and Dzhermen Gvishiani, the late Soviet Prime Minister Aleksei Kosygin's son-in-law and deputy chairman of the U.S.S.R.'s State Committee for Science and Technology.

The government of Premier Jacques Chirac also decided to stop funding an unofficial branch of IIASA, the so-called Centre Mondial de l'Informatique, of Jean-Jacques Servan-Schreiber and IIASA's supporter Samuel Pissar.

Were there a seismograph measuring human emotions and located at the right places, one could have seen two "peaks" in at least two different places in the world: one, of course, at the KGB headquarters in Moscow. The other one would have been seen in France between 174 and 178 on Boulevard Saint-Germain in Paris, at the offices of Raymond Barre, Trilateral Commission member and Moscow's favorite candidate for President of France.

The decision not to renew France's financial participation in IIASA by 1988 has to be viewed as an indirect, but no less effective, attack on Raymond Barre.

Barre, a former prime minister and presidential aspirant, continues to enjoy considerable prestige in France, and is counting on the errors of Jacques Chirac's neo-Gaullist RPR party to build his own credibility. He is the best-placed figure to defeat the present government of Chirac and its policy of opposing appeasement of the Soviets.

The RPR government doesn't buy, for instance, the latest Gorbachov "peace" proposals—contrary to most Western governments. Indeed, Foreign Minister Jean-Bernard Raymond recently rejected the "zero option," and Foreign Trade Minister Michel Noir characterized Gorbachov's Peace Forum (in the Feb. 26 *Paris-Match*) as "the greatest publicity and manipulation operation ever."

Raymond Barre is involved in IIASA's official funding through the low-key International Association for the Study of Insurance Economics (often called the "Geneva Association" since it is based in Geneva, Switzerland), of which he is an honorary member. This association, founded the same year as the Trilateral Commission, represents the interests of the world's top insurance companies. It co-financed, with IIASA and the Wharton School, an international conference in July 1985. Its president is one Orio Giardini, a funder of the Alexander King's neo-malthusian Club of Rome, an unofficial branch of the IIASA. IIASA's representative in France, André Danzin, is a Club of Rome member.

Raymond Barre's ties to IIASA are

not limited to funding. The IIASA's mailing address in France is the economics magazine *l'Expansion* of Jean Boissonnat, a close friend of Barre. Another French IIASA member, Prof. Pierre Aigrain, a member of the American Academy of Arts and Sciences (a member organization of IIASA) and now nominated as head of the European synchrotron project, was the state secretary for Scientific Research under Raymond Barre's cabinet from 1978 to 1981.

To complete the picture, two other French members of IIASA are colleagues of Barre's in the Trilateral Commission—Marcel Boiteux and Jean Déflassieux. The latter was kicked out of his job as Crédit Lyonnais bank president by the Chirac government.

The picture of Barre's role as a "useful fool" for Moscow is rounded out by the activities of another Barre supporter, Sen. Edgar Faure. Faure told the daily *Quotidien de Paris* Feb. 2, "We have to help Gorbachov!"

Faure was exposed in the Jan. 22 issue of the weekly *Minute* for his ties to a Cultural Institute of Solenzara, a small village in Corsica. Although it never occurred (for diplomatic reasons), Faure was about to award Mustafa Tlas, the Syrian defense minister and author of wild anti-Semitic tracts, a poetry prize on behalf of the Institute on last Dec. 1 in Damascus. Whatever Tlas's poetic "qualities" might be imagined to be, in reality most Solenzara Cultural Institute members, or prizewinners, are tied to the Lyudmila Zhivkova International Foundation (LZIF), of the late daughter of the Bulgaria's President Todor Zhivkov. The LZIF is funded by the Golden Mercury International Association, which is closely linked to Soviet agent Armand Hammer, and is working with IIASA on a "Children and Computers" project.

Andreotti's bid draws opposition

Craxi ruled out his foreign minister's succeeding him as premier, and many in Andreotti's own party are not charmed.

The East seduces me, it has also a kind of gentle civilization" whispers Giulio Andreotti *Il Giornale*. Andreotti was foreign minister in the Craxi government which fell on March 4, and who aspires to be prime minister as a result of the government crisis—the first Italy has had in 42 months. Andreotti has been in Italian politics for more than 40 years, and his methods are even older, harkening back to the style of the Roman Empire.

This time, his wry jokes in the Italian press are not sufficient to cancel the impression that Andreotti's bid for power in Italy is being opposed. The shrewd foreign minister had been preparing this government crisis for months: He even made a deal with Premier Bettino Craxi, on their way back from a diplomatic visit to Spain, demanding to become premier without any parliamentary debate, according to an unwritten contract called in Italy *la staffetta* (literally, "the relay race") which would have given the Christian Democrats the premiership again after 42 months of a Socialist at the helm. When Craxi announced on national TV that "there is no such thing as *la staffetta*," Andreotti decided to provoke a regular government crisis.

Andreotti has been playing the Soviet and Communist card so heavily that even some of his colleagues in the Christian Democracy (CD) started wondering whether he would be the best man for the job. He flew first to Sofia, Bulgaria, to whitewash the Bulgarians from any charges about their role in the attempt against the Pope's

life in May 1981, even as new evidence was being presented in the Italian press on the "Bulgarian track" in drug and weapons smuggling. He even made a parallel between himself and Bulgarian dictator Todor Zhivkov, who is almost 80, saying "this means that, being less than 70, I can govern at least 10 years." It was certainly not his best joke, since, as the Italian daily *Il Tempo* commented, "fortunately it is not only up to the Bulgarians to decide who will be the next premier in Italy."

Back from Bulgaria, Andreotti flew to Moscow, where he met party boss Gorbachov a few days before his "peace offer," and signed a contract to set up a World Laboratory in the U.S.S.R. in which Western and Eastern scientists are supposed to cooperate to prevent war. As soon as Andreotti got back to Rome, Craxi resigned, officially opening the crisis with a televised speech in which he said that the "political atmosphere had become too poisoned" to keep together the five parties forming his government coalition, mainly the Socialists and Christian Democrats who have been quarreling over the premiership for months.

By way of "vendetta," Craxi vetoed Andreotti's candidacy for premier. He said, "The CD demands to lead the new government. So the new premier should be the highest political representation, either the general secretary or the chairman of the party." That means not Andreotti, but either Ciriaco De Mita or Arnaldo Forlani. The latter is vice premier in Craxi's

government and a Craxi ally.

Andreotti's threat to use the vote of the large Communist Party to obtain the majority for his candidacy if the Socialists keep vetoing it, only weakened his position inside his own party, since not everybody in the CD is as "seduced" by Communists and East bloc leaders as the foreign minister.

While Italian President Francesco Cossiga, is having the usual consultations with all parties to see whether early elections in June can be still avoided, what can already be said is that in this government crisis no party has addressed any of the crucial issues facing Italy right now: the deepening economic crisis, the rapid spread of AIDS, and the revival of Soviet-backed terrorism inside the country. Not even the visit of Brazilian Finance Minister Dilson Funaro—who was in Rome during the governmental consultations and met Treasury Minister Giovanni Goria—attracted the attention of the five parties squabbling over the premiership. Funaro was asking Italy for support in the fight against International Monetary Fund conditionalities, which are hitting Italy as much as they hit South America.

The only new factor in the political vacuum is not a party, but a movement called "Patriots for Italy," which made its first public appearance on Feb. 24 and again on March 4, when a "call to Italian Patriots" was published in two dailies, *Il Giornale d'Italia* and the economic daily *Italia Oggi*, addressing the urgency of a solution to the AIDS problem and the Soviet threat to Italy, and demanding a stronger Italian role in SDI.

Among the signers of the call were Fiorella Operto, president of the Schiller Institute in Italy, and Gen. Duilio Fanali, former Defense Chief of the General Staff, the highest military rank in Italy.

New crisis on Libyan horizon

Qaddafi wants to unleash armed "popular committees" to dismantle his regular army, but that may not be so easy.

Sometime during next summer, Libya will enter a decisive phase of its so-called Revolution, whenever Qaddafi decides to unleash his "popular militias" against the Libyan regular armed forces. This is one of the results of the yearly People's Congress, held this year—significantly—in the desert military base of Sebha, and not in the national capital of Tripoli.

Obviously not announcing it as a political purge, which it is, Qaddafi boasted in his opening speech that those "who have held weapons for 17 years need a rest, and the people have to take up arms."

No doubt, Qaddafi considers it yet another step of the kind he had unleashed some 10 years ago when Libya became a "Jamariyyah" (people's state). However, it will plunge Libya into one of its worst crises.

In the days following the American raids last April, garrison after garrison rebelled; they were massacred by the Syrian Air Force. Begun with the November 1985 execution of Colonel Hassan Skhal, a process of elimination of the top military leadership has been accelerated in recent months, even against the members of Qaddafi's Revolutionary Council.

Chief of Staff Abu Bakr Younis was demoted, General Inspector Mustafa Kharroubi is under house arrest, reportedly sick; military intelligence chief Khawaldi al Hamaidi has been sent for an extended mission to North Yemen, and has not come back.

Even Colonel Ar-Rifi, commander in chief of the Libyan armies in

Chad, seems to have disappeared. On March 2, six high ranking officers defected to Egypt as they were about to be arrested. In early January, Qaddafi organized a massive manhunt in Northern Chad when some 20 officers tried to defect.

This occurred in the context of a new military offensive to drive back the Libyans from the region by Chadian government forces, backed up by increased military deployments and supplies from France. More than 70 Libyan soldiers died in fighting around the military base of Faya Largeau between March 3 and 7.

However, to go from purges at the top leadership to an actual dismantling of his army, Qaddafi will need more than just popular support. He actually needs full military support from the Syrian Air Force, which maintains units throughout the country, and saved him last year, as well as full political support from his East bloc allies. In sum, he needs a firm commitment from his allies that they want to consolidate his regime.

The triumphal return to Tripoli on Feb. 28 of Major Abdel Salam Jalloud after close to six months of self-imposed exile in Damascus, seems to have represented such a commitment. During his Damascus sojourn, Jalloud had plenty of time to negotiate with the Syrians as well as the Soviets.

Intelligence reports indicate that Jalloud returned to Tripoli on his own terms: a total change of government, and a growing political role for the "Popular Committees" which repre-

sent his traditional base.

On both counts, his demands were met. He could give Qaddafi the green light for the anti-army operation, which has been kept at the level of mere purges so far. Nonetheless it is a major undertaking that the Libyan regime may not be able to carry through without provoking much strife within the country. At the same time, it indicates that Qaddafi is yet set on another major ideological mental trip.

In the same opening speech, he reaffirmed his solidarity with both Syria and Iran, and underlined that Tripoli would only be satisfied with an Islamic government in Chad.

Though Moscow always maintains a deliberate ambiguity in its relations with Tripoli, as a way of differentiating them from those with Damascus, it has enough confidence in the Libyan regime to use it to play several cards. Tripoli has become the center of Palestinian negotiations aimed at bringing about a new Palestinian National Council in coming months.

Such a reconciliation is essential to Gorbachov's ability to play his new Middle East "peace" card, making it clear that only Moscow can deliver the Palestinians. It is similarly sponsoring an attempted reconciliation between Tripoli and Baghdad, a diplomatic initiative coherent with Moscow's newly established mediating role between Baghdad and Teheran.

In related developments, French sources underline the closer relations between Tripoli and Sudan. The Sudanese have again asked Moscow to mediate in the rebellion in the Sudanese south.

Both France and Chad accuse the Sudanese government of having allowed some 1,500 Libyan troops to use the Sudanese Darfour province to prepare a new offensive in the eastern part of Chad.

Fighting the war against terrorism

Peru's tough new law is a lesson in waging war to liberals and the weak-hearted.

West Germany's government recently halted extradition of the murderous Mohamed Ali Hamadei to the United States—fearfully citing his possible execution under U.S. law as the reason. The U.S. administration is itself up to its neck in "Irangate," the result of secret dealings with terrorists. Both countries, and the many others who have watched the wrecking of their national institutions by terrorists, could learn something from Alan García's Peru, which just passed an anti-terrorism law with teeth.

Since taking office in July 1985, the García government has been besieged by the combined offensive of the international banks abroad, and terrorist butchers like the Shining Path at home. Fully aware that Peru is a nation at war, President García has responded in kind, with measures designed to expose and neutralize the forces—above and below ground—who are aiding and abetting the terrorist enemy.

The new law, whose eight articles addressing "the crime of terrorism" were added to the Peruvian Penal Code under congressional approval, includes the following points:

- A jail term of no less than 18 years for any member of a terrorist organization or individual who participates in a terrorist act against persons, or public or private property, or anyone using kidnaping and extortion to try to free a convicted terrorist.

- 15 to 20 year jail term for anyone who wittingly aids and abets a terrorist act, including supplying

money, safehouse, explosives, weapons, or other support.

- Two to three year jail term for anyone who publicly encourages a terrorist act via radio, television, press, or other media.

Another measure, which dictated three to five years in jail for anyone caught publicly praising or apologizing for the acts of a convicted terrorist, was later retracted on the initiative of the congressional wing of the sponsoring APRA party, for alleged infringement of freedom of opinion. This last had nearly the entire Peruvian press corps—among others—up in arms, screaming about the "Sword of Damocles" over their heads.

It has, in fact, been the press which has persisted in giving aid to the enemy through its coverage of the "sociological" roots of terrorism, coverage which has drawn strong denunciations from outgoing Attorney General Elejalde, who just survived a terrorist hit against himself and his family. It was also the press that howled at the "violation of academia," when Peruvian anti-terror police raided three Lima universities Feb. 13, capturing quantities of weapons, explosives, and propaganda—even the reputed head of Shining Path's Lima cell—in safehouses on campus.

Retraction of the portion of the anti-terror code which would have stopped cold the careers of Shining Path's "fellow-travelers" in the media, universities, and even Congress, was orchestrated by the head of the anti-García faction within the APRA

party, Sen. Armando Villanueva. Villanueva, who traveled to Moscow a few months ago, heads the Ibero-American connection to the Soviets for the Socialist International. On Feb. 28 he stated that "one should never reject dialogue with Shining Path, even if they respond with a bullet in your head."

The García government's anti-terrorism measures—with or without the final article—were apparently more than the Peruvian Communist Party (PCP) could handle. The Moscow-directed party is the largest bloc in the IU coalition of leftist opposition parties, and has served as a battering-ram against the García government. On Feb. 25, the longtime general secretary of the PCP, Sen. Jorge del Prado, denounced the anti-terrorism code as "fascist," and called for "direct armed struggle" against the Peruvian government.

Asked by reporters if he saw a basis for PCP collaboration with Shining Path terrorists, del Prado said, "Yes, it is possible, but after a process of ideological maturation. . . . I have the impression, for example, that many people in Shining Path will want to change. . . . and [understand] that it is indispensable to link their struggle with the masses."

The Peruvian Catholic Church has endorsed President García's war on terrorism. The secretary general of the Peruvian Episcopal Conference, Monsignor Alzamora, said of the new anti-terror code on Feb. 27 that the Church "approvingly views the search for more effective means of doing away with subversion." One week earlier Cardinal Landazuri had personally met with García to endorse the university police-raids, which the Cardinal described as a proper answer to "the clamor of the people" for an end to terrorism.

Has 'glasnost' come to Sweden?

Svenska Dagbladet, the conservative mouthpiece, complains the cover-up of the Palme murder wasn't good enough.

The reception in Sweden of the March 1 *New York Times Magazine* reportage on the Palme murder says a lot about the assassination of the Swedish prime minister one year ago. Most revealing is perhaps the response of *Svenska Dagbladet*, self-professedly the main conservative opponent of the Social Democratic regime.

In a lengthy story, titled "The Palme Obsession," on the failure of the murder investigation, researched in Sweden by U.S. journalist Richard Reeves, the *New York Times Magazine* opened the door slightly to the thinking of those who walk the corridors of power in Stockholm, allowing a peek into the thinking of the Swedish *nomenklatura*, the small elite preoccupied with perpetuating its own existence—and with covering up the Palme murder.

Acquiring "exclusive rights for Sweden," *Svenska Dagbladet* on March 1 reprinted Reeves's article—or, whatever was left of it after deleting sensitive points deemed inappropriate for Swedish readers to learn about: about one-half of the original English version!

The censored Swedish version kept the main thesis of Reeves's article, that Palme's murder was related to Swedish meddling in the Iran-Iraq war, including illegal arms shipments to Iran. It also cited "evidence that police and prosecutors may have been restrained and perhaps misled by their own government, particularly the foreign ministry."

Reeves wrote, and *Svenska Dagbladet* repeated: "'The truth about the murder?' said a Swedish official familiar with cabinet discussions, who also insisted on anonymity. 'Most of the people in the government don't want it. It would be disastrous for the foreign ministry if people knew how stupid we have been in the [Persian] Gulf.'"

But with clinical precision, *Svenska Dagbladet* deleted certain other points of Reeves's article: those acknowledging the lack of evidence supporting the trumped-up charges against *EIR* founder Lyndon H. LaRouche, Jr., and the references to Palme's "romantic" relationship with peacenik professor Emma Rothschild, the daughter of Britain's Lord Victor Rothschild, himself a member of a circle of Soviet intelligence assets known as the Cambridge "Apostles." Emma Rothschild worked with Palme on his Kremlin-initiated, so-called Independent Commission on Disarmament and Security Issues.

Wrote Reeves, but not *Svenska Dagbladet*: "I was told it was 'a Nordic ethic' to stay away from a man's 'private zone,' meant as a euphemism for other women. The press, sensationalistic as it was on other subjects, followed that ethic as well, refusing to print the name of Emma Rothschild, a British scholar and writer whose close friendship with Palme has been the subject of speculation in British and American newspapers."

In its editorial that day, *Svenska Dagbladet*, without explicit reference

to their censoring of the *New York Times Magazine*, published an apology for suppressing unwanted news, angrily denouncing those who insist on publishing news that the Swedish *nomenklatura* has decided should go unnoticed by the Swedish public.

"The gravest offense so far," *Svenska Dagbladet* intoned, "occurred this week on TV. Complaints were made that Swedish mass media have not reported rumors in the British press regarding an internationally known personality who cooperated with Olof Palme in the context of disarmament." This refers to an interview in which two foreign correspondents based in Stockholm had dared to indicate the significance of the Rothschild story.

"Investigative journalism indeed is not the same thing as spreading unfounded, loosely connected speculation," *Svenska Dagbladet* raved. One cannot but note the hypocrisy of this concern for protecting the name of a powerful family, in sharp contrast to the Soviet-orchestrated, wild slanders against LaRouche and his associates, in which *Svenska Dagbladet* itself played an initiating role, precisely by inventing "unfounded, loosely connected speculation" saying, for example, that associates of LaRouche were involved in the Palme murder.

While the *New York Times Magazine* admitted that "there was no real evidence against Gunnarsson," the first suspect arrested by Swedish police, who was falsely alleged to be an associate of LaRouche, *Svenska Dagbladet* carefully deleted that part of Reeves's article.

The common denominator of the sensitive points deleted by *Svenska Dagbladet* is the Soviet connection: the Soviet intelligence-tainted Rothschilds and the lack of evidence for Moscow's attempts to implicate LaRouche.

Who's behind the Ojinaga Connection?

Look for an entrenched network that includes the governor of Chihuahua state and the president of the Inter-American Development Bank.

On Feb. 4, Mexico's Federal Judicial Police (PJF) arrested, in Ciudad Juárez and Ojinaga, in the state of Chihuahua, some 10 members of the "Ojinaga Connection" of the cocaine, heroin, and marijuana traffic. The "Ojinaga Connection" is the name of a well-organized gang of international drug traffickers, whose base of operations is in the town of Ojinaga, which borders on Presidio, New Mexico (U.S.A.)

According to Mexican and U.S. sources, Ojinaga is one of the main drug routes into the United States. Those arrested on Feb. 4 confessed to belong to the band of Amado and Cipriano Carillo, from Agua Prieta, Sonora, who are in turn employees of Pablo Acosta Villarreal, considered in the United States and Mexico as the head of the Ojinaga Connection. Acosta was first exposed publicly on Dec. 10, 1986 by the *El Paso Herald Post*, which singled him out as new head of the drug-trafficking families of the region, after having crushed his main rival, Fermín Arévalo, in 1984.

Alarm spread through the region. On Jan. 4, Luis Bojórquez wrote in the daily *El Imparcial*, of Hermosillo, Sonora, that there is an amazing boom in "inexplicable wealth," weapons, and cocaine dealing in the city, which "makes one suppose that the Colombians have shifted their shipping routes . . . and now have the Agua Prieta connection."

It is a confirmed fact that the Ojinaga gang was linked to the famous Colombian "Medellín Cartel." U.S.

Customs agents in Presidio recently found out that at least one Colombian drug mobster, coming from Miami, bought a ranch in the neighborhood of Ojinaga, for the purpose of using it as a landing strip for planes from Colombia.

Phil Jordan, head of the regional Drug Enforcement Administration office in Dallas, told the *Herald Post* on Dec. 9 that "many Colombians have made partnerships with the Mexican connection to transship large amounts of drugs destined for the United States." Mexican sources, outside the government, have confirmed and amplified this information.

Ojinaga was the exit point for the marijuana coming from the fields of El Búfalo, the world's largest drug plantation, "discovered" in late 1984. The bust of El Búfalo rocked the highest levels in Mexico, because of rumors that important public officials and ex-officials and businessmen were involved in running and protecting it. To carry out the multimillion-dollar operation, the drug gangsters who controlled El Búfalo bought the protection of most of the Federal Security Administration and an important number of officers in the Federal Judicial Police and other police bodies.

President Miguel de la Madrid ordered a clean-up of the security apparatus and the resignations of hundreds of agents, but he failed to jail the big mafia chieftains and their protectors. One of the most named individuals as protector of the El Búfalo drug plantation was the recently deceased Oscar

Flores Sánchez, the former Attorney General of Mexico (1976-82) and ex-governor of Chihuahua.

In Mexico City there is a lot of concern over the Ojinaga mafia. This is heightened by the fact that the current state governor, Fernando Baeza Meléndez, got his post due to the protection of Flores Sánchez, which makes many doubt that he'll fight the drug traffic. This concern is well founded.

One of the financial groups that bankrolled Baeza's election campaign was that of the Rohana brothers, of Lebanese origin, considered the "owners" of Ojinaga. One of them, Alfredo Rohana, today state chairman of the ruling Revolutionary Institutional Party (PRI), was a running-mate of Baeza in his campaign for Mexico's Congress in 1985. In their electoral district, anonymous graffiti went up on the walls that read: "Baeza and Rohana, candidates for marijuana."

The strong suspicions about Baeza sparked great opposition in the PRI to his gubernatorial candidacy in the 1986 elections. The flak was so intense that the president of the Inter-American Development Bank, Antonio Ortiz Mena, felt forced to intervene to tip the balance in Baeza's favor. Ortiz Mena was also the fellow who made Flores Sánchez state governor, in 1968, and launched him into national politics. After 12 years as finance minister of Mexico, in 1968 Ortiz Mena tried (unsuccessfully) to obtain the presidential nomination of the PRI for the 1970-76 term. His campaign was run by then-Governor Flores Sánchez.

On Feb. 5, Ortiz Mena made a surprise appearance in Chihuahua, and got the red carpet treatment from his protégé Fernando Baeza and from Chihuahua strongman Eloy S. Vallina. The topic of their discussion was: the Mexican presidential succession.

International Intelligence

Soviets concoct more 'Nazi' charges

High-ranking Soviet government officials have passed to British officials a "list of 34 alleged Nazi war criminals who found refuge after the war" in Britain, reports the lead item in the *Jerusalem Post* Feb. 27.

The list was received by journalists at Scottish Television, and, says the Israeli newspaper, sources in Britain believe the Soviets "passed on the details in an effort to embarrass the British government over its human rights record in the weeks before Premier Thatcher's scheduled visit to Moscow. . . ."

"The 34 names are believed to come from a huge Soviet archive of documentary evidence concerning the Holocaust and other Nazi atrocities."

The Soviets have also been the source of information for the U.S. Justice Department's Office of Special Investigations in several recent cases, including that of John Demjanjuk, now on trial in Israel as "Ivan the Terrible" of Treblinka. In this and other cases, *EIR* has determined that the Soviet information is false.

Abdallah sentenced to life in prison

Lebanese guerrilla leader Georges Ibrahim Abdallah was sentenced to life imprisonment by a special French anti-terrorist court on Feb. 28, a surprise verdict that brought praise as establishing the independence of the French courts.

Abdallah was found guilty of complicity in the 1982 murders of U.S. military attaché Charles Ray and Israeli diplomat Yacov Barsimentov, and another attempted assassination in 1984.

Jacques Toubon, secretary general of Premier Jacques Chirac's RPR party, said that the verdict demonstrated the efficiency of the law establishing special courts to try terrorist cases.

Prosecuting counsel Pierre Baechlin a day earlier urged the court to give Abdallah

a sentence not exceeding 10 years, pleading that Abdallah not be made a "martyr" and that the French people not be held "hostage" to renewed threats of terrorist attacks.

Paris was hit by a wave of terrorist bombings late last year, claimed by Abdallah's FAREL, which was demanding his release. Obviously, the courts, unlike the prosecuting attorney, were undeterred by the violence and the threat of more.

Was British spy Reilly Moscow's 'first man'?

Master spy Sidney Reilly was the principal in the Soviet intelligence services' penetration of the British Establishment in the 1920s and '30s. He "was responsible for the KGB plan to recruit Oxbridge undergraduates" like Kim Philby, Guy Burgess, Donald Maclean, and Anthony Blunt "as Soviet moles/sleepers/agents of influence," wrote London *Sunday Times* columnist Simon Freeman March 1.

Freeman was reporting on the latest theory about Reilly put forward in a new book by Robin Bruce Lockhart. Lockhart is a former journalist, whose father, Sir Robert, was Britain's unofficial representative to the Bolsheviks in Moscow at the time of the 1917 Revolution.

Lockhart's book, *Reilly: The First Man*, will be published in the United States in March.

Lockhart says that Britain's MI-5 "believed that Reilly was the First Man . . . to have defected. There was abundant circumstantial evidence to show that it was Reilly who paved the way for Burgess, Maclean, Philby, Blunt et al." Among the evidence cited is that Reilly was once a student at Trinity College, Cambridge, the same college as Blunt; that Reilly had always been sympathetic to Bolshevism; and that Reilly had been sighted in Moscow, after he had supposedly been shot by the Russians.

Much of Lockhart's information comes from former MI-5 counterintelligence expert Peter Wright, and, says Freeman, is backed by British writer Michael Kettle, who claims: "There is no evidence that Reilly was killed in 1925."

Another new book, this one by historian Nigel West, charges that the "Fifth Man" in the fabled spy ring was the late Graham Russell Mitchell—MI-5's deputy director. This revelation has created a stir, with calls by parliamentarians for an official inquiry into West's charges.

Turkey threatens action against Iran

An editorial in the Turkish paper *Hurriyet* of Istanbul, titled "The Way to Say Enough," charges Iran with interfering in Turkish affairs for years with impunity, and calls for action against the regime of the mullahs, by aiding Iraq in some fashion in the seven-year-old Gulf War.

Turkey has maintained a policy of appeasement with respect to Iran "for so long that strong statements are no longer enough to influence the primitive brains which dominate the Teheran regime," says the newspaper, without doubt speaking for the government.

It continues: "Iranian interference has become more persistent during the past month. Turkey cannot go on being impartial toward one of the two warring countries when it keeps on attacking the Turkish regime. Since Iran wishes to destroy Ataturk's system in Turkey, then Turkey must at least do something to break Iran's arrogance in the war which Iraq has been unable to end. There are many ways of achieving this. This is the kind of attitude the primitive and insolent minds in Teheran understand."

U.S. fails Mexico in war on drugs

The United States has failed to meet its financial commitments to Mexico in the war on drugs, Attorney General Sergio García Ramírez testified before the Mexican Senate on Feb. 26.

He said that the Reagan administration simply canceled \$1.5 million that had been promised as part of an agreement signed for Operation Pacifico 7, a poppy and marijuana

Briefly

eradication program.

In addition, because of U.S. failure to supply \$8 million for maintenance of the air fleet used in Mexico's anti-drug campaigns, up to 30% of the planes are out of service at any one time.

Israelis want U.S. to keep Jews out

The Israeli government of Yitzhak Shamir has demanded that the U.S. government deny permanent residence to Soviet Jews, so that they will have to go to Israel. Shamir delivered the revealing demand during his late February visit to Washington.

Some people have believed that the Israeli interests Shamir represents were negotiating with the Soviet authorities for "release" of Soviet Jewry. In truth, they have been negotiating to have Soviet Jews shipped, as in box cars, to Israel, as Shamir's formal plea revealed.

Shamir asked the State Department to stop offering refugee status to Soviet Jews, outside of any national immigration quota.

Shamir wants all Soviet Jewish emigrés to travel on Israeli immigration visas issued by the Dutch Embassy in Moscow. Once in Israel, the Soviet Jews may, if they choose, apply for immigration to the United States on the regular Israeli quota.

According to Shamir, the main issue is to "bring more people to Israel." "We explained to the United States government that this is one of our goals," Shamir is quoted in the *New York Times* March 1, "and if they are interested in a strong Israel, they have to support us in our effort."

Raids on Pakistan kill 81 refugees

MiGs flown from Soviet-occupied Afghanistan bombed refugee camps inside Pakistan Feb. 26, killing 31 people and injuring 47 others. It was the second attack in two days, bringing the death toll to 81, and evoking a strong protest from Pakistani authorities.

State-run Pakistani television said that Afghan air force fighters made the midday attacks on the Afghan refugee camps of Matasangar and Khardand, both near Parachinar in the North-West Frontier Province. The combined raids killed 81 people and injured more than 250 in the camps.

Pakistani Prime Minister Junejo, in a statement issued Feb. 28, warned that Pakistan would not tolerate further incursions by Afghan war planes, and said that his country's air force was now on alert. Junejo said that "constant escalations" in bombing raids and explosions in areas bordering Afghanistan had forced his country to take "all precautionary measures."

The Pakistani air force would intercept any aircraft that attempted to enter the country's air space.

Soviet paper calls for civil defense drive

Kremlin officials may talk peace in the West, but at home, they talk of war.

Only the country which has a well-organized, universal civil defense program can survive the coming nuclear war, said an exemplary article, "Strengthen Civil Defense," in the newspaper *Sovetskii Patriot* on Jan. 7. The paper is published by a "private" support organization for the Soviet armed forces.

"In a modern nuclear war . . . that country will survive which not only possesses the better army and the better technology, but which also has prepared all citizens for protection against nuclear missiles, chemical weapons, and bacteriological weapons," states the article.

"That country will survive which can guarantee higher security of national economic installations under extreme conditions."

The article calls for universal training in civil defense procedures from the student on up, and proceeds to outline the necessary training programs.

In propaganda designed for Western consumption, Soviet spokesmen insist that no country could survive a nuclear war.

● **GUATEMALAN** President Cerezo called for money for economic recovery, not military action, in Central America. On a visit to Uruguay, Cerezo said that the proper approach to Nicaragua is to strengthen the internal political opposition to the Sandinistas, instead of militarily backing the Contras, utilizing money to "revive the well-being of the population."

● **TWO U.S. EMBASSY** employees were arrested in Panama City on narcotics charges at the end of February. Described as "communications technicians," they did not have diplomatic immunity, but police released them after three days.

● **THE U.S. MILITARY** Command in Panama, says that some 27 insurgent groups operating in 9 Ibero-American countries (excluding the Contras), and accounting for 25,000 members, have begun to coordinate their guerrilla operations. The Colombian FARC, said the same statement, the guerrilla wing of the Colombian Communist Party, is now growing and selling its own dope.

● **JIMMY CARTER** has been asked to abandon plans to visit Syria by the Reagan administration, said the *New York Times* March 3. Carter refused, saying he would be going as a private citizen, not as an emissary of the government. The *Times* quoted State Department officials as saying Carter had told them he would visit Syria from March 21-23. "We've explained what our policy is and certainly we tried to encourage him not to go," one government official is quoted by the paper.

● **'TXOMIN,'** whose real name was Domingo Iturbe Abasolo, the suspected leader of the Basque terrorist organization ETA, died in an auto accident March 2, according to the foreign ministry of Algeria, where he had taken refuge from Spanish authorities.

LaRouche urges: Export goods, not money

Lyndon H. LaRouche, Jr., who released the following analysis on March 3, is a candidate for the Democratic Party's presidential nomination in 1988.

The February 20th actions by the government of Brazil signal an early collapse of the international monetary system in its present form. Some of the world's leading bankers have stated their agreement with this analysis. Even a number of OECD nations' governments recognize that very sweeping changes are inevitable, and that these could come as early as some weeks ahead, or be delayed no longer than several months.

Whether Citibank likes it or not, and whether or not the Reagan administration is willing to accept this fact at the present moment, the Reagan administration is not going to get through the coming 18 months without having to face the choice between either a sweeping reform of banking and economic policies, or the biggest world financial collapse in modern history.

Brazil's actions may have brought the political side of this crisis up to the surface a few months earlier than if Brazil had submitted to another round of International Monetary Fund conditionalities. Brazil's actions have not caused the crisis. If Brazil had not acted, the accelerating collapse inside the U.S. banking system would have caused the showdown.

The banks are helpless. There is nothing which the banks or the IMF could do, at this stage, to bring the crisis under control. Anything the banks might attempt to do, now, would have the effect of making the crisis worse. It is now up to the

governments; the banks must step out of the limelight, and leave the decisions to the governments.

Governments face two choices

Governments have two choices. The banks would hope that the U.S. government would bail the banks out, by buying up the banks' bad paper. That must not be done; it would lead to a hyperinflation like that in 1923 Germany. The second choice for government, is to put the banks, the IMF, and the World Bank into bankruptcy reorganization. Bankruptcy reorganization is the only workable alternative. Either governments implement that alternative very soon, or the world's financial system is plunged into the worst collapse since the 14th century.

There are effective solutions for this crisis. As President, I am fully prepared to take a series of actions which would bring us out of the crisis rapidly. Or, were another President to ask for and follow my guidance, the crisis could be overcome in the same way. I do not know whether or not my leading role is absolutely indispensable for overcoming such a crisis, but every indication suggests very strongly that my leading role is indispensable for a successful outcome.

Therefore, it is important that I explain each key point at issue in meeting such a crisis. Here, I focus upon a key feature of the economic recovery policies required; the kinds of credit-mechanisms needed to expand U.S. exports and world trade very rapidly.

The President's and Congress's actions to stimulate such large-scale expansion of U.S. exports will occur in the setting

of the following kinds of emergency financial-reorganization measures.

The U.S. President must declare an economic emergency, using the powers which the Constitution and existing law provide for such a situation. The Federal Reserve System must be transformed, in effect, into the Third Bank of the United States. The principal amount of the unpaid balance of non-performing loans on the banks' books must be frozen at that value as a matter of law, thus enabling the banks to continue day to day operations. Capital-flight and exchange controls must be imposed, to prevent banks and the dollar from being looted by speculators. The government must enter into negotiations with foreign debtors, to reschedule the repayments of principal amounts of the present debt potentially in default.

Those measures halt the crisis temporarily. The President, with cooperation of the Congress, must take a series of actions to launch rapid expansion of domestic production of physical goods, and increase of world trade. The key to this, is to increase the volume of annual U.S. goods exports by not less than \$500 billion above 1986 levels. The means for accomplishing this, is to pour in new credit to U.S. farmers and industries, both to supply operating capital needed to produce exports, and to retool production for such output.

Under this arrangement, no U.S. currency leaves the United States. We do not loan money to foreign nations; we deliver them goods on delayed-payment terms. The money loaned, is issued to the U.S. producers of such exports, to carry them over the period until they are paid for the exported goods. The object is to provide U.S. exporting industries a minimum of \$500 billion a year over the level of export-financing available during 1986.

Some might ask, "Why give these developing nations new credit, when they were unable to repay the old debts?" The question is a common one. People ask that question because they do not understand how the foreign debts of Mexico and South America became so much of a problem during the recent years. People usually make the mistake of believing that these countries' debts were caused by the countries' buying something of value. The problem is, that these countries received nothing for as much as between 80% and 90% of the total debt they are carrying today. For example, out of about \$108 billion of Brazil's foreign debt, about \$20 billion, at most, represents values actually received by Brazil.

We must not repeat that sort of nonsense. We must ensure that the indebted nations do not incur a penny of new debt for anything but good value imported. We are not going to loan them a penny of money; we are going to extend them a line of credit to purchase useful things on a shopping-list of U.S. export goods. The point is to supply them with the capital goods they need to expand their manufacturing employment and to increase the productivity of their labor. We are going



NSIPS/Philip Ulanovsky

Lyndon H. LaRouche speaks before a conference of the Fusion Energy Foundation in Rome in February 1987.

to help to build up their levels of production of physical goods, so that they will be able to pay for what they buy, and to invest in further expansion of their economies at the same time.

U.S. economy must export again

Let's look at an example of the point I am making. Suppose some investor bought up all the stores in the United States, and charged such high prices that all of the stores' customers were bankrupted, and no longer able to buy at those stores. Would you consider that investor a sensible businessman, running a business for the purpose of eliminating all of its customers? I intend to put the U.S. economy back into the export-business in a major way, and I do not intend to lose our export business by eliminating our customers. I intend to build up an expanding market for U.S. exports. To succeed, we must understand that what is good for the United States' foreign customers is good for the U.S. economy.

I admit that our manufacturers can not compete with Japan's or even West Germany's on the world market. The reason is very simple; beginning about 20 years ago, we slowed down our investment in new productive technologies for our basic industry. Our industries are using out-of-date technologies, so that our labor produces less physical output per hour than labor in Japan or West Germany.

Japan has overtaken us in production technology and hourly productivity, because they have been investing in

production capital goods, while we have not.

Also, the U.S. economy has the highest ratio of overhead of any major economy in the world today. Only about 20% of our labor-force is employed in producing goods; the rest are either unemployed, or employed in administration, sales, and poorly skilled services. Onto every pound of physical output of our farms and industries, we have to tack on an overhead charge to pay for all that unemployment, administration, selling, and services. In other words, on the basis of wages-ratios of costs, every U.S. dollar of sales price is loaded with about eighty cents of overhead charges.

With these two factors, we have priced U.S. goods out of the world market. Our production methods are obsolete, for lack of investment in energy-intensive, capital-intensive forms of technological progress. As a result of 20 years of a lunatic shift away from basic industry into low-grade services employment, we have the highest ratio of excessive overhead costs of any leading economy in the world.

I intend to use increased exports of high-quality capital goods into the developing sector, as the way in which to restore our trade-balance, and, even more important, to restructure the internal U.S. economy, to shift away from employment in administration, sales, and low-skilled services, into employment in the production of physical goods.

In this way, we accomplish several things.

- 1) We build up the economies of developing nations, so that they can carry debt-payments at a sensible level;
- 2) We develop a continually expanding market for U.S. export-goods, meaning many millions of additional U.S. jobs;
- 3) We rebuild and expand our goods-producing industries, making them again the standard of technological excellence;
- 4) We restructure our labor-force's employment, away from low-paid service employment, back into skilled, productive employment;
- 5) We expand the tax-revenue base of federal, state, and local government.

There are no tricks with mirrors. Wealth is quality physical goods. Wealth is produced, and produced best by upgrading the quality of employment to increase the number of people employed in producing physical goods. Productivity is increased by technological progress, which requires more energy per person, and more capital-investment in production per person. Tricks with mirrors have run our economy for 20 years. Enough of bookkeeping tricks; it is past time to go back to the old-fashioned habit, of employing more people to produce more quality physical goods, using technological progress to increase productivity. That is what the indebted developing nations require. That is what we require. So, an end to the tricks, and back to old-fashioned American ways of doing things.

Reagan reemerges, but what's the agenda?

by Jeffrey Steinberg

In rapid succession, beginning with the Feb. 27 long-awaited dumping of Donald T. Regan as his White House Chief of Staff, President Reagan took a series of steps in the first week of March that have restored his presidency from the pits of the Iran-Contra affair. The appointment of a popular former congressional leader, former Sen. Howard Baker, to replace the hated Don Regan was broadly applauded, and Baker was immediately deployed to Capitol Hill to renew old acquaintances and gather his own estimates of the damage wrought by his predecessor and by the President's virtual 90-day retirement from public life.

President Reagan's March 4 television appearance from the Oval Office endorsing the findings of the Tower panel and taking a commander's responsibility for the Iran-Contra fiasco, while leaving some congressional and media critics cold, did add to the overall restoration of the presidency to its pre-November stature.

When Don Regan, on his way out the White House door, stepped in to sabotage the confirmation prospects of Robert Gates as CIA chief, President Reagan quickly appointed FBI director William Webster as his designated Director of Central Intelligence after a string of better qualified candidates, including Sen. John Tower and Adm. Bobby Ray Inman, unfortunately refused to accept the post. If nothing else, the Webster nomination was viewed as a shrewd political move by the President's new team—one that should remove the sting from the congressional confirmation hearings for the DCI.

The Webster appointment will more than likely soon blow up in the faces of those intelligence community "old hands" who hope that Webster will adopt a laissez-faire approach to his new job. Far more likely, he will pursue the same disastrous course of his former college classmate, fellow Christian Scientist, and fellow Carter appointee, Admiral Stansfield Turner. After all, this is the same William Webster who repeatedly has denied any terrorist threat to the United States, any Soviet link to terrorism, and any terrorist link to drug trafficking.

To a degree, President Reagan has reemerged as a chief of state once again, claiming a mandate to act as something other than a very old, very lame duck. What now remains to be seen is what policy direction Ronald Reagan will pursue.

On the afternoon before his evening TV appearance responding to the Tower Report, President Reagan made an impromptu appearance at the regular White House press briefing to announce that he was calling his Geneva negotiating team back to Washington for consultations. This move was in response to Soviet Secretary General Gorbachov's latest offer to "decouple" the IRBM talks from broader discussion of the Strategic Defense Initiative. Reagan's quick and favorable response to this Soviet offer to sign a "zero option" treaty got arms control and New Yalta enthusiasts on both sides of the Atlantic moving in high gear at the prospect of an early treaty removing intermediate and short range ballistic missiles from the European theater. It sent top European defense specialists into absolute panic over the prospect of a U.S. withdrawal of the Euromissiles that pose the only serious obstacle to a Soviet conventional waltz across Europe.

In Washington, Pentagon sources privately told *EIR* that Secretary of Defense Weinberger is hoping that the IRBM talks at Geneva can be stymied by Soviet intransigence on verification procedures and by vocal European opposition to the nuclear arms removal. This is a risky and potentially fatal gamble. At best, it sends yet another message to the European allies that the policy see-saw is still swinging wildly in the nation's capital, and the United States remains an unpredictable and fickle ally. Hardly a reassuring perspective given Gorbachov's hard-sell approach to Europe.

At worst, if the United States does go ahead with an

IRBM pact, Europe will make its peace—first an economic accord in depth—with Moscow before the year is out. In other words, Europe becomes an economic colony of the Russian Empire.

Secretary Weinberger's recent efforts to draw the Congress into a bipartisan commitment to the Reagan SDI program—through the ostensible push for "early deployment"—still remains unresolved.

Silence on monetary crisis

Even more unresolved is Washington's response to the imminent collapse of the international monetary system, a matter driven home by the recent indefinite moratorium declared by Brazil, the world's second-largest debtor nation. Apart from tentative moves by National Security Adviser Frank Carlucci to convince President Reagan to impose an oil import tax to save America's dying oil industry, no murmur has emerged from the White House even acknowledging the global monetary and economic crisis.

Ronald Reagan may be back swinging. But he is now faced with the urgent necessity to adopt the programmatic course spelled out by Lyndon H. LaRouche, Jr. on such issues as the collapse of the world economy, the SDI, and AIDS. Unless he seizes upon the renewed mandate to act like a President and move in this direction, Ronald Reagan will still go down in history as Herbert Hoover and Neville Chamberlain all rolled into one.

White House admits INF draft puts Soviets ahead

On March 3, two senior officials gave a background briefing at the White House, after President Reagan's surprise press conference that day, in which he welcomed the Intermediate Nuclear Forces (INF) draft treaty proposal of the Soviets. They described the Russian offer as flowing out of "substantial changes in Soviet society" and the Soviet "peace offensive." One official said that "all agencies of the U.S. government have come to an agreement on the terms for verification" of an accord.

Picking up on a line of questioning opened by *EIR* the day before, ABC correspondent Sam Donaldson's first question was: "Is it possible to come to an INF agreement without some kind of limits on conventional forces and the shorter-range missile, the SS-21?" When the briefers said, "No," adding, "We are, however, interested in some

kind of future commitment by the Soviets on the SS-21," *EIR*'s Nick Benton interjected, "What do you mean by that? Be more specific." The briefer only repeated that the short-range Soviet mobile SS-21 would not be included in the zero-option treaty.

"Why not?" shot back Benton. "Well, because it is very complicated, and you have to box [i.e., package] the situation at some point." This provoked the *New York Times* to then ask how many SS-21s there are, after all. The briefer said he guessed the Soviets "have a significant advantage" with the missile, having "about 1,500 SS-21s, Frogs and Scuds, combined" (none of which is covered under the INF proposal).

The SS-21 and Frog cover both Soviet short-range missiles, the Frog being the SS-21's predecessor, while the mention of the Scud (regarding its range capabilities, as the predecessor to the SS-23) betrays the fact that both the SS-21 and SS-23 are exempt from Gorbachov's "offer" regarding pulling missiles out of East Germany and Czechoslovakia. In short, only the SS-22 would leave, and as stated in the article on page 42, could be back in forward-based location within 48 hours.

Israeli spy gets gets life sentence

by Joseph Brewda

The sentencing of confessed Mossad spy Jonathan Pollard to a life sentence, by U.S. District Court Judge Aubrey Robinson, on March 4, for his espionage for Israel, signals a major new phase in the downgrading of the so-called special relationship between the United States and Israel. Already, the Pollard case, and the associated "Irangate" scandals, have closed down a number of the more noxious back channels between Israeli intelligence and the U.S. National Security Council, and other U.S. intelligence agencies.

Simultaneous with Pollard's conviction, the U.S. Justice Department has announced the indictment of Israeli Air Force Col. Aviem Sella, Pollard's former "handler," for espionage, and has indicated it will soon indict three other Israeli Mossad operatives, including senior Mossad official Rafi Eytan. This is the first time that intelligence operatives of an allied state have been charged with spying by the U.S. government.

Pollard, formerly a civilian analyst at the U.S. Naval intelligence facilities in Suitland, Maryland, and his wife, Anne Henderson Pollard, were caught red-handed, outside the Israeli embassy in Washington in November 1985, with U.S. classified documents. Under subsequent interrogation, Pollard admitted that he supplied thousands of pages of classified documents to his "handlers" at the Israeli embassy, and the Israeli consulate in New York. Within 24 hours of his arrest, two of these handlers, Yossi Yagur, former science counselor of the Israeli consulate in New York, and Irit Erb, a secretary at the Israeli embassy in Washington, fled the United States for Israel, in an effort to avoid prosecution.

In the days following the arrest, the equally embarrassed U.S. State Department, and Israeli government, insisted that Pollard was operating as a "rogue operative," and that his activities were "unsanctioned." Israel, it was proclaimed, did not spy against the United States. This argument stretched thin, when it was revealed that former Mossad European station chief Rafi Eytan, a decades-long associate of would-be Israeli prime minister, Gen. Ariel Sharon, controlled Pollard's activities. Eytan then directed the Israeli Defense Ministry's intelligence branch. Still, reasons of "state" were used by certain elements of the Reagan administration, to publicly

deny the obvious. Eytan was given immunity by a strong-armed U.S. Justice Department, as a reward for his alleged cooperation with U.S. authorities in rooting out this "unfortunate aberration."

Despite these desperate efforts, the cover-up of the implications of the Pollard case again failed, when it was later revealed that Eytan had systematically lied to the Justice Department. Specifically, Eytan had suppressed the information that the first Mossad controller of Pollard was one Col. Aviem Sella, then being groomed for a high post in the Israeli Defense Force.

Documents sold to Moscow?

Among the more important reasons why the Pollard case has remained a live one, despite the massive political pressures to bury it, is the overwhelming documentation that Pollard's stolen documents did not simply go to Israel, but were also sold by Israel to Moscow.

Pollard has admitted that Rafi Eytan, Colonel Sella, et al., systematically ordered him to pilfer U.S. classified documents relating to such areas as U.S. fleet dispositions; documents identifying U.S. agents and sources on-the-ground in Russia, and CIA evaluations on China. Clearly, Israel had no need for such information itself, unless one believes it was interested in bombing a U.S. fleet, or arresting a CIA agent in Moscow.

In fact, Rafi Eytan, and the Sharon-led faction he represents, have had longstanding ties with Soviet intelligence services, which have centered on betraying U.S. interests in not only the Middle East, but internationally. Part of these deals relate to allowing Moscow to penetrate U.S. intelligence under protected Mossad cover. Since the "special relationship" has allowed extensive, and U.S.-sanctioned, placement of Mossad operatives in senior U.S. intelligence positions, Eytan and Sharon's actions have been particularly destructive to U.S. national security.

During the same period that Pollard was being directed to steal documents of prime importance to Moscow, he was also told to grab documents of crucial importance to Teheran. Under Eytan and Sella's direction, Pollard regularly supplied the Mossad with such information as Iraqi battle plans, and related intelligence. During the same period, the same Israeli faction was insisting that the United States follow its insane scheme to sell arms to Khomeini.

One crucial lead which U.S. investigators can be expected to follow in this connection, is just who got Pollard his job anyway? After all, Pollard bragged of being a Mossad agent years prior to his being planted in U.S. intelligence; and his father's ties to former Israeli government figures are equally well known. According to some reports, Michael Ledeen, the same Mossad-linked operative who was crucial in selling the Reagan administration the idea of supplying weapons to Khomeini, was the operative who planted Pollard in U.S. intelligence.

Project Democracy: 'glasnost' submarine in U.S. intelligence

by Scott Thompson

Of late, leading "anti-Communist" conservative figures in the United States have been taking to the print and broadcast media in praise of Mikhail Gorbachov's *glasnost* (openness) policy. Such "right-wing" Social Democratic leaders as Jeane Kirkpatrick, Leo Cherne, Arch Puddington, and others are doing their best to certify *glasnost* a genuine "democratization" of Russia. On this basis, they propose to justify pressing ahead with "New Yalta" agreements with Gorbachov's new Soviet Union, handing him much of the world.

The very same crowd had earlier helped the National Security Council's Soviet expert, John Lenczowski, win over the President to a proposal for a "Project Democracy," which Reagan formally launched in a 1982 speech before the British Parliament. Through Project Democracy and its spin-off, the National Endowment for Democracy, millions in U.S. government funds have been funneled to "democratic" causes around the world, for example, the Nicaraguan Contras. As a matter of fact, Lt. Col. Oliver North's notorious network for diversion of funds proves to be one and the same as Project Democracy. Tracing the origin of Project Democracy to such operations as Leo Cherne's International Rescue Committee, one finds it to have been a conduit for massive penetration of U.S. intelligence by a nest of "Bukharinite" moles.

Kirkpatrick's crush on Gorbachov

Former U.S. ambassador to the United Nations Kirkpatrick, a leading "conservative" by virtue of her floor fights with her Soviet counterpart over Central America, returned from a Feb. 1-8 trip to Moscow to write the first in a series of op-eds for the *Washington Post* on Feb. 16, gushing that Gorbachov "appeared vigorous, intelligent, charming, manipulative, and supremely self-confident." In an interview with the Mexican newspaper *La Jornada*, Kirkpatrick was even more emphatic, saying: "There is a new current of thinking in the U.S.S.R. which must be very carefully considered. . . ." She added a "New Yalta" footnote: "We concluded Russia is willing to pull out of Afghanistan, after a non-aligned government is installed there."

The "we" Kirkpatrick referred to is the Council on Foreign Relations delegation that accompanied her to Moscow. This included such leading Soviet agents of influence within McGeorge Bundy's Eastern Establishment as Henry Kissin-

ger and William Hyland. At the time that John Lenczowski wrote his 1981 article for the Heritage Foundation's *Policy Review*, which rallied Kirkpatrick's fellow Social Democrats behind "Project Democracy," he was serving as aide to another veteran of Kissinger's dealings with Moscow, former NSC staffer Lawrence Eagleburger, who became Al Haig's undersecretary of state. Henry Kissinger is himself on the board of the National Endowment for Democracy, created in 1983 under the chairmanship of Social Democrat Carl Gershman. It was the National Endowment for Democracy that, with Oliver North, laundered funds to the American Institute for Free Labor Development (Project Democracy's South American labor wing), the Contras, and other programs that are the implicit focus of the Tower Commission report.

Leo Cherne's New Yalta

Questioned about Kirkpatrick's strange CFR bedfellows and even stranger crush on Mikhail Gorbachov, Social Democratic leader Leo Cherne, in an interview made available to *EIR*, denounced her "single-dimensionality," but went even further in the "New Yalta" deal he proposed to offer the Soviets. Cherne believes that Gorbachov's *glasnost* policy means the Soviets want "a somewhat new kind of détente." What is now needed is for the United States to take steps that would effectively "decouple" it from the NATO alliance.

Cherne specifically endorsed the latest strategic insanity of his friend, Zbigniew Brzezinski, to pull 100,000 troops out of Europe.

Some top Pentagon officials privately believe that Brzezinski's record as a KGB "mole" dates to the time that he was part of a special Harvard study group led by British Round Table William Yandell Elliot, which Kissinger joined shortly after his recruitment to a KGB homosexual-blackmail ring penetrating the EUCOM G-2 headquarters in Oberammergau, Germany at the end of World War II. While Elliott groomed this "Trusting" group of future policymakers, his associates in British intelligence created the IRC pipeline for Bukharinite moles into U.S. intelligence. The latest Brzezinski "New Yalta" scheme, endorsed by Cherne, calls for the redeployment of 100,000 U.S. troops from Europe into a Vietnam-style confrontation with the Sandinistas in Central America—just what Kirkpatrick has often called for.

Kirkpatrick burnt her bridges to the Reagan administration when she threw a temper tantrum because she had not been chosen as successor to National Security Adviser Robert McFarlane. But Leo Cherne's delusions about *glasnost* are more dangerous. He is vice-chairman of the President's Foreign Intelligence Advisory Board, which, he claims, "is the quality overseer of intelligence from the point of view of the President and those who make foreign policy."

Cherne's claim is an exaggeration on at least two counts.

The first count is the record of at least one PFIAB debate overseen by Anne Armstrong and her deputy, Cherne. The debate ended when Kissinger's friends made a call to William Webster of the FBI to request a witchhunt against staff writers for *EIR*, on grounds that they had reported to PFIAB members facts from reliable sources that Kissinger was a pederast and that his career as a Soviet "Trust" agent begun at Oberammergau had blossomed through Russell's Pugwash Conferences. Shortly after William Webster's FBI investigated the *EIR* writers, rather than these substantive charges, Henry Kissinger was appointed to PFIAB.

The second count is the question of the NSC's search for "Iranian moderates," which the PFIAB has never challenged. As Cherne quips, "I'm still looking for them."

The policy debacle around Iranian arms sales and the Contras was only made possible for the Reagan administration, because Cherne's friend, Zbigniew Brzezinski, among others, told President Carter that it would be advisable to topple the U.S. ally, the Shah of Iran, in favor of the Ayatollah Khomeini.

Yet, in the interview made available to *EIR*, Cherne said that "Irangate," within the context of ballyhoo about Gorbachov's *glasnost*, might make possible a real "New Yalta" deal:

"[The Soviets] want another arms agreement. And, it does come at a time when it's now even difficult to say whether they want it more than Reagan or not. . . . I think Reagan's going to find himself increasingly in these next several weeks in the position where he better find something that will diminish the adverse attention of such things as the Tower Commission report."

What that might be is a return to Reykjavik, where, Cherne thinks, two things might be accomplished.

First, the Soviets' fear "that the process of achieving SDI is a progenitor of technological breakthroughs that . . . are of a kind that they cannot catch up with." Cherne adds: "I think therefore that if they can come up with modifications (and I don't know how) that offer them some assurance in that direction, I think that's the maximum that they really want." Cherne would consider cutting SDI research.

Second, the President is willing "to sharply reduce the nuclear warheads, the presence of Pershings and cruises on the continent, and with an interesting effect. The Europeans who so avidly objected to those had the 'expletive deleted' scared out of them at Reykjavik. . . . In short, there is a

beneficial effect of that in Europe, in my opinion . . . because I do think Europe ought to be threatened into a greater reality."

The one additional step that Cherne believes might force "reality" on Europe would be Brzezinski's proposal for substantial troop cuts. It was, of course, Brzezinski's idea to install the Ayatollah Khomeini in power, and Brzezinski who now advocates testing the "reality"-orientation of our European allies by abandoning them to Soviet domination. Cherne, not surprisingly, adds: "Now, I don't have an absolutely firm conviction that the Germans would pass that test."

Cherne acknowledges that "significant concessions" would have to be sought from the Soviet side. "Soviet conventional forces in Central Europe have to be pulled back . . . more than marginally," while other trade-offs might be pleasing to Project Democracy's friends in Afghanistan, Central America, Ethiopia, and elsewhere.

This offer to trade Europe for concessions in Third World areas like Central America was precisely Kremlin boss Yuri Andropov's offer to the U.S. Establishment in a 1982 interview in Germany's *Der Spiegel*.

Bukharinite snakes

Besides *glasnost*, there is another reason that Cherne would entertain a "New Yalta" offer from Gorbachov.

Cherne got his start in the intelligence business prior to World War II in the International Rescue Committee, which saved Communist Opposition followers of Nikolai Bukharin and Leon Trotsky from the Nazis for later recruitment by the Office of Strategic Services (OSS) through the International Ladies' Garment Workers' Union of socialist David Dubinsky. Cherne's partner in the IRC effort was former Communist Party USA secretary general Jay Lovestone, who had been made general secretary of the CPUSA by Nikolai Bukharin in the 1920s and after his ouster is known to have continued working with the NKVD until at least Bukharin's purge in 1938. Another collaborator with the IRC's operations was KGB agent Noel Field, who defected to Communist Eastern Europe after World War II.

European investigators have discovered that, while Lovestone planned the post-World War II "free trade union" against a Communist takeover of Europe, his former CPUSA sidekick Irving Brown, then also with the AFL-CIO, permitted known Soviet GRU agents into trade unions through Leon Jouhaux's *Force Ouvrière*. Brown also became a central coordinator for the Bukharinite KGB-linked Fourth International of Ernest Mandel and Michel Pablo (Raptis) from AFL-CIO headquarters in Paris. Brown's associate, Boris Souvarine, simultaneously worked with KGB chief Yuri Andropov's top French assets.

This history of how "Bukharinite snakes" penetrated U.S. intelligence with help from Leo Cherne's Social Democratic friends may explain why he now finds Gorbachov's *glasnost* policy so attractive.

League of Cities lacks a program

In one of the more telling symptoms of the bankruptcy of ideas among political leaders that is accompanying the bankruptcy of the economy, the collection of big city mayors constituting the "Election 1988" workshop at the National League of Cities convention here discovered midway through its discussion of plans to lobby all the potential presidential candidates that it hasn't figured out what to say to them.

Not that any mayor could not recite from the horrible litany of collapsed jobs, education, welfare, sanitation, transportation, and health services in urban America. But none of the mayors on the task force, created to push an agenda for the cities into the presidential race, had any idea of what kind of remedies to propose.

Particularly embarrassing for these mayors was the workshop headed by Mayor Charles Royer of Seattle, and including such heavy hitters as Henry Cisneros of San Antonio and George Voinovich of Cleveland. It was Washington's mayor, Marion Barry, who had the distinct lack of tact to press the issue. "How can we talk to the candidates," he suggested, "before we've even figured out what we want from them?"

The mayors could study what Peru's Alan García and, now, Brazil are doing about this kind of problem before making any presidential commitments.

Another wise starting point is to wage war on the deregulation mania that started in the Nixon years, and

crossed the political spectrum from Ted Kennedy Democrats to radical "free market" conservatives aiming to "deregulate" everything from trucking, airlines, and banking to, ultimately, schools and health care.

It is a policy of legalized piracy that is leading us to the point where there will be five airlines and five banks in the nation, and all property and related assets will belong to these giants. As farms collapse, independent farmers revert to sharecropping. As the noose tightens around the "home equity loan" boom, contributing to the record \$10 trillion private-debt bubble domestically, the population will revert to its pre-World War II status as a nation of renters, rather than home owners.

A high-priced Washington, D.C. consultant to the airlines industry told me, at a recent reception thrown at the French embassy to plug the upcoming annual Paris Air Show, "to be thankful you don't live in the Dakotas," because, he said, "for all intents and purposes, air service there is going to cease, altogether, very soon." He said that industry analysts are watching the behavior of Northwest Orient and Republic airlines very carefully, as they are the only two large carriers still servicing this market.

When they pull out, it is all over, except for very small, very expensive commuter routes that can't handle large cargo.

"The economy of those states [farming] just can't command a response from Congress," he said. "One reason is because the high turnover of congressmen from the area has left them with no senior lawmakers with clout, and the other reason is that their economy is not matching the competition from overseas." Where the "law of the jungle" (i.e. free market) governs even essential conveyor-belt services, this is what results.

Iowa: presidential issues are urban

The same problems, exactly, plague Iowa, the site of the first serious test for the 1988 presidential race next January.

Iowa is one of a half-dozen states that stands far above the rest in its annual gross profits from agriculture (California, Illinois, Nebraska, and Kansas are the others), so every presidential hopeful already stalking the state is talking about little else but the plight of the family farm.

However, as Robert Harpster, executive director of the League of Iowa Municipalities reminded me, there are 956 cities in Iowa—not all of them particularly large, but all of them facing the same issues as any other city (drugs, crime, education, health services, welfare).

And, ironically enough, the first debate between presidential candidates in Iowa will take place in Daventryport at the end of September, sponsored not by any farm organization, but by Iowa's League of Municipalities!

It is already guaranteed that if the organizers of the debate demand concrete answers from the candidates on what to do to rebuild the cities (and the farms, for that matter), they will find all the presidential candidates as bereft of any serious programs as the red-faced leaders of the National League of Cities were at their convention this past week.

All except Lyndon LaRouche, the first declared Democratic presidential candidate, which is why all the other candidates will undoubtedly do everything in their power to keep him out of the proceedings. The only question is, will the people of Iowa, whose survival demands answers to these questions, tolerate such a tyranny of the have-nots?

'Adenauer and de Gaulle asked me if we'd defend Europe with nuclear arms'

Following are excerpts from an interview with Gen Lauris Norstad, former Supreme Allied Commander, Commander of the North Atlantic Treaty Organization (NATO) 1956-62.

The interview was conducted for *EIR* by historian Anton Chaitkin on March 1, 1987, at the home of General Norstad. The general will celebrate his 80th birthday soon.

The discussion ranged over military and strategic topics from the 1950s and 1960s, and the lessons of that period for strategists of the 1980s. Then, as now, there was a fierce factional dispute between the traditional military men best represented by General Norstad and his senior, Gen. Douglas MacArthur, as against the Eastern Liberal Establishment faction, with its "utopian" military doctrine, personified by Defense Secretary Robert S. McNamara and National Security Adviser McGeorge Bundy. The views of the utopians, along with liberal kingmaker Averell Harriman, were also sharply contrasted with the traditional republican views of French President Charles de Gaulle and German Chancellor Konrad Adenauer, who had created a French-German alliance to help withstand the Soviet threat to Europe.

General Norstad was removed from his post on Jan. 1, 1963, a victim of the utopian faction whose tactics are spelled out in this interview. There were multiple attempts on the life of de Gaulle. *Washington Post* and *Newsweek* owner Philip Graham, a friend of General Norstad and a former Air Force intelligence aide to General MacArthur, was reported as a "suicide" by his estranged wife, Katharine Graham, after bitter political fights. The traditionalists had been influencing President John F. Kennedy away from the utopians' program of nuclear disarmament, the abandonment of Europe's defense, and the trap of a war in Vietnam; but President Kennedy was murdered in November 1963.

General Norstad: I opposed McNamara on many things, on many policy matters.

EIR: How did you come to resign from your position as NATO commander?

Norstad: They leaked to the press, in Europe and America, the lie that I was having a feud with President Kennedy. This was a deliberate lie, I had no particular problem with the President. This undercut my ability to continue to work with the Europeans.

EIR: So this is how they beat you.

Norstad: Well, as I told all my friends, they aren't beating me, I'm beating them, and that's how it's going to stay! . . . My great friend Adenauer called me in one day, he was disturbed after hearing this fabricated news of the "feud." . . . His aide had previously told me, "Your government is trying to undercut you." Adenauer asked me, "What in the hell is your government doing now?" I patiently explained to him, and he then understood, that it was not our government, but only certain individuals, who were doing this.

EIR: What was your relationship to Phil Graham. . .? What were his views on the NATO issues?

Norstad: Phil was strongly in favor of NATO and American leadership and America's contribution of strength to NATO. In the fall of 1950, Phil and [his father-in-law] Eugene Meyer got together just before I was to go overseas as U.S. Air Force commander. We discussed the efforts then being made by some persons to cut down the American contribution to NATO, which we all agreed was the wrong way to go. . . .

[Editor's note: Events of two years previous to this meeting illustrate Graham's views on these matters. In 1948, as Soviet military moves heated up the Berlin crisis; Phil Graham had convened a meeting in his Washington home for 20 newspaper publishers. Then-U.S. Defense Secretary James Forrestal asked Graham's guests if they would support the government should it be deemed necessary to resort to nuclear weapons to defend Germany from Russian aggression; Graham and all his guests agreed that they would support the government in such a decision.]

EIR: What was your relationship to Charles de Gaulle?

Norstad: De Gaulle and I got along very well. Perhaps I was the only one in the world to do so! . . . He gave me the [French] Grand Cross of the Legion of Honor.

EIR: Like yourself, General de Gaulle was the subject of vicious press attacks in this country. What is your view on that?

Norstad: The attacks on de Gaulle are an example of our deterioration as a people. [General Norstad here talked at length of his warm personal relationship with Charles de Gaulle, and about his invitation to visit France in 1964, after Norstad had resigned as commander of NATO. De Gaulle had his defense minister begin a detailed briefing of Norstad on France's independent nuclear weapons force, and how Norstad interrupted the briefing because it was inappropriate for him to receive this as a private citizen. The French explained that they developed this relatively weak *force de frappe* as a deterrent to the Russians, as a potential "trigger," since its use by the French would force NATO to come into nuclear conflict.]

EIR: Today there is a policy conflict over whether the United States should honor its commitment to defend Europe, just as there was during the 1950s and 1960s. [Current NATO commander] Gen. Bernard Rogers has been criticized, as you were, and is being forced to resign, for supposedly being "too willing" to defend Europe, for being "too European." Some West Germans have said they would be very happy if General Rogers were appointed U.S. ambassador to Germany, to replace the soft-on-the-Soviets Ambassador Richard Burt. What do you think?

Norstad: That would be great! Bernie Rogers is a totally capable, very, very intelligent man, who understands history.

EIR: What can you say about the "flexible response" doctrine, which came to be interpreted as implying the U.S.A. would not use nuclear weapons to defend Europe?

Norstad: What was good about "flexible response," I designed. What was bad about it, I didn't design. In 1957 I outlined NATO nuclear policy. "Appropriate response" meant that we must retain our option to use nuclear weapons, or we simply *give* Europe to the Russians. This is what I said: We are charged with defending these people. That doesn't mean defending them with popcorn. That doesn't mean that if we have to defend them and it comes to using a weapon that is unpopular, that we agree to defeat rather than using that option. The Europeans knew that they were really defenseless, that they had no ability under any circumstances to hold up to meet the Russians' overwhelming conventional superiority. . . . So let's make it damn clear, that our use of these weapons is up to us. . . . Adenauer and de Gaulle asked me if we would use nuclear weapons to defend Europe. So I put their question to President Kennedy. Kennedy answered that

we would use the means at our disposal. We are committed to the defense.

EIR: Did you know Gen. Douglas MacArthur?

Norstad: Well I was only a junior in his time. But MacArthur was a giant, a brilliant intellect, the greatest general of his era, probably in the world. In 1951, when the Korean War was stalemated and General MacArthur had not made his surprise landing behind enemy lines at Inchon, [the Air

What was good about "flexible response," I designed. What was bad about it, I didn't design. In 1957 I outlined NATO nuclear policy. "Appropriate response" meant that we must retain our option to use nuclear weapons, or we simply give Europe to the Russians.

Force] sent me out to Korea to confer with General MacArthur about his situation. . . . I got Averell Harriman to come out with me . . . because I wanted Harriman to hear what MacArthur had to say. . . . The first thing after our arrival, MacArthur explained 300 years of Asian history to us. He was the greatest, and his presence was totally commanding, for everyone.

EIR: And the liberal news media called him a warmonger, he certainly wasn't that.

Norstad: Did you ever know a single American general who was a warmonger? . . . Eisenhower was totally misrepresented as to his intent in his famous [presidential farewell] speech. When I brought up to Ike the press accounts of his attacking [industrialists] in that way, he told me "I never said that!" Ike said that you must have that big developed industry as the base of any actual military defense.

EIR: The Fusion Energy Foundation held a conference in Tokyo last year, showing the Japanese how their participation in our Strategic Defense Initiative would benefit them. This countered a faction even including Richard Perle of the Defense Department, who told the Japanese not to get involved, that President Reagan would be out of office in two years and the next President would shelve the SDI. What do you think?

Norstad: No matter who is President, SDI will live. It is essential.



Why is the shadow government trying to silence these reporters?

by Marianna Wertz

"The network identified last week by Sen. David Boren (D-Okla.) [of the Senate Intelligence Committee] as the 'shadow government' that has illegally ruled our government for 20 years, will go on trial in Boston in this case."

So stated Michele Steinberg, a defendant in the case of *United States of America v. The LaRouche Campaign, et al.*, on Feb. 20 of this year. The case, stemming from indictments handed down by a Boston grand jury, is the landmark trial of constitutional rights of free speech and association, which is scheduled for trial in April. In the case, the rights of reporters and fundraisers for political associations linked to declared U.S. presidential candidate Lyndon H. LaRouche, Jr., will be tested in a suit brought by *prosecutors who were themselves the subject of the reporters' exposés.*

In this bicentennial year of the U.S. Constitution, the most fundamental test of this purported democratic republic will be made: Whether critics of government policy can be fairly tried by the government officials they criticized, whose vindictiveness toward the inditees has been clearly demonstrated over a span of more than a decade, on charges of "conspiracy to obstruct justice."

Were this trial simply a trial of "dissidents," it would not be of such crucial significance for the nation. However, the subject of the exposés reported by the defendants over the past decade, is the very "secret government" which is now making headline news in "Irangate." As *EIR* has recently reported, the "secret government" now under the national

spotlight, has been the subject of investigation by journalists associated with Lyndon LaRouche since 1974. Identified years ago by these journalists as key in the "secret government," are the same government officials, and the Eastern Liberal Establishment networks they work for, who are now directing the prosecution in the Boston case: U.S. Assistant Attorney General William Weld and FBI Director William Webster, who has recently been named to head the CIA.

In this and next week's column, we will draw on the motions of the indicted "conspirators," to demonstrate that the motive for the prosecution in the Boston case is nothing other than vindictiveness against political opponents. In addition, we will show, as the motions amply prove, that the actual subject of the trial will be, not the alleged conspiracy to obstruct justice by the defendants, but the decades-long secret conspiracy to destroy a democratically elected government in the United States, a conspiracy best known by the name "Project Democracy."

In the Boston case, 218 motions have been filed by the defendants, who include The LaRouche Campaign (LaRouche's 1984 presidential primary campaign apparatus); Independent Democrats for LaRouche (LaRouche's 1984 presidential general election campaign committee); Campaigner Publications, Inc.; Caucus Distributors, Inc.; National Caucus of Labor Committees (the last three all involved with publications associated with LaRouche); and 13 individual defendants, with one exception, reporters or fund-

raisers for those organizations. One hundred and forty-eight of the 218 motions filed concern substantive abuses by the FBI, which has conducted a relentless campaign over 20 years, on behalf of the "shadow government," to stop the political activities of LaRouche and his associates.

As these motions document, there have been 11 specific attempts by the FBI since 1968, to force grand jury investigations or U.S. Attorney prosecutorial action against LaRouche. Until 1984, all attempts were in vain, as there was no substantial support in any administration for the FBI's vindictive wishes. From 1984 to 1986, when the "shadow government" gained nearly full power over the Reagan administration, the FBI got the *political* backing it needed to launch a grand jury investigation of LaRouche and his associates. Under cover of that grand jury process, whose abuse was documented in this space in last week's *EIR*, the "shadow government" has been conducting the most outrageous series of human rights violations against its political opponents—who are also, not by accident, the greatest opponents of the Soviet Union—since the days of Sen. Joseph McCarthy.

The following excerpts from defendants' motions in the Boston case, document in detail the real motive behind the prosecution: to silence these voices! The excerpts also make abundantly clear, that had these defendants' warnings been heeded by proper government officials, at any time in the past 20 years, the whole illegal "secret government" and its years of outrage against the laws and the citizens of the United States, might have been avoided.

Vindictive and/or selective prosecution

Defendants Jeffrey and Michele Steinberg, Paul Goldstein, Robert Greenberg, and Edward Spannaus, collectively and separately, allege vindictive and selective prosecution have been used against them by the prosecution. Their charge is backed by overwhelming evidence:

The Steinbergs, editors of publications associated with Lyndon LaRouche, charge:

"... Among the accuseds' concerns as authors and reporters has been the international trade in narcotics and other controlled substances. . . . It was through this concern that the accuseds became aware of a case involving the Bank of Boston and a subsequent settlement of the case which the accuseds viewed as too lenient. . . . The individual who was in charge of the Bank of Boston case and who initiated the investigation into Lyndon LaRouche, et al., which ultimately resulted in the present indictment, was the now Assistant Attorney General, William Weld.

"... As a result of the accuseds' investigation of the Bank of Boston settlement, these accuseds published numerous articles, books, and other written information which purported to detail a continuing relationship between the Weld family, the Bank of Boston, and Crédit Suisse Bank. The nature of the relationship between the Bank of Boston and

Crédit Suisse Bank was described as involving the laundering of drug proceeds. Additionally, the writings of the Steinbergs and others indicated that agreement between the Bank of Boston and the United States Attorney's office was entered into for the purpose of maintaining the search of the ties between Crédit Suisse Bank and the Weld family. It was further alleged that a director and an officer of the Bank of Boston contributed heavily to the campaign of Mr. Weld for the position of State Attorney General of Massachusetts. Furthermore, it was noted that Mr. Weld's brother-in-law was a member of the law firm which represented the Bank of Boston also that Mr. Weld inherited \$2 million in holdings of White Weld which formed a partnership with Crédit Suisse Bank.

"... Mrs. Steinberg personally lobbied in Congress to oppose the nomination of Mr. Weld, and met with aides of approximately seven members of the United States Senate to proffer reasons why Mr. Weld would be unfit for high office in the Justice Department on the grounds that he had engaged in a pattern of selective prosecutions and had covered up a multi-billion dollar money-laundering scheme (the Bank of Boston case) in which he had a personal financial conflict of interest.

"... Because of the documents prepared by Mrs. Steinberg detailing her allegations and calling for a complete congressional investigation prior to the vote on Mr. Weld's nomination, Mr. Weld was aware of Mrs. Steinberg's activities in Congress. It was, in large part, as the result of Mrs. Steinberg's activities and the testimony presented before the Senate Judiciary Committee in August, 1986, by Warren Hamerman, chairman of the National Democratic Policy Committee (NDPC), that Mr. Weld's confirmation vote was delayed until after the Labor Day congressional recess. An open question remained as to whether the Senate Committee would recommend for a full investigation as proposed by Mrs. Steinberg and Mr. Hamerman.

"... It is important to note that there may be other improper motives involved in the executive branch's desire to prosecute the editorial staff of *EIR*. . . . In March, 1985, Jeffrey Steinberg keynoted a Mexico City conference on the War on Drugs. This was in the immediate aftermath of the assassination of DEA agent Enrique Camarena in Guadalajara and the public surfacing of the William Weld-Bank of Boston scandal. This conference, attended by over a hundred top Mexican government and private security officials and representatives of numerous embassies, was also held within 90 days of *Narcotráfico, S.A.*, the Spanish language release of *Dope, Inc.* Jeffrey Steinberg's speech identified the role of the banks in the drug cycle. The conference also publicized a 14 point proposal by Lyndon LaRouche for a hemispheric-wide war on drugs.

"... In May, 1985, Jeffrey Steinberg travelled to Guatemala City as part of a tour including Peru and Panama. This

trip initiated War on Drugs discussions with high ranking government and military officials. As a result of information received during and after this trip, *EIR* prepared a documentary film and special report on the connection between narcotics trafficking and terrorism. In July, 1985, a delegation from Guatemala came to Washington, D.C. These active duty military officials received formal permission from the Chief of State, General Mejia Victores, to visit the District of Columbia under the *EIR* invitation. That delegation held meetings with the White House Office of Drug Abuse Policy, Congress, the Department of Justice, and Nestor Sanchez of the Pentagon.

" . . . In September, 1985, Jeffrey Steinberg returned to Guatemala City for meetings proposing anti-drug operations prior to the scheduled November and December elections. Jeffrey Steinberg met with Mejia Victores during that trip. An active point of the discussion was LaRouche's strong opposition to the incompetent Contra policy of the Reagan administration.

" . . . The final aspect of the selective prosecution in this matter has to do with attempts by the present administration to discredit Mr. Steinberg and the *EIR* in the intelligence community. . . . It is important to note that the *EIR* and its editors have broken embarrassing stories regarding many individuals who are currently being named as participants in the Iranscam and Iranamuck probes. These individuals include, but are not limited to, Michael Ledeen, Elliott Abrams, Adnan Khashoggi, Cyrus Hashemi and the role of Israeli intelligence in the illegal arms trade."

Goldstein and the Philippines coup

Defendant Paul Goldstein's Motion for Dismissal documents selective and vindictive prosecution against him on the following grounds:

" . . . That the defendant Goldstein has over a period of years dealt with high officials in the Government of the United States as well as numerous officials and agents of foreign governments on matters of national security, foreign policy, international terrorism and espionage.

" . . . Defendant Goldstein has been employed since 1974 as counter-intelligence and military strategy editor of *Executive Intelligence Review*. . . . In furtherance of his reporting activities Mr. Goldstein possessed numerous journalist accreditations including a Secret Service Press Pass.

" . . . Starting in 1982, Mr. Goldstein traveled extensively throughout the world meeting with various officials of foreign governments and discussed world events and politics. . . .

" . . . That certain officials in the U.S. Government did over a period of time attempt to stop, prohibit and dissuade Mr. Goldstein from conducting his reporting activities.

" . . . In 1983 an unnamed KGB official met with Paul Goldstein in Germany and made accusations that the Central

Intelligence Agency was responsible for the attempt to kill the Pope. . . . Immediately thereafter, certain U.S. officials informed Mr. Goldstein that he was interfering with CIA business and was creating enemies with the U.S. government.

" . . . Paul Goldstein met and discussed international terrorism with officials in the French, German, Spanish, Israel and Italian government. . . . The State Department filed protests with the above-named government and told them not to meet with Paul Goldstein.

" . . . During the course of his journalist duties Paul Goldstein uncovered certain possible illegalities conducted by members of certain subsectors of the National Security Council. . . . Shortly thereafter an unnamed United States official informed him if he continued his investigation he would subject him to federal prosecution.

" . . . Paul Goldstein's investigation led him to write an article alleging a plot by certain United States officials for a coup against President Marcos of the Philippines. . . . While in the Philippines, Paul Goldstein received messages from purportive United States officials that unless he backed off his investigation, he would be indicted. The purported United States official was one, Forrest Lee Fick. . . . On October 6, 1986 Paul Goldstein was indicted with the chief witness against him, Forrest Lee Fick."

Greenberg and Spannaus: exposing Irangate

Defendants Greenberg and Spannaus, in their Motions for Dismissal, show definitively that the prosecutions against them are directed to stop their investigations of the "shadow government":

"As set forth throughout this statement of facts, Greenberg has consistently, over a period of years, exercised his First Amendment rights of expression and has been a persistent critic of the prosecutors in this case, the FBI and the U.S. Department of Justice. . . . Robert Greenberg has become a target of the U.S. Department of Justice, the FBI and the National Security Council (NSC) over the last seven years primarily for the following two reasons:

"1) His leading role since the summer of 1980 in exposing a cover-up by officials of the Department of Justice, the FBI and the National Security Council of criminal violations of U.S. arms sale policies with Iran. Investigations into these violations are known today as 'Irangate'; and

"2) His leadership role as editor of the counterterror newsletter, *Investigative Leads*, in exposing the FBI's role in protecting certain terrorist circles in the United States and illegal drug trafficking networks, especially banking institutions, such as the Bank of Boston, which have provided a money-laundering support apparatus to these operations. Likewise, he has directed the editorial policy of *Investigative Leads* towards consistent exposés of how the FBI has been instrumental in the destruction of local law enforcement ca-

pabilities. . . .

"Another area of expertise which Greenberg has developed over the years is how drug money profits are laundered through the U.S. banking system. While he has used this expertise to aid and assist law enforcement personnel in locating certain drug trafficking circles in the U.S., he has also used this knowledge to publicly attack those law enforcement officials who have protected certain banking institutions from prosecution. Critical to unmasking the laundering of drug money profits is how a bank abuses the currency transaction reporting laws. Two cases in which Greenberg had a direct role in investigating the malfeasance of Justice Department officials are the Bank of Boston case and the Ohio Home State Savings Bank owned by Marvin Warner.

"In the Bank of Boston case, *Investigative Leads* exposed the fact that then-U.S. Attorney William Weld who at the time was already conducting an investigation of the defendants in this case, allowed the bank to plea bargain to thousands of violations of the currency transactions involving \$1.2 billion. The bank paid a nominal fine of \$500,000 and none of its officers was prosecuted. *Investigative Leads* revealed the fact that two Bank of Boston officials, William C. Mercer and Peter M. Whitman, had previously made financial contributions to Mr. Weld's 1978 unsuccessful bid for state attorney general. In the April 1, 1985 issue of *Investigative Leads* William Weld's conflict of interest in handling the Bank of Boston case were made public. . . .

"Former Assistant U.S. Treasury Secretary John Walker in testimony on March 5, 1985 before the U.S. House of Representatives Subcommittee on Financial Institutions discussed the Bank of Boston case. He testified,

There's every indication that the \$600 million of small bills that the Bank took in was the laundering of 'drug money'. . . .

"While no individuals were indicted in the Bank of Boston case involving \$1.2 billion, the difference in the way William Weld treats his political supporters as opposed to his political adversaries could not be more apparent.

"Edward Spannaus has been a special target of the FBI and the U.S. Department of Justice for many years, and particularly in recent years, for two reasons:

"1) His central role in coordinating the legal defense of the National Caucus of Labor Committees, its members and leaders, and organizations associated with NCLC members; and

"2) His investigative and journalistic endeavors in publicizing malfeasance and misfeasance on the part of the FBI and Department of Justice, most notable in the case of Iranian-sponsored terrorism and gun-running.

"In 1975, Spannaus was one of a number of members of the NCLC who brought suit against the various officials of the FBI and Department of Justice for violations of their

civil rights, and for access to files under the Freedom of Information Act. That suit is still pending (*LaRouche v. Webster*, No. 75-Civ-6010-MJL, S.D.N.Y.). . . .

"Spannaus has had a highly visible paralegal role throughout the litigation of the *Webster* action and other lawsuits. . . . Spannaus has also written dozens of news articles criticizing the FBI, and has consistently reported on FBI harassment of NCLC members and associates of LaRouche, and countermeasures taken. . . . "Spannaus has been perceived as a thorn in the side of the FBI and Justice Department for other reasons as well. For a number of years Spannaus has investigated the covert ties between the U.S. and Iran, emphasizing gun-running and terrorism. His investigations exposed the fact that officials of the Justice Department, including U.S. Associate Attorney General Stephen Trott and FBI Assistant Director Oliver Revell, were involved in covering up illegal activities by Iranians in the U.S.

"In 1980, Cyrus Hashemi, an Iranian banker based in the United States, sued defendant Campaigner Publications, Inc., among others, for exposing his role in funding pro-Khomeini terrorism inside the United States. In the course of assisting attorneys defending that libel action, Spannaus was responsible for directing discovery and investigations. At one point, Subpoenae Duces Tecum were issued to five government agencies seeking documentation of the illegal activities of Hashemi. The Justice Department successfully resisted the subpoenas, asserting a 'state secrets' privilege for all documents concerning Hashemi's illegal activities. Hashemi (who died mysteriously in July 1986), was subsequently indicted on charges of having conspired to ship prohibited war materiel and parts to Iran between 1980 and 1981, and he has been identified as one of the Iranian middlemen in the Reagan Administration's secret 1985-86 arms deal.

"In 1985 Spannaus filed an FOIA lawsuit seeking documents regarding Hashemi's gun-running and Iranian-sponsored terrorism in the U.S. In that action, *Edward Spannaus v. Department of Justice*, Civ. 85-0841-A, (E.D. Va.) Spannaus authored an affidavit in February 1986, describing 'a secret arrangement made during the hostage crisis that the U.S. government would not prosecute any Iranians in the U.S., in return for supposedly favorable treatment for the U.S. hostages.'

"Since 1982, Spannaus has published many news articles which have been highly critical of the Department of Justice and the FBI for coverup of Iranian-sponsored terrorism, gun-running and for obstructing justice. . . . A memorandum documenting his findings was recently presented to the Honorable Lawrence E. Walsh, Independent Counsel investigating 'Iranscam.' Spannaus's articles since 1982 contained exclusive information which has only in the past few weeks been published in other news media."

Burton considers mandatory AIDS tests

Rep. Dan Burton (R-Ind.) took to the floor of the House of Representatives on March 3, to continue to bring information on the deadly AIDS virus to the attention of his colleagues. Burton said that he and others in the House are considering setting up a program for mandatory national AIDS testing, as a means of helping to bring the epidemic under control.

"People ask me what should be done," Burton said, "and I and my staff and others in the Congress are looking at the possibility of mandatory AIDS testing, not just for a select few people in this country, but for everybody of school age and older. The reason for that, is that we do not believe everybody has AIDS, but we need to find out who does, we need to track it, and we need to let the people who have it, know that they have the AIDS virus in their systems, and submit to them that they have to change their habits and not be involved with people who have not been exposed to the disease, because even though you do not have an active case of AIDS, if you have the virus in your system, it can be communicated to other people and is being communicated on a daily basis."

Burton described it as a "tragic state of events," where "people who do not know they have the virus are infecting other people."

Burton denounced the false information being given to the American people, that use of condoms promised "safe sex." "People of this country are carrying out their daily activities based upon this information, and it could very well kill many of them. . . . People who tell us that you cannot get the AIDS virus because you are using

condoms, simply are not telling us the truth," he said. Burton described a study of condom use among San Francisco homosexuals conducted from 1980 to 1985, which reduced the rate of venereal disease by 70%. At the same time, "the AIDS epidemic increased from 12 to 67%," he pointed out.

House rejects cuts for VA hospitals

The House Veterans Affairs Committee, led by chairman Rep. Sonny Montgomery (D-Miss.) and ranking member Rep. Gerald Solomon (R-N.Y.), and with strong bipartisan support, succeeded in getting House approval for H. Con. Res. 27 by voice vote on March 3. The resolution says that "Congress strongly opposes the policy contained in the Veterans Administration budget for FY 1988 to reduce the capacity of the VA to provide health care to eligible veterans through a reduction in funding levels."

Montgomery said that the proposed cuts would put the VA about \$246 million below current services, would necessitate a 3,800 staff reduction, would deny hospital care to 13,548 veterans, and would reduce outpatient visits by at least 113,000.

Both Montgomery and Solomon noted the increasing demands for treatment of AIDS cases among veterans, now numbering more than 1,000 nationally. "Hospitals who administer to these patients should be receiving additional funds," Montgomery said. "The VA is conducting several AIDS research projects and we should do more. The VA has made major medical breakthroughs in other

areas of medicine, and we hope VA researchers will find a way to cure this dreaded disease."

Rep. Roy Rowland (D-Ga.) attacked the Office of Management and the Budget (OMB) for coming up again and again with proposals "with potentially devastating effects," and while these are often rejected by Congress, "they aren't giving up."

McCain asks 'reduced commitment' to NATO

Freshman Sen. John McCain (R-Ariz.) on Feb. 26 demanded, in a statement on the Senate floor, that the Congress adhere to the Gramm-Rudman-Hollings balanced budget target of \$108 billion for FY 1988, even if this means a reduced commitment to the defense of the NATO alliance. He condemned Budget Committee chairman Sen. Lawton Chiles (D-Fla.) for seeming to abandon the Gramm-Rudman target "before Congress has had a chance to tackle it."

McCain gained notoriety in Europe recently, with the publication of a letter to the editor of the German daily *Die Welt* on Feb. 25, predicting that U.S. budget and trade deficits will lead to an American troop withdrawal from Europe "within the next few years."

In his Senate speech, McCain declared, "The challenge we face is to ensure the freedom of our NATO allies if we reduce our commitments. . . . There have been several crises in NATO's four decades; Europeans should be aware of the approach of another."

McCain's staff reports that he believes that Europe will react to U.S.

cutbacks by assuming a greater defense burden to protect their national interests, rather than by seeking accommodation with the Soviets, even while the Reagan administration prepares to pull U.S. intermediate-range missiles out of Europe in the face of massive Soviet conventional superiority.

McCain is a former Navy captain, who was wounded and made a POW in Vietnam.

Study calls for further steel shutdown

A Congressional Budget Office (CBO) study prepared at the request of the House Science and Technology's Investigations and Oversight subcommittee, titled "How Federal Policies Affect the Steel Industry," calls for further elimination of steel production capacity.

"If capital markets are correct in seeing investment in the steel industry as an inefficient use of scarce resources, then any federal effort to stimulate such investment would be at the expense of other, more valuable economic activities," the report states.

Among the areas which the report then recommends that the government involve itself in are: to encourage research and development; to provide incentives for the industry to "restructure," a code word for plant shutdowns and eradication of capacity; and "smoothing the transition to a smaller industry."

Excess capacity, the report argues, is inhibiting the ability of the industry to make the best use of the investment capital it has.

Subcommittee chairman Rep.

Robert Roe (D-N.J.) endorsed the report, stating that "government assistance should be directed to helping industry retire excess capacity while assuring that it honors its pension commitments to steelworkers." Roe also called for cooperation from the labor force "for the targeted retraining and relocation programs mentioned in this study."

One Hill source said that many members may just decide to ignore the report, since they feel that a steel industry is still necessary.

Who will bail out the bankrupt S&Ls?

Congress continues to struggle with the issue of the Federal Savings and Loan Insurance Corporation's (FSLIC) growing difficulty insuring roughly \$900 billion in deposits. While Congress took preliminary action last year, final legislation was not passed. What was expected to be rapid passage by the 100th Congress, is now an issue dragging on longer than expected.

H.R. 27 was introduced on Jan. 6, authorizing \$12-15 billion for FSLIC, to be generated out of the Federal Home Loan Bank Board system, and House Banking Committee Democrats were expected to meet at the beginning of February to schedule action. Instead, they were caucusing on March 5 to try to reach agreement on a timetable for action.

Similarly in the Senate, Banking Committee chairman Sen. William Proxmire (D-Wisc.) introduced a package of banking measures including closing the "non-bank banks," and scheduled a Feb. 25 meeting of the committee. This was postponed to

March 5, and then postponed again until March 10.

Ironically, as the condition of the FSLIC is shown to be worsening, the latest efforts in Congress are to give the FSLIC less money than previously proposed. The U.S. League of Savings Institutions expressed its fear to a House Banking Committee hearing March 4, that money given to FSLIC would be used to close down the S&Ls. The League is urging \$5 billion to be raised over two years. It costs less money to keep bankrupt S&Ls open, than to shut them down and pay off depositors who are insured up to \$100,000 per depositor, if a buyer for the bank cannot be found.

In addition, a fight is going on in Congress over "forbearance," i.e., whether regulatory standards should be eased in order to try and let bankrupt institutions keep operating. Most agree that S&Ls that got in trouble because of fraud should be shut down. But many in Congress urge that S&Ls should be allowed to "wait for the economy to recover."

The Banking Committee was told by the Government Accounting Office that a preliminary audit showed that the FSLIC ended 1986 with a \$3 billion deficit—technical bankruptcy. A Texas-based federal regulator told the committee that 9% of the S&Ls in his jurisdiction were "brain dead," i.e., would never recover.

While this rearguard action is ongoing to forestall FSLIC shutdowns, some, such as Rep. Gerald Kleczka (D-Wisc.), are urging more money for FSLIC now, warning that bailouts with taxpayers' dollars would be requested otherwise. Either way, however, the question of bailouts for the bankrupt system will be on the congressional agenda soon.

National News

Congressman has great defense idea

Rep. Les Aucoin (D-Ore.) has won *EIR*'s "Zbigniew Brzezinski Award" as strategic thinker of the week. Writing in the March 1 *Washington Post*, Aucoin proposed a substitute for the Strategic Defense Initiative.

"An alternative course is a verifiable treaty banning ballistic missile flight tests. This would stop Soviet missiles from becoming more accurate, and accuracy is the key to a first strike. In addition, a zero-test would eventually cause Soviet missiles to become unreliable."

The penny-conscious congressman observes: "Both Star Wars and a zero-flight-test would lower confidence in a Soviet first strike. The key differences are that a zero-flight-test costs nothing, can be deployed immediately, requires no maintenance, and gets better with age."

Hart won't take money from North

Democratic presidential hopeful Gary Hart said March 1 that Lt. Col. Oliver North used political action committees to divert money to the Contras. "What North has done was to use the political action committee system do to what they did in Watergate—launder money," Hart told reporters.

"I think the system is out of control. It was out of control before Oliver North. Ollie North is just the final thing that brings it out in the open."

Hart has announced he will accept no money from political action committees. "The other candidates are going to have to explain why they do."

Aspin to hear SDI deployment testimony

Rep. Les Aspin (D) of Wisconsin, chairman of the House Armed Services Committee,

has called for testimony from several industry officials involved in development of space-based and land-based kinetic kill vehicles for the President's Strategic Defense Initiative, writes Gregory Fossedal in the March 2 *Washington Times*. The focus of the testimony will be deployment potential and schedules.

"Few observers think, and his aides strenuously deny, that Mr. Aspin is interested in giving explicit support to SDI deployment," says Fossedal. Aspin's scheduling of such industry spokesmen as witnesses, however, "is an indication that the influential Democrat takes seriously the growing sentiment for deployment both inside the Reagan administration and, more importantly, among SDI backers on Capitol Hill."

Said a former staffer to the Senate Armed Services Committee, "Les Aspin is preparing for the day, just in case it should come, that Ronald Reagan stands up and offers a deployment plan."

Cutler calls for ABM Treaty law

Attorney Lloyd Cutler, a member of the Trilateral Commission and chief counsel to Jimmy Carter's White House, stated, "A law requiring the executive branch not to take actions violating a certain interpretation of the [1972 ABM] treaty would be constitutional," according to the Feb. 27 *Washington Times*.

"It would be preferable," Cutler elaborated, "for the law to be drafted so as to bar the specified actions whether or not they violate the terms of the ABM Treaty." He said such wording would avoid possible infringement of the President's power to interpret a treaty.

"While a new law restricting the President's right of withdrawal from the ABM Treaty . . . would be constitutional, the President's lawyers would have quite plausible arguments to the contrary," he said, adding that a better legal course would be to use Congress's power of the purse to bar spending funds for testing or deployment of anti-missile systems other than those that are land-based and non-mobile—and sitting

ducks for Soviet SLBMs eight minutes off the U.S. coast.

Northwest rejects regional primary

A four-state regional primary for the Pacific Northwest looks unlikely, according to the *Seattle Times* Feb. 24. Proponents of a regional primary want Idaho, Oregon, Washington, and Montana to hold primaries on the same day, the fourth Tuesday in March, March 22. But the measure has yet to clear any of the four state legislatures.

Laws introduced in the four states would make the same-day primaries' results binding in terms of giving candidates their proportionate share of delegates to the national convention.

Washington's house of representatives passed a primary bill two years ago, but it is now bottled up in a senate committee. The state presently uses a complicated caucus and convention system. Idaho now has a non-binding March 22 primary and is unlikely to change it. A Montana bill would change the primary from June to March 22, but the bill is still in committee, and must be approved by three fifths of the legislators to survive this session. An Oregon bill would change the date only if two other states did.

Dale Bumpers hails 'death of Bolshevism'

Prospective Democratic presidential candidate Sen. Dale Bumpers called on the Reagan administration March 2 to move rapidly to negotiate an arms control deal with the Soviets as a way to keep alive Mikhail Gorbachov's *glasnost* ("openness") policy. Under that policy, the Soviet leader has freed a few alleged dissidents and purged the party and government apparatus as necessary for the Soviet war buildup.

But not according to Bumpers. In his view, *glasnost* signals the death of Bolshevism itself.

"For 70 years this nation has waited for the old Bolsheviks to die off and a new lead-

er to emerge," Bumpers said in an address at Columbia University in New York. "Now that one has. . . ."

"His ability to continue reforms that we believe fundamental to a new and realistic arrangement between us depends in no small way on our responses."

Bumpers insisted that President Reagan holds the fate of Gorbachov in his hands, stating that if the President insisted on negotiating only on his terms, "Gorbachov may survive, but only after the initiatives he's now taking have been halted and reversed."

Bumpers also demanded a phase-out of all nuclear tests and a limit on SDI testing to the Soviet interpretation of the ABM treaty.

To save Gorbachov, it would seem necessary to surrender.

Bill would merge intelligence committees

A bill to merge the intelligence committees of both houses of Congress into a single joint committee was introduced by Rep. Charles Bennett (D) of Florida in the first week of March.

Said Bennett, "This would surely bring about a better chance that the President would share . . . intelligence knowledge on such matters as Iran and Grenada. If this committee had been in place in regard to the Iran situation, the advice of the committee would undoubtedly have been: 'Don't do it.'"

The merger was proposed by the Tower Commission in its recent report on the Iran-Contra affair. In the commission's opinion, the large number of congressmen and staff on the existing committees gives Presidents "cause for concern and a convenient excuse" not to consult fully with Congress on secret operations.

Admiral Crowe caught in the middle?

Admiral William Crowe, chairman of the Joint Chiefs of Staff, "has been caught in the middle of a tiff between Secretary of Defense Caspar W. Weinberger and Secre-

tary of State George P. Shultz," said the March 2 New York Times.

Weinberger and Shultz differ on the interpretation of a provision of the military reorganization act that makes the Joint Chiefs' chairman the principal military adviser to the President, the secretary of defense, and the National Security Council.

Weinberger contends that Admiral Crowe works for him and ought not be giving military advice to the National Security Council except through him, while Shultz contends that, as a member of the NSC, he has a right to hear Crowe's advice.

Shultz, according to the *Times*, has exercised his claimed prerogative by inviting the admiral to brief him directly. The admiral has accepted the invitations, while informing Weinberger prior to and filling him in immediately after the conversations. Crowe meets daily with Weinberger.

Judge out to bankrupt LaRouche associates

Judge A. David Mazzone of Boston, said to be the personal property of the former U.S. Attorney there, William Weld, has imposed \$21 million in fines on four organizations operated by associates of Lyndon LaRouche. The fines were originally sought in September 1986 by federal prosecutor John Markham, then Weld's assistant in Boston. Weld is now the Justice Department's Criminal Division head.

While in Boston, he directed a grand jury probe against LaRouche's friends that turned up no illegalities. Weld charged four people with crimes anyway—or rather, with his failure to find a crime: "obstruction of justice."

Now, Judge Mazzone has imposed the gargantuan fines because the four organizations failed to comply with a Weld-Markham subpoena to produce documentary material on their financial operations. Just one hitch; they did. John Markham himself is on the court record in December 1986, stating: "[The] various LaRouche organizations produced a wealth of material. It's never been our contention that they didn't produce it."

Briefly

● **CHARLES CURRAN**, suspended from his teaching post at The Catholic University in Washington by the Vatican, filed suit in federal court March 2, asking that the school be prevented from "violating the provisions of [his] contract with the university," allowing him to teach courses "in programs of study having only civil effects." Curran is an advocate of sodomy, euthanasia, etc.

● **BRUCE BABBITT**, former Arizona governor and presidential hopeful for the Trilateral Commission, denounced the Strategic Defense Initiative, President Reagan for turning down "the deal of the century" at Reykjavik, and Third World nations for spreading "pollution," at a Feb. 27 forum in New Hampshire.

● **THE FUTURIST L-5** cult and the National Space Society are merging in April. L-5's membership dropped from 10,000 in 1982 to only 3,000 today. The Space Society has lots of money but no big-name military or scientific figures, which L-5 does—for example, High Frontier's Danny Graham. "They hope they can salvage one organization from the two," said a source.

● **THE PENTAGON** announced on March 4 that the first experimental facility for the free-electron laser will be built on a missile range in New Mexico. "The research may ultimately lead to a ground-based laser that would guide its beam with space-based mirrors to destroy enemy missiles shortly after they are launched," said the Strategic Defense Initiative Organization.

● **CHRISTIAN** fundamentalist sects in Central America are receiving U.S. government support against the Catholic Church, according to the *Christian Science Monitor* March 5. The article traces this U.S. policy to the 1960s, and quotes Nelson Rockefeller in 1969: "The Catholic Church has ceased to be a reliable ally for the U.S. and the guarantor of social stability on the continent."

Editorial

Vindication in Sweden

The first anniversary of the murder of Swedish Prime Minister Olof Palme came and went on Feb. 28, and with it, a series of events which have totally vindicated this publication and the associates of Lyndon H. LaRouche, Jr. in our analysis of the wild Soviet disinformation campaign that unfolded after the murder last year.

The first event was the publication of a *New York Times Magazine* cover feature on March 1, 1987, exposing the reasons why the Palme murder has remained unsolved. The second was the resignation of Stockholm Police Commissioner Hans Holmér, the chief perpetrator of a "LaRouche link" to the crime, in the wake of the *Times* article. The third was the launching by the Swedish government of its own "Irangate" probe, which will hit, as it has here, the hard core of enemies of LaRouche and *EIR*.

After Palme was gunned down on the evening of Feb. 28, 1986 on a Stockholm street, with no security guards protecting him, a worldwide media campaign was unleashed, trying to implicate the Swedish co-thinkers of *EIR*'s founder and contributing editor, Mr. LaRouche, in the crime. This campaign hinged solely on the arrest of a 33-year old "suspect" in Sweden who had once approached the European Labor Party, which is led by Swedish collaborators of Mr. LaRouche. (The individual had been quickly expelled from association with the ELP some years ago, after it was discovered that he was mentally unstable.)

Even though the suspect had no actual connection to LaRouche and moreover, was released by Swedish authorities due to lack of evidence against him, the smears took on a life of their own. In November 1986 a new flurry of media speculation, worldwide once again, was touched off by the "leak" from NBC-TV that the October raid on offices of LaRouche-associated publications in Leesburg, Virginia had yielded notes on the Palme case that had been forwarded to the Stockholm police by U.S. Attorney William Weld's office.

The so-called "new evidence" was reporters' notebooks from our own investigation that *EIR* had launched, naturally, in the wake of the murder! *EIR*'s inquiry

showed that the Swedish police, under the direction of Stockholm Police Commissioner Hans "Clouseau" Holmér, had bungled the pursuit and investigation of the murderer almost beyond belief. Moreover, we proved, the thousands of reports that found their way into the most provincial papers, alleging a "LaRouche connection" to the crime, all traced back to the highest levels of Soviet disinformation services.

In a paper laying out "Investigative Hypotheses" on the case, LaRouche proposed that the broadest benefit of the Palme killing accrued to the political "joint-stock company" interests of the contemporary form of the "bi-polar arrangements" between certain wealthy Western interests and Moscow, also known as "The Trust." This paper, and the wealth of evidence accumulated by our investigators concerning the Palme murder, were published in fall 1986 in an *EIR Special Report*, "A Classical KGB Disinformation Operation: Who Killed Olof Palme?"

The *New York Times Magazine*'s March 1 article, although containing many new colorful details and first-person interviews, contained nothing crucial that had not already been reported in *EIR* or in the *EIR Special Report*. Reporter Richard Reeves's thesis that the murder was linked to the suspicious death on Jan. 15 of this year of Sweden's War Matériel Inspector, and that both killings were politically motivated to cover up Sweden's role in the Iran-Iraq War, had been detailed three weeks earlier in *EIR*'s "Northern Flank" column (Feb. 6 issue, page 41).

Our *Palme Special Report* had identified that Olof Palme had, before his murder, ordered a halt to the illegal shipping of weapons to Iran by Swedish firms, and moreover, had ordered a probe into "insider trading" targeting the Swedish financial/armaments industry nexus which we identified as the "Northern Route" of The Trust.

Now that some Swedish authorities appear to be following these leads, perhaps a competent investigation can begin—one that will include, also, an inquiry into why the Soviets, NBC-TV, et al. were so frantic to shift attention to LaRouche.

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