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From the Editor

The expected Reagan-Gorbachov summit slated for May 29 is now less than a month away, and as we go to press it is becoming more and more hypothetical. Why?

First, as Lyndon LaRouche explains in his strategic analysis on page 42, the upcoming Soviet leadership plenary sessions in May-June are not TV soap operas. The U.S. liberal media, which invested more in building up Gorbachov-the-liberal than in anyone since Kennedy, are on the verge of being massively discredited.

The first two articles in the *Economics* section give critical elements of the picture. First, the heating up of the Polish strikes (page 6) is the result of what our on-the-ground sources in the East bloc tell us are absolutely intolerable economic hardships. The unrest is not likely to subside, nor to stop at the borders of Poland. In August 1980, then-Chancellor Helmut Schmidt of West Germany canceled a trip to Warsaw because he was warned of a potential bloodbath there. In spring 1988, Ronald and Nancy Reagan, if anything even *more* sensitive to public opinion than was Schmidt, may not want to be in Moscow shaking the hand of Gorbachov the "butcher of Poland."

Moreover, as Chris White's report on the trade bill (page 4) indicates, bitter partisan warfare in Washington has led to total policy paralysis. This has increased the fighting chance for patriots to defeat the treasonous INF treaty or at the very least, delay ratification until after the hypothetical summit. It seems that the Bush-CIA dirty tricks machine, and the Kennedy-Dukakis apparatus are locked in a deadly struggle to win the presidency. Although their policies are the same, it may be that each group believes that whoever wins this time, will be the one to implement a fascist dictatorship in the United States.

But the paralysis also provides an unparalleled opportunity for forcing a change in policy. The case of Panama is exemplary: This week's cover story, with the Schiller Institute's emergency plan for Panama to resist economic warfare, intersects a Reagan administration retreat (page 55) in its "get Noriega" drive.

Finally, on page 62, we report on the solid victories by LaRouche's running-mates in the Pennsylvania primary, and on page 65-66, on court developments which seriously discredit the legal witchhunt against LaRouche.

Nora Hamerman

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George Bush and the trade bill

by Chris White

The 1,000-page plus legislative monster known as the Trade Bill of 1988 finally passed through the U.S. Senate April 27, but did so four votes shy of the number required to override an expected presidential veto. Does the vote doom the monster it has taken U.S. legislators three and a half years to produce? By no means. This financial and economic warfare package, called a trade bill, will continue to function as one of the principal weapons in the U.S. financial elite's arm-twisting and blackmail arsenal for the coming months.

In the United States, the President's veto has been tied to a demagogic public debate between gangs supposedly representing "big business," on the one side, and "big labor," on the other. One item in the bill has been the focus of their contention, namely, the requirement that 60 days' notice be given before the implementation of plant closure and layoff plans. So-called labor, and liberal Project Democracy-type Democrats, neo-isolationist to the core, like the wily old grandma of the House, Jim Wright, have insisted on the inclusion of the notification provision. The Chamber of Commerce and the Business Roundtable mobilized against it. Apparently, if the public side of things is to be believed, the President was so swayed by the latter, that the bill was doomed from the moment the House of Representatives refused to remove the offending provision. Unlike the Senate, the margin of passage in the House, by three to one, was sufficient to override the anticipated veto.

The sticking point, the plant closure question, actually has nothing to do with what's known to be going on behind the scenes. Even though, during an election year, it does have the obvious demagogic appeal, and moreover, does, ridiculously enough, include banks among the "plants" that would be required to give advance notice of closure. It's not difficult to imagine the chaos that would ensue if the nation's bankrupt banks were forced to give 60 days' notice of their

intent to shut their doors. Such a measure might well qualify as a far more effective "circuit-breaker" than anything that is presently being discussed for stock and futures markets. Presumably, the financial system would simply come crashing to a halt.

What's more to the point, behind the scenes, is the inter-relationship between George Bush's presidential aspirations, the dependence of the U.S. financial system on continued inflows of funds from Japan especially, and the more perverse of the provisions which remain as the core of the bill, after the plant closure veto hook is left aside. Enactment of those features of the bill, if Japan's reaction is any indication at all, might well prove to be the straw that broke the camel's back, where Japan's willingness to continue to bear the burden of financing U.S. deficits is concerned. George Bush's hopes would go the same way as the foreign financing.

House passage of the bill, with its veto-proof margin, in the week ending April 23, elicited the kind of reaction from Japan that hasn't been seen in the entirety of the postwar period. A meeting of the Japanese cabinet April 22 produced an official statement from the spokesman for Prime Minister Noburu Takeshita, warning of the consequences for the world economy, if the bill were passed. The head of the Ministry of International Trade and Industry denounced U.S. "super-power arrogance" and "racism," asserting that the bill isn't a trade bill at all, but an effort to take out the failures of U.S. economic policy on Japan. Senate passage was greeted by a new barrage from the Japanese government, warning again of the consequences for the world economy, and reminding the United States, forcefully, that President Reagan had promised the Takeshita government that the bill would be vetoed.

Specific measures, designed to inflame Japanese tempers, include the following, beyond a blanket mandate given

to the President to determine what kind of retaliation should be taken against countries deemed practitioners of "unfair" trade practices. 1) A ban imposed on the Toshiba Company, preventing it from doing business in the United States for three years. This, supposedly in punishment of the Toshiba Company's trading with the Russians, even though Toshiba has already been held accountable under Japanese law. 2) A ban on certain Japanese securities dealers, prohibiting them from dealing in primary markets for U. S. government debt, unless the same privilege is accorded U. S. securities dealers in Japan within a year. Apparently, U. S. dealers already have such privileges. The measure excludes Crédit Suisse. 3) The empowering of the U. S. Treasury Secretary to negotiate "appropriate" levels for the dollar exchange rate of those countries which not only maintain a trade surplus with the United States, but also with the world economy as a whole.

Japanese support jeopardized

There are other noxious features to the package, but the cited three give some idea of why Japan in particular would react the way it has. Japan accounts for about \$80 billion of the \$160 billion foreign funds inflow which is required to maintain the appearance of solvency for the U. S. financial system. In large measure, the commitment of George Bush's campaign managers, like James Baker at the Treasury Department, and Nicholas Brady, chairman of Dillon, Read and head of the President's commission on the Oct. 19 stock market crash, to try to keep the financial system together, through the November elections, hinges on the continuance of that flow of funds from Japan.

In that light, it may be assumed that the veto pledge will be honored, and that the package that has been worked on for three and half years now will be shelved, at least until after May 11. The Treasury's quarterly debt auction takes place May 10 and 11, and to keep the Bush game going, Japanese participation is required.

Aside from the specific targeting of Japan, and Japanese interests, paralleled in the bill's attack on the European Airbus industries, the assumptions which underlie the bill have aroused the ire of Japanese and Europeans alike. This has been expressed recently by West Germany's former economics minister, Otto Graf von Lambsdorf, and by the editors of London's *Financial Times*.

In presuming to enact, unilaterally, legislation aimed at what has previously been within the domain of international law, and bilateral relations between states, the United States is presuming the authority and ability to overthrow the entire structure of international trade law, while also presuming to dictate terms regarding the internal conduct of respective countries economic policy. The outlook which underlies the trade bill reflects the same kind of thinking which has been applied against Panama.

Perhaps the anticipated veto will encourage Japan to continue to provide funds this time around. Over the longer term,

however, the kind of psychotic thinking about how the United States should conduct international policy, which is reflected in the bill, is guaranteed to make everything much worse. It's the same kind of "dog-eat-dog" approach which has come to characterize the internal affairs of the U. S. banking system. The idea that "might makes right," that the irrational assertion of, and imposition of one's arbitrary will upon another, is the cornerstone of policy. It's the kind of outlook against which the United States went to war in 1941, and against which, as the Declaration of Independence and Constitution attest, the United States was itself built as a nation. The trade bill enshrines that kind of fascist world outlook as the core commitment of U. S. foreign policy for the period ahead. Little matter then, whether the Japanese continue to provide funding for the U. S. financial system, or not. Such a world, of brutal genocidal austerity, won't be a world in which anyone who is sane will either want to live, or yet, be able to live.

What kind of veto

Meanwhile, the Japanese, and others, wait to see whether the President will exercise his veto, and if he does, how it will be formulated. Apparently there are three views on this. In one, the President would simply veto the bill, on the grounds of the unacceptable plant closure provision. This, perhaps, would permit the package as a whole to be re-presented, without the offending provision. In a second version, two offending measures would be identified, beyond the plant closure matter; in this view, restrictions on exports of Alaskan oil would also be identified as unacceptable. Proponents of this view argue that the inclusion of this measure, in the reasons for the presidential veto, might be sufficient to induce Alaska's two senators to change their vote, and support the stripped-down bill. Third, would be to simply dismiss the bill as a whole as unacceptable.

Whatever the President decides to do, the decision would then fall back on Robert Byrd and the Democratic leadership of the Senate, either to resubmit a bill stripped of the features that the President finds unacceptable, or not. And if the first, then the question will become, when to so resubmit. Before this year's election, or after?

Given the relationship between Bush's presidential hopes, and the need to maintain funding from Japan, reintroduction of a stripped-down bill, sometime before the elections, may turn out to be most tempting to the Democrats. For passage would almost certainly doom the presidential aspirations of the Republicans. But on the other side, as far as the rest of the world is concerned, failure to pass anything, after three and half years, may also be taken as the final proof that there is no-one capable of minding the store in the United States at all, and that therefore there is no further reason to wait for anything from the United States, because it isn't going to come, until the "unilateralist" fascism that underlies this bill, and other areas of U. S. policy, is junked.

Polish strike wave leading to crisis worse than 1981

by Konstantin George

The strike wave now under way in Poland has ignited a crisis more serious than that of 1980-81, when Poland only narrowly escaped Soviet military intervention. The 1988 Polish crisis now in the making is bringing to a head a generalized crisis in the economies of the Eastern European satellites. These economies have been devastated during the 1980s by a pincers of Soviet looting to sustain Moscow's pre-war military-economic build-up, and looting by Western financiers through the collapse in price of Polish agricultural products and raw materials (coal and copper) exported to the West.

The eruption of the Polish crisis now, on the eve of the Soviet Central Committee Plenum in late May and the June 28 Party Conference, could be decisive in effecting dramatic policy shifts in the Soviet capital.

The current Polish strike wave was initiated on April 25, when the bus and tram drivers of the industrial city of Bydgoszcz (Bromberg, pop. 360,000) and the nearby town of Inowroclaw, went on strike, paralyzing the two cities. That same afternoon, the cities agreed to grant the workers a 63% wage increase. The huge raise ended the strike, but, far more important, ensured new strikes.

That happened, and literally overnight. At 6 a.m., April 26, 8,000 steel workers from the huge Lenin Steelworks, the largest in Poland with a workforce of 32,000, in the city of Nowa Huta near Cracow, walked off the job. By the next day, 20,000 workers were involved, and the strike is continuing as *EIR* goes to press. The Nowa Huta strike is *national* in character. The strikers' demands only begin with a 50% wage increase. They have declared they will not return to work until the Polish government grants *all* industrial workers, health workers, and teachers *double* the wage increase granted in February as so-called "compensation" for the huge February food and necessities price increases.

The stage for a confrontation is set. The Polish government declared on April 27 that the strikers' demands cannot be met. This sets the stage not only for a prolonged walkout at the country's largest steel plant, but makes it only a matter of time—a very short time—before a chain of other strikes erupt.

A walkout is imminent at the Stalowa Wola steelworks (25,000 workers) in southeast Poland, the second largest

steel works in the country. The workforce has voted to strike, the only question is on what date the strike will begin. It was the Stalowa Wola workers who initiated the current unrest when 5,000 of them marched in protest against the government's austerity policies on April 21.

A brutal austerity policy

The strike wave is the direct result of a brutal austerity policy by Warsaw, demanded of it by the Russian Imperium and Western bank creditors. Accepting IMF and bank-dictated austerity "conditions" for debt rescheduling, Poland imposed the steepest price increases of the postwar period in two steps, Feb. 1 and April 1, for fuel and energy, respectively. From January through March, i.e., before the April measures took effect, the Polish inflation rate had already reached an officially admitted 45%.

The demands by the strikers, which may seem high to those in the West ignorant of the abominable living conditions in Poland, are at most, to be blunt, the bare minimum required. They will *not* improve matters, but only prevent a further collapse in dismal living standards. A concrete example: The wage increase won by the Bydgoszcz bus and tram drivers has lifted their hourly wage from a dollar equivalent of about 20¢ an hour to about 33¢ an hour.

Explosion coming

The situation is rapidly building toward an explosion. The Polish Communist Party has called on the government to undertake "decisive and radical measures" to stop the strike wave. But the government is damned if it does and damned if it doesn't. Should it intervene with force to break the Nowa Huta strike, a national explosion of protest surpassing in magnitude the crisis of 1980-81 is certain. Solidarnosc leader Lech Walesa warned the government on April 27 that if it used force, the Gdansk (Danzig) shipyards would be struck, and workers in enterprises throughout the country would strike and protest in solidarity. Speaking one day earlier to the visiting Norwegian foreign minister, Thorvald Stoltenberg, Walesa declared that "the situation is getting hotter and hotter in the country," a strike wave has begun, and "anything is possible."

The weekly press conference on Tuesday, April 26, by government spokesman Jerzy Urban only served to pour oil on the fire. Urban declared, "Every enterprise is independent. If an enterprise can afford to pay increases, it will pay, and if not, it will not pay and should go bankrupt." In short, a policy of selected wage increases for certain strata of the workforce, combined with instituting mass unemployment, and, as Urban made clear in demanding transit fare increases to pay for the wage increase granted in Bydgoszcz, a new round of huge price increases.

There is another dimension to the present Polish crisis. This time around, the government has already lost control over its own official trade unions. The Bydgoszcz strike was led by the local chairman of the official transport workers union. The Nowa Huta strike has been publicly endorsed by the official steelworkers union.

The first round of the 1988 Polish crisis will come to a head on the weekend of the May Day celebrations. Mass protests by the Solidarnosc opposition and striking workers and supporters are scheduled. Anything can happen.

A short fuse for Moscow

The 1988 Polish crisis will force Moscow to adopt radical policy shifts in the very near future. These will fall in two primary domains. The Soviet leadership will, because they have no other choice, demand that Warsaw take measures to put the brakes on the current Western looting of its economy. Soviet looting will, of course, continue. The Soviets will also accelerate other preparations, including military moves, to intervene if all else fails.

Concerning the shift to a policy of changing the rules by which Western financiers have been able, till now, to loot Poland, the first major signal in this direction was issued by the April 24 *Pravda*. The article, written with the clear knowledge that an explosion was about to occur, attacked both the West German government and the West in general for maintaining a "differentiated policy" toward the countries of Eastern Europe, with the goal of "maneuvering them" in "opposition to the Soviet Union," and "making them bend" to Germany's will. *Pravda* declared that this is pursued especially through "economic levers," "for example, with Poland," where the West had demanded the huge price increases as "necessary" in return for better credit conditions. But, "no sooner was it done," than "with the help of Western radio stations . . . [there was] provoked . . . an explosion of dissatisfaction."

This was one of the most important articles to appear in *Pravda* this year. The implicit conclusion was that to attack the cause of the "explosion of dissatisfaction," the Western "economic levers" must be removed.

A military solution?

This is but one indication of the type of policy changes about to emerge from the Kremlin. A Soviet military "solu-

tion" for Poland cannot be ruled out. The preparations for it are already at an advanced stage.

Throughout March and April, the Soviet military command has devoted priority attention to Poland. Three top level Soviet military visits during this period, all shrouded in secrecy, illustrate the point.

1) On March 10, Marshal Nikolai Ogarkov, commander in chief of all Soviet troops in the Western Theater, paid an unprecedented visit to Warsaw, for lengthy talks with the Polish defense minister and Gen. Lt. Ivan Korbutin, the

Moscow is about to change the rules by which Western financiers have, to date, been able to loot the Polish and other Eastern European economies, so that looting of the satellites by Moscow alone can continue to feed the Soviet war buildup.

commander of Soviet forces in Poland.

2) The April 7 *Krasnaya Zvezda* (*Red Star*) reported on its sports page a several-day visit by the Soviet first deputy defense minister, General of the Army Pyotr Lushev, to "sports facilities" of the troops of the Group of Soviet Forces in Germany—the cover story for an extremely important visit by the number-two man at the defense ministry, connected to contingency plans for the GSFG should Poland explode.

3) Immediately after Lushev's trip, Marshal Sergei Akhromeyev, Ogarkov's successor as chief of the general staff, paid an unprecedented five-day visit to Warsaw, April 11-15, that featured lengthy sessions with Poland's defense minister and chief of the general staff. No substantive details were ever released on these talks, nor on Akhromeyev's meeting with Polish head of state, General Jaruzelski.

Earlier this year, two additional signals could be adduced from Soviet military publications.

1) The Carpathian Military District in the Western Ukraine, bordering on Poland, was transferred from the Southwest Theater of War command, and placed under Ogarkov's Western Theater of War command, thus placing all Soviet forces within and bordering on Poland under a unified wartime command.

2) Discussions occurred in the Carpathian Military District stressing "limited war."

The only "limited war" possible in the near future for those troops would be on Polish soil.

Industrialization: Colombia's alternative to the drug trade

by Javier Almario

According to Dr. Fernando Sanz Manrique, the drug trade in Colombia emerged through the deindustrialization of that country. Dr. Sanz is the former head of the association of metal machine industries (FEDEMETAL), and currently a professor at the Jorge Tadeo Lozano University in Bogotá. In an interview with *EIR*, Dr. Sanz declared, "The recession that the country suffered in the seventies left many people without a future, frustrated, and it is stemming from that period that people began to find the drug trade."

He added, "The industrial recession of the 1970s had disastrous consequences for the country. What I think is that had industrialization been driven forward, in one stroke, the ingenuity applied in Colombia with the drug trade would have been used in productive activity."

The battle for industrialization

Dr. Sanz participated April 15 as a speaker at a highly publicized seminar on international trade, sponsored by the Colombian Association of International Trade Professionals (AECI). In his presentation, Dr. Sanz proposed that Colombian exports move from the "traditional" agricultural products and unprocessed raw materials to manufactured goods processed in the high-technology industries that the nation requires.

"If we had used all the money from the investments in the huge mining projects of Cerromatoso and Cerrejón—which today are operating at a loss—in industrialization projects, the country would surely be at a level of development comparable to [South] Korea, exporting many manufactured goods," Dr. Sanz asserted. He added that, as of 1974, the year Alfonso López Michelsen took the presidency, the Colombian government made a conscious decision to suspend the industrialization of the country.

Similar sentiments were expressed by Fernando Londoño Hoyos, the former general secretary of the Latin American Banking Federation (FELEBAN), and a columnist for the daily *El Espectador*. Londoño explained to seminar participants that Colombia began to export manufactured goods in 1966, but these exports were suspended in 1974 because the López government felt the country already had sufficient money "from the foreign exchange produced by the coffee bonanza, and the drug trade . . . making more exports un-

necessary." Said Londoño, "to the simple-minded analysts, exports are for generating foreign exchange, and when foreign exchange is not needed, exports are not needed." Thus the López government's decision.

To export manufactured goods, said Londoño, permanent technological advances in industrial development are necessary. "If I am sponsoring an uninterrupted technological process, I cannot do so without people, without man. Technological development and cultural development are absolutely synonymous terms. I cannot demand of a worker that he incorporate a certain technological level in his permanent vital activity, his work, when that worker is inept, ignorant. Education, human development, go hand-in-hand with high technology, which is incorporated into the veins of a modern economy through the bloodstream represented by exports. Thus, education, personal development, individual development, creativity, creation, the training of new generations, are elements absolutely linked to the question of exports."

Professor Fabio Sepúlveda López, of the International Trade faculty at Tadeo Lozano University, told the same seminar that the future of Colombian exports could not be premised on agriculture; that the agricultural sector could never find competitive prices as long as the country remained non-industrialized. "The experience of agricultural production in the advanced sector, the United States and Europe, shows that only the development of a capital goods industry can generate productivity in agriculture and the other productive sectors." This increase in efficiency proves, said Sepúlveda, that "neither Malthus nor the Club of Rome were correct" when they predicted mass starvation and resource shortages.

Sepúlveda statistically demonstrated his argument by pointing to the fact that, despite the claims that Colombia has an "agricultural vocation," the country is forced to import 75 cents worth of agricultural inputs, plus another 80 cents worth of agricultural consumer products, for every dollar's worth of agricultural goods exported! This, he concluded, represents a *deficit* of 55 cents per dollar of agricultural export. "Only industry can generate productivity in the economy, especially the capital goods industry." He added that the classic theories of "comparative advantage" were also false.

"There are certain static advantages to be derived from nature, from climate, from the soil. But, in general, what have been called comparative advantages are in reality achieved by human ingenuity."

Sepúlveda also insisted that infrastructural development had to go in tandem with industrial development, and proposed the construction of east-west highways and railways to break through the three mountain ranges that divide the nation lengthwise. Currently, Colombia only has north-south transportation. In addition, he urged the development of the largely uninhabited Pacific coast of Colombia, which has only one maritime port of importance.

Hernando Arciniegas, an economist who spoke on the lack of physical infrastructure in the country, responded to a question from *EIR* by acknowledging that Colombia's railroads and rivers had been abandoned despite the fact that they provided the cheapest means of transportation in the country. "I don't know if the fault lies with [World Bank theorist] Lauchlin Currie or with the World Bank, as you suggest, but that is a reality."

A government 'disappearing act'

The organizers of the forum complained of the lack of collaboration on the part of government officials, and indeed the absence of a government presence at the event was striking. At least one forum participant suggested that the government's failure to endorse a sane economic policy for the country had to do with an "implicit" pact with the drug traffickers.

Félix Moreno, president of the Colombian-Venezuelan Chamber of Commerce, explained that the only reason Colombia has been able to claim a better economic situation than the rest of Latin America is due to the infusion of \$2 billion of drug money.

Even while the April 11-15 conference was taking place, the government of Virgilio Barco announced that it would extend a tax amnesty for two more years, to permit the holders of "obscure" monies to legalize their capital without being subject to investigations from the state. Similarly, in a clear retreat from its initial impulse to close Colombia's notorious tax evasion loopholes, the government has announced that it will exempt from investigation all bank accounts which contain a maximum of 50 million pesos.

Felix Moreno explained in an interview to *EIR* that "a very important Liberal leader, a politician" had privately proposed that the Establishment forge an official alliance with the drug traffickers. (See *Documentation*.)

While the government is trying to capture narco-dollars to pay the foreign debt, despite the important anti-drug battles being waged by the Fourth Army Brigade in the city of Medellín, the same government is putting innumerable obstacles in the way of the real economy.

On the one hand, the government has decided to shrink public investment drastically. According to reports from the national comptroller's office, public investment this year will

be reduced by 41%. First semester investment in the electricity sector will be carried out in the next semester. The government has withdrawn its financial support for the ongoing construction of a Medellín metro. It has also taken measures to restrict the money supply, which is leading to a rise in interest rates and to a considerable increase in inflation, which surpassed 10% in the first three months of 1988.

On the other hand, the government has decided to slash the military budget by 5 billion pesos despite the fact that the armed forces are taking increasing responsibility for the war against both terrorism and drugs. "If the means of production must continue under the anxiety and worry caused by such destructive phenomena as subversion, terrorism, intimidation, and violence, then very soon the economic indicators will be negative and the country's problems will worsen," said Senate President Pedro Martín Leyes.

The Colombian political class seems unprepared, perhaps unwilling, to launch the industrialization of Colombia and to abandon the "artificial oxygen" represented by the money of the drug trade. "This Establishment is incompetent," declared Félix Moreno. Even so, the majority of Colombians still hope for change.

Interview: Félix Moreno

'Drugs are fueling Colombia's economy'

Interview granted by Félix Moreno, president of the Colombian-Venezuelan Chamber of Commerce, to EIR's Javier Almario, on April 13, 1988.

EIR: Colombia is considered by the international banks as a model nation in debt repayment, and as one of the few Ibero-American nations to claim continued economic growth. Do you have any comment?

Félix Moreno: What is fueling the Colombian economy at this time is the entrance of funds from the drug trade. This is acknowledged by the economists, by the businessmen. Of course, it is very hard to say that such and such a percentage of the country's growth rate is due to the drug trade. It is very difficult to calculate that. One could say, very well, of the 5% that we have grown in recent years, so much is due to the healthy economy and so much to the drug trade. . . . Nobody knows. But I would say that when people talk about how more than \$1 billion a year are entering the country from the drug trade, dollar-laundering, the "sinister window" of the

central bank, all these kinds of things could mean 25% of exports. This is equal to—and there are people who say that it is \$2 billion which is coming in—the equivalent of two “Concord” loans.

Or one could say that the drug traffickers are, without intending to, making a contribution to the growth of the Gross National Product, a totally deformed growth, nearly equal to the \$2 billion a year which the international banks are lending to Colombia. And one must realize that Colombia is still growing based primarily, shall we say, on this “external savings” provided by the international banks and the drug trade. These are the two lungs which the country has at this time, because the internal savings of national capitalists is leaving as capital flight.

EIR: In other words, the country has been able to pay its foreign debt because of the drug trade. In the final analysis, the Colombian model of paying the debt to the banks is that of paying with the drug trade?

Moreno: Well, the foreign debt continues to grow. Colombia does have a debt problem.

EIR: Yes, but it is the reason that Colombia has not had to refinance the debt, for example.

Moreno: I believe something like that. That is to say . . . well, not only that. One must recognize that, fortunately, the country has had certain luck, for example, its oil. Among other things, we are surrendering the oil without negotiating. This week, for example, we decided not to go to the OPEC meeting, either voluntarily or even as observers, with the argument that we are very much on the margin of the international oil market. Well, if OPEC invited countries that were not members of the organization to observe the meeting, who will participate as observers to try to improve oil prices, it seems to me that it is suicidal that Colombia has olympically decided not to attend even as an observer. Mexico is going there, Mexico who is not a member of OPEC but nonetheless is accepting the invitation to go. But here, we have a reverent fear that that will make us bad boys, members of that oh-so-terrible cartel that is OPEC, when what we should be doing is drawing closer to them so as to better negotiate our oil. Perhaps we would be able to influence OPEC a little, as a marginal country. But from the outside, we aren't going to be able to do anything.

Now comes the nickel bonanza, which is truly an incredible miracle: Nickel is rising to \$7 and \$8, even \$10 a pound, when it was \$1.50. So, a little relief is presented to the nickel company of Cerromatoso. Mind you, Colombia's foreign debt has been shaped by four things: El Cerrejón, which spent \$1.8 billion; the Caño Limón and other oil exploitation projects of Ecopetrol, which go for \$2 billion; investment in electricity; and the Cerromatoso project, which has cost some \$600 million.

In those sectors alone we have spent at least a third of the

country's foreign debt. Those projects are going to yield foreign exchange that has been taken from us, but over the very long term: when oil prices improve, and who knows when that will be, given the very Colombian propensity for being spectators instead of actors on the oil market. And what is happening on the oil market clearly influences the coal market: We cannot have good prices for our coal if there are not good prices for oil.

So, what happens is that, while the bonanza reaches those export sectors to which Colombia is going to dedicate itself in the future, we are going to have to depend on money from foreign credits for even the most minimal investment program. Barco's rehabilitation program has no funds, and will have to be carried out with foreign credit, or with money that the country foolishly accepts. I heard from a politician the other day, whose name I am not going to mention, the most scandalous things I have heard in recent years . . . a politician, a very important Colombian Liberal leader, who told me, “Look, let's be honest. In this country, there are three factors of power: the Establishment, the drug trade, and the guerrilla. This instability of the country will not be resolved until two of these vertices of the triangle unite to do away with the third; and what I plainly propose is that the Establishment should join with the drug trade to put an end to the guerrilla. In this way, we will have resolved the problem.”

This guy completed his explanation by saying: “Look, we are taking money from the drug traffickers, but we don't want to acknowledge the sin. We receive their money, but we don't want to acknowledge the origin. This is a false virginity, an hypocrisy on the part of the Colombian ruling class, which knows that the drug traffickers are inflating the economy and which nevertheless don't want to make an open pact with them.”

This is what we could call a retrograde alliance that would probably lead to a state of force, to the elimination of all will for social change and participation. Of course, I don't believe that the Establishment would be so shameless as to make a pact with the drug traffickers, but basically we have such an implicit, tacit agreement.

EIR: Has the money from the drug traffickers enabled the country to feign growth without making any kind of scientific or technological progress?

Moreno: In truth, the drug traffickers waste most of the money they get: They waste it on administrative corruption, which in the last resort is consumption; they waste it on luxury consumption for themselves, a ton of extravagances. Some of it is invested in productive activities. But in reality they have no business capacity. In other words, a drug trafficker is not normally a good industrialist, is not a good farmer. They do things Saudi-style: They think that if they put in a lot of money, things will come out well in the end. So their investments in activities that are not of the drug trade, these activities are tremendously inefficient. For example, to

set up a modern farm they spend millions and millions of dollars, pay million-peso salaries to the technicians, they bring in extremely costly equipment they don't even know how to use nor do they have skilled labor for this. So the "development" they carry out is Saudi-type development, in which they are pouring in floods of investment dollars without a corresponding capacity of skilled labor. So, the country is going to grow very little in the long term, based on money from the drug traffickers.

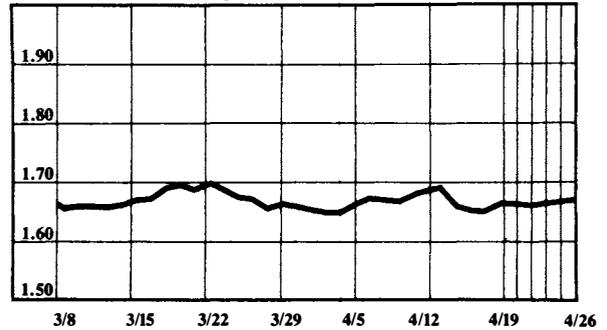
EIR: Then you think that Colombia should get used to living without this drug money? That it would be more beneficial in the end to abandon that money and dependency on the drug trade?

Moreno: Yes, I think that. The problem is that the Establishment is incompetent. If you take away from the Establishment that artificial oxygen which is drug money, the social conflict will become still worse. We are going to see much more social conflict, a much more radicalized population. Well, although the drug trade is also assisting social radicalization in the sense that the surplus they generate is invested in the countryside, for example—this is what the newspapers have said—they invest it in the countryside, then they see that the countryside has an enemy, which is the guerrilla, and then they say: "Okay, we know how to face violence with violence." So, they don't accept the extortion of the guerrilla, they don't accept "protection," they don't accept those kinds of things, they respond with violence and thus they exacerbate conflict in the countryside. . . . "We know how to do away with the guerrilla, we have experience in this," and so they carry out massacres. It would not surprise me if the Uraba massacres were financed in good part by the money of the drug traffickers, allied with certain capitalists who are a little angry with the labor movement and with some of the leftist movements in Uraba.

Currency Rates

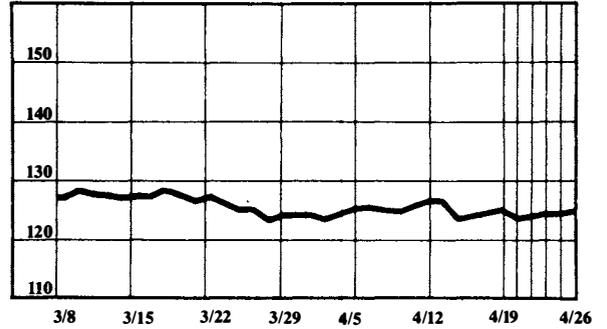
The dollar in deutschemarks

New York late afternoon fixing



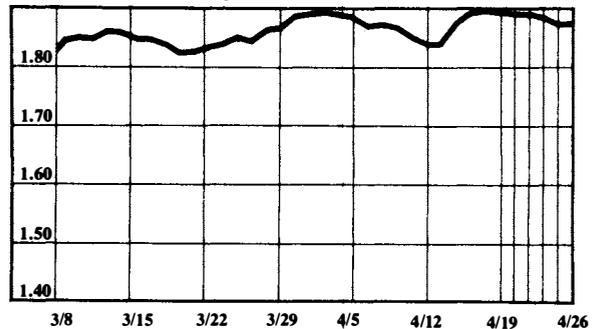
The dollar in yen

New York late afternoon fixing



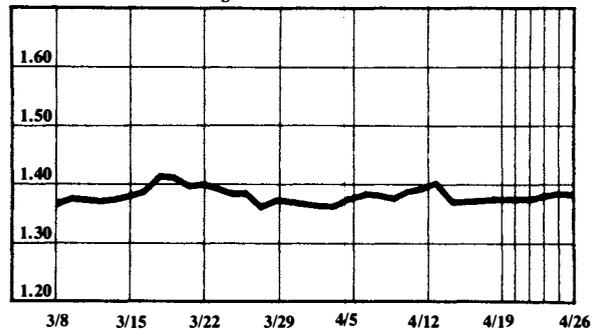
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



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Squabbling among thieves

Just what should be done about Africa's debt crisis has been the subject of some recent acrimonious discussion.

Bankers, governments, and representatives of international financial institutions are trading recriminations over who has failed more miserably to find any solution to Africa's desperate situation. Typical is the statement of Horst Schulman, the director of the International Finance Institute (which represents the 165 largest international banks), who strongly criticized the action of the main industrial countries' governments. Quoted in the newsletter *Lettre d'Afrique*, Schulman says, "The governments of the creditor countries have not done enough in the context of their bilateral relations to provide increased public financing to the indebted nations of the Third World, to open their markets to them, or to improve their fiscal regimes to encourage private investment."

He went on to score the International Monetary Fund and the World Bank, deploring the fact that the IMF continued to extract resources from the indebted countries, using the argument that it is impossible to get their governments to carry out satisfactory adjustment policies. So far, so good. But what does he propose? He rejects any cancellation of Third World debt, and calls for increased resources for the IMF and World Bank, presumably to be made available on strict conditions, and rules out any increased private bank intervention to bail out indebted countries.

Meanwhile, the IMF and World Bank are calling on private banks to do just that! A recent report by World Bank experts estimate the needs of the 17 most indebted countries as approximately \$17 billion, of which half is

supposed to come from private commercial banks. The *Lettre d'Afrique* points out that this is impossible, as over the last three years, private banks have only lent an average of \$4 billion p.a., and today do not want to continue doing even that.

For example, recently published figures on French trade with Africa show that in 1981, private involvement in Africa represented 70% of the French contribution, against 30% public involvement. In 1986, the ratio was inverse, private involvement only being 48% of the total, public being 52%. Looking at the figures of bank loans and direct investment, in 1982 these were 18 billion francs. In 1984, the figure was negative.

At a London conference on April 18-19 on Africa's external debt, sponsored by the *Financial Times* and the African Development Bank, private bankers attacked the policies of creditor governments in Africa: Herman van der Wyck, joint chairman of S.G. Warburg & Co, said that conventional rescheduling of African debt by creditor governments, in the context of the Paris Club, "had dramatically increased the outstanding debt as well as the interest cost of the debt to most African countries." Far from generating new capital flows to the poorest countries, "it had actually converted some of these nations into exporters of capital." Throwing the hot potato of Africa's debt back into the lap of the governments, he said that "the Paris Club should adjust its practice to today's reality in Africa," and introduce realistic interest rates for debtors, and end the "fiction" of full accounting values on the debts.

Next, he said that "one of the most unfortunate results of the built-in structure of Fund lending is the substantial negative flow of resources currently being experienced." In other words, Africa is paying out more to the IMF than it is receiving. He questioned the Fund's de facto role as arbiter of last resort of a country's growth prospects and "ability to pay." The IMF, he said, "should take a far more realistic line with creditor groups . . . concerning the real earnings and payment prospects for many African countries."

The president and chairman of the U.S. Export-Import Bank, John Bohn, took a schoolmarm's tone to criticize British Chancellor of the Exchequer Nigel Lawson's proposals on debt forgiveness, and the African Development Bank's recent plan for converting debt to long-term securities. (Lawson had recently called for some relief to be given to Africa's indebted nations. The ADB plan provides for total supervision of African economies by the IMF.) Bohn said the ADB's plan was "not disciplined enough" and would encourage some African nations to "revert to old habits."

African speakers at the conference warned of the dangerous situation of the continent's debt: Zimbabwe's finance minister, Bernard Chidzero, said that Africa's external debt had risen from \$134.4 billion in 1982 to some \$200 billion by the end of 1986, and was likely to reach \$550 billion by the year 2000. "If current trends continue unabated, it is clearly cancerous and unbearable." He warned that unless Africa received long-term external debt relief and a substantial increase in aid, most indebted countries may be forced to choose between debt servicing and essential imports, i.e., food and medicine.

'Adjustment with a human face' shows how usurers kill children

by Mary Lalevée

How International Bankers and IMF Bureaucrats Kill Children would be a more appropriate title for a recent study by the United Nations Children's Fund (UNICEF), *Adjustment with a Human Face—Protecting the Vulnerable and Promoting Growth* (1987). This study was only published after more than a year's delay, probably to dilute some of the conclusions.

The facts presented in this book are a clinical analysis of the effects of International Monetary Fund (IMF)-imposed austerity measures on children's health. Complex sociological "analysis" is made of some shocking facts, the most simple of which is that after years of gradual decline in infant mortality in sub-Saharan Africa, thanks to modern medicine and improved nutrition, the number of deaths has increased substantially over the last five years. A similar picture is given for Latin America. The UNICEF study delicately remarks that this increase in infant mortality in Africa is due to "the combined effect of drought and prolonged economic plight."

The authors document that economic policies recommended by the IMF and the international banking institutions to the developing sector nations directly lead to a worsening of children's health, and to increased mortality. Cuts in food subsidies, cuts in government expenditure on social services and health care, lower wages, higher unemployment due to the closing of government-run enterprises—all these lead directly to children dying.

To quote from the introduction by Giovanni Andrea Cornia, "After nearly three decades of steady progress, child welfare sharply deteriorated in many developing countries during the first half of the 1980s. The evidence provided by the 10 country studies published in Volume II shows that the nutritional status of children has deteriorated in all but 2 of the 10 (South Korea and Zimbabwe). Although the gravity of the deterioration and its causes vary substantially from country to country, this general increase in malnutrition clearly points to a major change in long-term trends, extending far beyond that due to drought in Africa alone. In addition, infant and/or child mortality rates—indicators which had for two decades shown a strong downward trend—showed some reversal in trend in three of the eight countries where data is available (Chile, Brazil, and Ghana), while in others a marked deceleration of the rate of improvement was observed. The decline in the health situation of children is further confirmed

by the increasing incidence of communicable diseases like typhoid, hepatitis, tuberculosis, gastro-intestinal diseases, malaria and yaws, observed in at least 4 of the 10 countries analyzed, as a result of the general deterioration of the living environment and of reduced prophylactic measures. Education has also been hit severely. With the exception of South Korea, Botswana, and Zimbabwe, in every country included in the analysis, there have been declines in primary enrollment and completion rates or serious deterioration in the quality of education."

(The 10 countries in the study are Botswana, Brazil, Chile, Ghana, Jamaica, Peru, Philippines, South Korea, Sri Lanka, and Zimbabwe).

In Africa, Ghana is the model pupil of the IMF, beginning a harsh program of IMF austerity measures in 1978, intensified under the government of Lt. Col. Jerry Rawlings in 1983.

More poor people, less to eat

Some of the conclusions from the study of the economies of these 10 countries are the following:

"1) The number of people below a given poverty line has almost certainly increased in Ghana, the Philippines, Chile, Jamaica, Peru, and until 1984, Brazil. . . . In Ghana, for instance from 1974-1984, the proportion in poverty is estimated to have increased from 60-65% to 70-75% and from 30-35% to 45-50% for rural and urban areas respectively. . . .

"2. Real government expenditure per capita in the social sector declined in six of the countries (Brazil, Chile, Peru, Philippines, Ghana, Jamaica) while increasing in Zimbabwe, Botswana, Sri Lanka, and South Korea. . . .

"3. Expenditure on food subsidies or supplementary feeding declined in the four countries for which precise data are available (Sri Lanka, Chile in 1983, Peru, and Zimbabwe in 1982-83). In the first two countries, the decline in real food subsidies and supplementary feeding is clearly associated with declining nutritional indicators.

"4. Finally, there is some evidence that the time of mothers allocated to child care declined as women increased their participation in the labor force in order to compensate for the declining incomes of the male members of the family (Chile, Philippines, and Peru). Indirect evidence of declines in the time allocated by parents to child care is also provided by the growing number of street- and abandoned children in Brazil

and the Philippines.”

The report goes on to look at the availability and use of food of key social services: “1. Declines in food intake (or availability) have occurred, either on average or for the bottom 20 to 40% of the population, in Sri Lanka, Brazil, Peru, Philippines, and Ghana. In Sri Lanka, per capita daily calorie consumption of the bottom 20% of the population declined from 1,500 in 1978 to 1,370 in 1982, while in Ghana estimated food availability as a percentage of requirements declined from the late 1970s to early 1980s from 88 to 68% . . .

“2. Changes in the health sector. The situation is more complex in the health sector, where the extension of services might, on balance, have suffered proportionately less. On the one hand there are indications of closure of health facilities for budgetary reasons (Jamaica), or reduced immunization coverage, and of increases in hospital consultations for curative purposes (São Paulo, Brazil). . . . There is also evidence that in Ghana the sharp reduction in staffing and rising costs provoked an 11% decline per year in health unit attendance between 1979 and 1984. On the other hand, South Korea increased medical insurance and aid cover rapidly, while in Zimbabwe and Botswana there has been a fast expansion in the provision and use of preventive health services. . . .

“3. In the education sector the decline in service availability, and particularly in actual service coverage, between 1979 and 1985 is very clear. With the usual exception of South Korea, where a pre-existing program of tuition exemption for the children of the poor was expanded during the recession of 1979-81, and of Zimbabwe, where primary enrollment expanded, in all other countries analyzed there is evidence of declining primary school enrollment rates (Philippines, Chile, Sri Lanka), increasing drop-out rates (Brazil, Peru, Sri Lanka) and of massive losses of qualified teachers (Ghana and Jamaica). In Ghana for instance, more than 4,000 fully qualified teachers left the school system between 1977 and 1981.”

Infant mortality

On the question of child survival and welfare, the UNICEF reports that the Infant Mortality Rate (IMR) (i.e., rate of deaths of infants in their first year), which had been steadily declining over the last three decades, has either stopped declining, in the better-off developing countries, or actually increased. In Brazil, there was a “steep increase” of IMR in 1984, and in Ghana there was a “substantial increase.” A similar picture emerges with the CDR (child death rate), i.e., the rate of death of children aged between one and five years. UNICEF writes that the “increases in infant and child mortality in sub-Saharan Africa are expected to be the strongest, owing to the combined effect of drought and of prolonged economic plight. While recent IMR data are completely absent, there are strong indications that the number of deaths, particularly among the very young and the very old, increased

substantially in 1984, and 1985, and might still have been above average in 1986 in several countries of the region.”

Malnutrition has been on the increase in every country in the study, with the exception of South Korea and Zimbabwe. In Ghana and Peru, malnutrition increased around 50%, while in other countries it ranges from 10-25%. In Sri Lanka, there was an increase from 6.1% to 9.4% in nutritional wasting of children aged 6-60 months between 1978 and 1983. In Ghana, the proportion of preschool children with weight for age below the third percentile of the reference population increased from about 34% to about 52% between 1980 and 1983.

In sub-Saharan Africa, according to figures from the Catholic Relief Service, malnutrition increased by various degrees among children aged 6-42 months in Madagascar, Rwanda, Lesotho and Burundi between 1981 and 1985. In Zambia, the percentage increase of malnutrition as a cause of mortality for the age bracket 1-14 years increased from 27% to 43% between 1978 and 1982.

The figures go on and on: UNICEF points to the causes with some striking graphics. One graph shows the direct inverse correlation between the unemployment rate in the United States, and the infant mortality rate under one day, from 1915 to 1967, yet another argument that unemployment is directly linked to ill health and death. Another graphic shows the direct link between reduced government expenditures on food subsidies, and increased child malnutrition in Sri Lanka, 1970-82. Yet another shows the direct correlation between working hours, infant mortality, and low birth-weight in the northeast of Brazil, 1977-84. One concrete example of the effect of increased food prices is described:

“In 1974 and 1975 floods in Bangladesh and poor harvest in India led to a general rise in the price of staple food (rice and wheat) throughout the region . . . the price of rice and wheat more than doubled. The average prices of these foods in 1975 were Tk.6.60 per seer (\$0.46/kg) for rice and Tk.5.00 per seer (\$0.37/kg) for wheat flour. The daily wage never rose above TK.10.00 per day, so that it was not possible to meet the minimum calorie needs of a family even if work was available every day of the year, which, of course, it is not. As would be expected, the crude death rate rose more than 50% and the increased deaths were concentrated among the poor, the very young, and the very old. Deaths due to malnutrition, diarrhea and tuberculosis accounted for almost all the excess mortality. . . . The number of deaths observed in the next four years correlates quite well with the price of rice. Excess deaths in 1976 reflect a combination of measles epidemic and residual malnutrition. . . . Economic improvement and consequent improved availability of food were associated with 70% reductions of deaths due to malnutrition and diarrhea among landless and marginal families.”

Consequences of cutting food subsidies

In this case, bad weather could be blamed for these deaths.

In perspective . . .

The human lives lost in Africa, can be seen against the backdrop of a two-day "World Food Conference: 1988" in Brussels, Belgium, reported on in *EIR*'s April 22 issue. The meeting was nominally sponsored by European Parliament president Henry Lord Plumb, but actually engineered by a new "International Policy Council on Agriculture and Trade," fronting for the giant multinational food conglomerates such as Cargill, Ferruzzi, Archer-Daniels-Midland, Unilever, Nestlé and others—the food cartel which is driving American and European family farmers out of business.

The conference came to a pre-arranged conclusion: "Cut the surpluses. Reduce the Third World subsidies. Be courageous." Lord Plumb himself stated, "The action that needs to be taken in the Third World could be as follows: the reduction of state involvement in the supply and marketing of agricultural production."

One African delegate noted from the audience that if the present world output of grain were "increased by only 50%, the problem of world hunger and malnutrition would be solved." This is precisely what the giant multinational food conglomerates are determined not to allow to happen.

However, in the last 15 years, the IMF and World Bank have insisted on developing countries' cutting subsidies on food prices, which has led to exactly the same results, higher food prices and more children dying.

The UNICEF report examines the effect of IMF programs on developing countries, and in very understated tones, states that "overall, prevailing adjustment programs tend to increase aggregate poverty, or in other words the number of people—and of children—living below the poverty line. . . . Besides the overall effect on poverty that an adjustment package tends to have, some of its specific components have a direct and unambiguous impact on particular socio-economic groups, at least in the short term. Because of the nature of the deprivations they might cause (death, brain-damaging and growth-retarding malnutrition, permanent disease-caused impairment, etc.) these effects are of a long-term nature and cannot be dismissed as part of the short-term belt-tightening necessary for growth restoration. For example, a growing amount of evidence indicates that:

"1) Indiscriminate cuts in government health expenditure, often part of an adjustment program, leads to declines in the health status of the population. Macedo (in Vol. II of the study) documents delays in the implementation of the Expanded Program of Immunization in São Paulo State (Bra-

zil) that led to an outbreak of deadly communicable diseases among children, while the case study on Ghana illustrates the sharp deterioration in indicators such as incidence of infectious diseases and disease-specific mortality rates following cuts in primary health care expenditure.

"2) A radical reduction in real food subsidies in Sri Lanka . . . led to an increase in third-degree malnutrition among the children of the poorest. Similarly, [the study] indicates that in Chile in 1983 the cancellation of a budget-financed child-feeding program, part of an overall attempt to reduce the fiscal deficit, led to a statistically significant nation-wide increase in child mortality. The latter resumed its downward decline as soon as the program was reintroduced.

"3. Sharp increases in food prices, resulting from rises in producer prices or from devaluation, unless accompanied by compensatory measures can cause malnutrition to rise among those around or below the poverty line. In Gambia, for instance, child malnutrition increased when a Fund-Bank (IMF-World Bank) supported adjustment program led to an increase in food prices without accompanying buffering measures. . . ."

The report also notes that the effect of these austerity measures on the overall economic health of the nations was hardly positive. Improvements in current balance account were recorded in 56% of the countries implementing IMF measures in the 1980s, mainly by drastic cutting back of imports, but "in almost 60% of these countries growth deteriorated or did not improve in the first program year, and real investment levels also declined or stagnated between 1980 and 1983 in almost 60% of countries with Fund-assisted programs. With falling output, and at best mixed evidence about changes in income distribution in many developing countries, the number of people in poverty in many 'adjusting countries' increased."

What conclusions can be drawn from these facts? IMF policies not only kill the population in the developing sector, they do not even lead to any improvement in the economies they are theoretically supposed to benefit! UNICEF concludes that "in the longer term, resumed economic growth is essential to permit continued protection and improvements in human conditions in both middle- and low-income countries. Improved external conditions—especially a reversal of the negative resource flows to the Third World now occurring—will be essential."

The future of the developing sector's children can only be assured by fundamental changes in the international economic system, as proposed by U.S. Democratic presidential candidate Lyndon LaRouche, starting with closing down the International Monetary Fund and the World Bank.

Reference:

Adjustment with a Human Face. Protecting the Vulnerable and Promoting Growth: A Study by UNICEF, edited by Giovanni Andrea Cornia, Richard Jolly, Frances Stewart. Oxford University Press, 1987.

Bush's looting market re-offered to Mexico

by D.E. Pettingell

Vice President George Bush, in his first major foreign policy speech as the undisputed Republican Party presidential candidate, revived the ghost of a North American Common Market between the United States, Canada and Mexico. He told the American Society of Newspaper Editors April 15, "As President, I will work toward creation of a free trade zone embracing Mexico, Canada, and the United States."

With the signing of the Canada-U.S. Free Trade Agreement in early 1988, plans to incorporate Mexico into the agreement and turn it into the framework of the North American Common Market have moved forward. This same policy was rejected by then-Mexican President Jose Lopez Portillo in 1980 as a scheme to force Mexico to eliminate all trade barriers, opening up the country's strategic resources to be looted by the United States and Canada. Opposition to the scheme inside Mexico has since become weaker.

Bush expressed his optimism on achieving such a goal under the next Mexican administration, presumably to be headed by the ruling Institutional Revolutionary Party (PRI)'s presidential candidate Carlos Salinas de Gortari, the former planning and budget minister instrumental in incorporating Mexico into the free-trade looting scheme called the General Agreement on Tariffs and Trade (GATT).

Bush told the American editors that he looks forward to meeting Salinas and revealed, to the surprise of many in Mexico, "My staff already met with representatives of Mr. Salinas. . . . I am impressed by his economic agenda, with his theme of the 'Modernization of Mexico.' "

This magazine learned that there have been two unpublicized meetings between the Bush and Salinas camps, one in February and one in April, both of which took place in the Vice President's White House Office. Bush was represented by his top national security adviser, Donald Gregg, and Deputy Assistant to the Vice President Sam Watson. It is not known whom Salinas sent to speak on his behalf, but the vice president's office characterized the meetings as "constructive, amiable, and positive." Top on the agenda was the Common Market idea.

Perhaps the next time Salinas's people come to Washington to see Gregg, they might have to visit him in jail. Gregg is deeply embroiled in the Iran-Contra scandal as the man who knew about Oliver North's illegal resupply operation. He is also one of the targets of a Senate probe looking into

the Contras' cocaine connections.

According to some sources, Salinas's representatives also met with Dr. Norman Bailey, Bush's top campaign adviser for international economic affairs. Bailey, a former official at the National Security Council during the first years of the Reagan administration, is the gray eminence behind the U.S. economic war against Panama. In his 1987 book, *The Mexican Time Bomb*, Bailey stops short of proposing the Common Market scheme when he demands a "halt to any further protectionist measures." Bailey writes: "Measures to . . . liberalize trade practices . . . cut back overregulation and bureaucratic interference, should be adopted as quickly as politically and socially feasible. Without such measures Mexico will continue to face economic and political turmoil."

A Common Market blueprint

The blue-blood Institute for International Economics is the Washington-based think tank currently leading the academic studies on the Common Market. In the middle of April, the Institute and the New York-based Council on Foreign Relations released their "Bilateralism, Multilateralism, and Canada in U.S. Trade Policy," where five "experts" from the United States, Canada, and Mexico "examine" the impact that the Canada-U.S. Free Trade Agreement will have on the trade relations of the three countries.

The book includes the chapter, a "Mexican Viewpoint," by Gerardo M. Bueno, a senior fellow at Colegio de México, a nest of foreign-trained "intellectuals" closely associated with Salinas de Gortari. Bueno became an embarrassment for Mexico when his candidacy for president of the Latin American Economic System (SELA) was rejected by most Ibero-American nations because he was too closely identified with the International Monetary Fund's austerity policies.

Old wine in new bottles

The idea of a North American Common Market is an old scheme pushed by one administration after another. In announcing his candidacy in New York, in November 1979, Ronald Reagan made the North American "accord" a centerpiece of his speech. The Common Market idea was credited to Richard Allen, then Reagan's top foreign policy adviser and later Reagan's first National Security Adviser. Allen was instrumental in selling the Reagan/Bush administration the secret government's Project Democracy foreign policy agenda that led to the Iran-Contra scandal.

In a North American trade association, Mexico would be the weakest partner. Mexico would offer oil and cheap, abundant labor and would get in return a dumping of consumer goods that would eliminate once and for all Mexico's small and medium-sized industries. The multinationals would continue invading Mexico's northern states, opening up many more assembly plants (*maquiladoras*). The Eastern Establishment's dream to impose the Taiwan-Shanghai-Hong Kong model upon Mexico would come true.

Where's the beef?

The Reagan-Bush "recovery" is killing off the nation's cow herds; watch for supplies to drop.

Despite all the rhetoric from the White House and the George Bush campaign about the Great Recovery, the facts and figures show that something as all-American as steak is going out of existence, or at least out of reach of the average American.

The most conservative estimates predict that U.S. beef production this year will be down by 5% from last year, and will drop at least another 5-6% in 1989. The simple drop in the number of beef animals makes this inevitable.

The national cattle herd, as of the beginning of this year, numbered 99 million head, the lowest total since 1961. Since 1982, the herd has dropped by fully 16 million head, including a fall of 3 million in 1987. But this does not tell the full tale.

Nearly 40% of the decline in cattle numbers since 1982 has been in the breeding herd. This herd has dropped 16% in these six years, from 39 million cows in 1982 down to 33 million head today. This has resulted in about a 4.6 million head drop in the annual calf crop, so that in 1987, there were only 40 million head born, the smallest total since 1960.

Beef trade journals have been warning of the situation of shortages of animals for feedlots and pastures. The April issue of *Beef* carried a feature article by editor Paul D. Andre, headlined, "Prepare for a Cattle Scramble; Reduced Cattle Numbers Bode a Shortage of Young Cattle."

Figures provided by Cattle-Fax, the cattle information service, document what the article calls "a dramati-

cally reduced supply."

According to Cattle-Fax, the total feeder cattle supply was 43-44 million head during the 1981-84 period. At the beginning of this year, supplies were about 36.5 million head, a drastic drop of 8 million head.

Cattle feeders will be squeezed because of the short supply to pay more for the scarce animals—some are trying to contract now for cattle yet unborn. Yet, because of the fierce consolidation among packing houses, these feeders may not be able to get decent prices, and be squeezed out of operation altogether.

In 1966, there were about 145,000 feedlots in the country. Since then, the overall number has shrunk, and a few giant feedlots are taking over. Today, 200 giant lots market 50% of all fed cattle to slaughter.

The absolute numbers of beef animals slaughtered yearly is now dropping. In 1987, there was a 3% drop. This year, the drop continues, and includes a decline in the slaughter of all three categories of animal—cows, fed cattle, and non-fed cattle. For 1989, Cattle-Fax analysts predict a drop in slaughter of 1-2 million fed cattle.

Per capita supplies of domestically produced beef will go down this year from last by at least 4 pounds, from 77 pounds a year in 1987, to 73 pounds in 1988. Next year, beef supplies per person will drop below 70 pounds a year.

While the national beef output potential has been eroded, several food cartel companies have positioned themselves to take maximum advan-

tage of scarcity and market domination. At present, only three beefpacking concerns slaughter 70% of the steers and heifers in the United States: IBP (Iowa Beef Processors, owned by Armand Hammer); Excell (owned by Cargill); and several brand houses owned by ConAgra.

In 1976, there were 222 packing houses that each slaughtered over 50,000 head annually. Now there are only 112.

A decade ago, Armand Hammer, chairman of Occidental Petroleum, quipped, "Beef will be the oil of the '80s." He has systematically bought up and expanded his beefpacking empire. The U.S. Department of Agriculture has stood by approvingly, despite the unprecedented consolidation of power over prices paid to cattle raisers, deterioration of slaughterhouse working conditions, and monopoly over meat supply to consumers.

As hog numbers have also declined in recent years, the Department of Agriculture, under the complete control of the food marketing cartel, has merely made noise along the standard "Recovery" lines, saying that eventually, meat-animal numbers will "bounce back."

The Agriculture Department's long-term policy has been to destroy the family farm system of U.S. agriculture, and that includes destroying U.S. meat output. To prepare the population, over the last 20 years, the USDA has revised the recommended daily amount of meat intake per capita downward, several times, with lip service to reduced cholesterol, better nutrition, etc., but all the while tacitly justifying declining beef output.

Finally, in recent years, the cattle producers have levied a tax of \$1 an animal on themselves to pay for television ads featuring actor James Garner, who reminds you that eating beef can be fun. In case you forget.

Uproar over AIDS policy

The Catholic majority is infuriated that the government's only prophylaxis is waving condoms in the schools and on TV.

AIDS is advancing at a faster pace than expected," Dr. Jaime Cervantes Rangel, chief of preventive medicine for the Mexican Social Security Institute, announced April 21. Today, he added, "the disease affects more workers, waiters, and peasants than professionals and artists, who supposedly were the most vulnerable." Most of the new cases in recent months, he noted, are among "the poorer economically active population." He claimed hospitals and laboratories are now taking stricter measures to avoid "accidental contagion" from AIDS-infected blood.

The total number of cases reported in Mexico is 1,233, Health Undersecretary Jaime Sepúlveda Amor, reported April 13. That is sharply up from 779 last October. The official figures are disputed, however, by doctors all over the country. They are telling Marivilia Carrasco, president of the Schiller Institute of Mexico, that they discover five additional AIDS cases for every one officially reported. Many such cases are found by nurses who risk their jobs by sneaking blood tests on patients who show AIDS symptoms.

Sepúlveda observed that the male to female ratio was 21:1 in October but "now has a proportion similar to that of the United States," 14:1. Cases among children rose from 4 in February 1987, to 26 in October, to 50 now, he said.

Dr. Cervantes reported, "The majority died 6-12 months after the disease was detected and no patient has survived more than 3 years."

The Schiller Institute's view that

malnutrition, poverty, and insect bites are major co-factors promoting the rapid spread of AIDS in the Third World, is gaining support among health professionals. Biologists at the University of Veracruz said their independent research verified it. Doctors at a hospital in Salina Cruz, Oaxaca, found a higher density of AIDS antibodies in a patient's sweat than in his blood.

As the presidential candidate of the Mexican Labor Party (PLM), Marivilia Carrasco is traveling from town to town across Mexico. Millions have heard her proposals for universal AIDS screening, quarantine where needed, and breaking with the austerity policies of the International Monetary Fund (IMF), which reduce the population's ability to resist disease. Everybody realizes that the millions of dollars the government is spending on AIDS ads is an attempt to smother the outcry for preventive measures, led by the Schiller Institute and the PLM. The ads lie: "AIDS is not transmitted by urine, by sweat, by tears or by mosquitos; make love responsibly," i.e., with a condom.

Despite what can be learned about the AIDS crisis in any hospital corridor, the government decided to invest in neither medical facilities nor restoring living standards. The reason: "It is very expensive" and would require using money now spent servicing the debt. Dr. Cervantes declared April 21, "Medicine has no cure [for AIDS], only preventive measures, basically sex education."

Those who disagree with official propaganda suffer police-state style

harassment. The president of the National Parents' Union, Guillermo Bustamante Manilla, described the Health Secretariat as the "Gestapo" April 13. The public health authorities had launched a press barrage tagging the parents' association and Catholic groups as "obscurantists" and "reactionaries" for opposing children being taught in schools and on television how to have "safe sex" and how to appreciate homosexual life styles. Bustamante accused Health Secretary Guillermo Soberón of "fomenting sexual promiscuity and institutionally inciting the population to prostitute itself." In early April, the Pro-Vida (Pro-Life) group announced it would provide cultural education based on Catholic moral and family values to counteract the government's teaching of perversion.

Secretary Soberón announced his "sex ed" strategy was to gradually get Mexico's predominantly Catholic population "used to" using prophylactics and accepting homosexual practices. On April 13, he displayed a TV spot showing the "irresistible" Lucia Méndez sporting a condom in her left hand, while offering "responsible love." Never one to discriminate as far as the sex of partners is concerned, Secretary Soberón gave equal time to homosexual actors like Juan Gabriel, Emanuel, and Hector Bonilla.

"AIDS is not a moral problem," proclaimed Soberón, who doubles as the high priest of the Aztec fundamentalist conclaves at the Tepoztlán Center, the Mexican branch of the Trilateral Commission. "The condom is nothing new as a health aid and regulator of birth control," Soberón lectured. "It was created in 1706 on the initiative of Charles II, king of England; and can be seen in ancient erotic art. . . . They used lambs' intestines; we use latex. And, in Mexico, we have strict quality control," he gushed.

Brazil humiliates itself

The crowd which ousted Finance Minister Dilson Funaro a year ago is now accepting humiliating conditions on the foreign debt.

Dilson Funaro, the former finance minister who organized the Feb. 20, 1987 debt moratorium, testified April 18 before the Brazilian senate committee investigating corruption in government. Funaro revealed that the worst corruption committed against the national interest was the dirty tricks members of the government performed to sabotage the moratorium. After Funaro was forced out in April 1987, the government did an about-face from Funaro's principled stand on the debt. That brought on the humiliation and economic looting which Brazil suffers today.

Funaro testified that in April of 1987, Brazilian ambassador to the United States Marcilio Marques Moreira—a sycophant of the Trilateral Commission—set up a team to negotiate a surrender to the banks. The team was a group of businessmen led by Michal Gartenkraut, now officially negotiating with the International Monetary Fund (IMF) as number two in the finance ministry. It is no coincidence that Gartenkraut was already up to his neck in the more traditional corruption cases being investigated by the committee, which has also subpoenaed banker-ambassador Marques Moreira.

Funaro found out about the parallel negotiations from then-Federal Reserve chief Paul Volcker, when Volcker gloated, "For a year and a half you have made my life hell; but you opened paths nobody could have expected. We were visited by a delegation of Brazilian businessmen with a proposed solution for the debt." Back in Brazil, the governors of Rio, São

Paulo, and Minas Gerais rejected the moratorium and called for Funaro's ouster. Funaro returned to Brazil and resigned.

The bankers are now enjoying the humiliation of the liberal economic team headed by Finance Minister Maílson da Nóbrega. When the minister went to the United States in early April, he expected to be patted on the back for having eliminated cost-of-living increases for public employees. Instead, Treasury Secretary James Baker and the bankers told him the debt would not be refinanced until Brazil accepts IMF surveillance and imposes a more brutal austerity program. "The minister must be a bit disillusioned because the American government is taking a hard line toward Brazil," commented a Wall Street banker April 15. "The banks don't want just a telex from the IMF. They want . . . a prior accord on the public deficit. They want a real guarantee."

When da Nóbrega crawled back to Brazil, he dispatched Gartenkraut to the IMF—an institution which for three years was considered incompatible with democratic government in Brazil. Brazil accepted what President Sarney had repeatedly stated Brazil would never accept: that the commercial banks only disburse the new money they are loaning to help pay interest on old debts when and if Brazil obtains continuing approval from the IMF for its austerity program. A government source explained April 20, "it will be an innovative conditionality."

Resistance to IMF austerity and to the ongoing privatization of state companies continues strong in Brazil.

The military is ever more divided on economic policy. A week after the wage freeze was put into effect, armed forces general staff minister Paulo Roberto Camarinha protested, "How are we going to continue with the wage freeze if prices are taking off; look at the prices of medicine, of fuels. . . . The wage problem is extremely serious."

Mines and Energy Minister Aureliano Chaves, backed by the nationalist faction of the armed forces in his defense of the large state companies, not only protested the wage freeze, Chaves even said he would not conform to the regime's policy of firing anti-austerity strikers. This policy was reportedly imposed by the head of Brazil's National Information Service, Minister Gen. Ivan de Souza.

Chavez also made such a stink about the possible denationalization of Petrobrás that President Sarney ripped out of the privatization law proposal he had sent Congress an ambiguous clause which endangered the state monopoly on petroleum.

Only time will tell whether the senate investigating committee will keep the headlines fixated on the petty cash side of government corruption or whether it will bring to justice the bankers' mafia complicit in draining billions of dollars from Brazil.

The National Conference of Catholic Bishops has demanded an audit to determine "the legitimacy of the present debt." Only what is legitimate should be paid. It branded Brazil's \$121 billion foreign debt "a new form of colonialism and intolerable tribute." The bishops observed that, "The foreign debt is being paid by . . . exporting fantastic volumes of raw materials at extremely low prices. It should be subordinated to the preservation of sovereignty and to decent living conditions in the debtor nations."

Business Briefs

Ibero-America

Argentine church, industry slam policy

The Argentine Catholic Church as well as the country's industrialists are growing more and more outspoken in their opposition to the brutal austerity policies enacted by the government of President Raúl Alfonsín at the behest of the International Monetary Fund.

The Argentine Bishops Conference harshly criticized the government's program in a document entitled "The Path of Hope," issued after a week-long conference in Buenos Aires. The document decries the "growing poverty whose effects are accentuated among the most needy classes, overwhelmed for some time with unequal burdens." It observes that workers' wages, "which in a concrete way verify the justice of a system," have been suffering "a constant diminution in . . . purchasing power, in the context of uncontrolled inflation and unemployment."

"Financial speculation, for some time installed in our country," generates "wealth without any effort" for some, and "discourages necessary investment for growth, disparaging human labor, the key to the whole social question. . . . This particularly hurts the poorest, unprotected from the power of the strongest."

At the same time, the ex-president of the Steel Industrialists Center, Salvador San Martín, charged in an April 13 interview that the government program was causing the nation's industry to disappear, while encouraging speculation. Lowering import barriers has lowered consumption of domestically produced goods, collapsing national industry and lowering purchasing power of workers, he said. The real problem, he said, is the financial cost of production due to high interest rates and high taxes.

Arnaldo Etchart, vice president of the Argentine Industrialists Union, charged Alfonsín's government with "technocratic economic authoritarianism" in which technocrats set guidelines for the economy which have nothing to do with reality. He also stated that it is not pro-labor legislation, as many charge, that is hurting industry, but rather a

policy which continually impoverishes them, reducing their purchasing power.

He favorably cited Juan Perón's policy, under which legislation very favorable to workers was combined with an expansionary investment policy, to produce growth that benefited both labor and industry.

Asia

Hammer signs 'joint venture' pacts in China

Armand Hammer, the billionaire Soviet agent who heads Occidental Petroleum, signed two small contracts with Chinese officials in Beijing toward the end of April, according to a report in the *Wall Street Journal* April 26.

One contract created a joint venture to clean coal for export and for use in Chinese coking plants. A second licensing agreement enables Chinese units to obtain Occidental Petroleum technology for making phosphoric acid for fertilizer.

Admitting to "minor problems" encountered in the joint-venture Antaibao coal mine in northern China, Hammer predicted that the coal operation would be operating at a profit by the end of the year.

"In fact, I'm so bullish on our China prospects that we have entered negotiations with our Chinese partners for phase two and phase three of the Antaibao project," Hammer said during a speech to the Beijing chapter of the American Chamber of Commerce.

Oil

OPEC seeks broader producer alliance

OPEC hosted eight non-OPEC oil producers at a meeting in Vienna at the end of April. The meeting's purpose was to forge a new alliance to control oil prices. The method sought to achieve the goal of propping up oil prices, will be a public pledge by all

producers to curtail production. The announcement of the meeting by itself tended to prop up prices, according to press reports.

Texas Railroad Commissioner Kent Hance, who is also George Bush's state campaign chairman, attended the OPEC/non-OPEC meeting in Vienna, and said that he had earlier met with OPEC's president in London to discuss the possibility of Texas taking part in the effort to boost world oil prices by reducing output.

Hance's railroad commission controls Texas oil production, and "could order production cuts in the name of conservation," reported the April 25 *Chicago Tribune*.

Markets

Baker group tries to outlaw crash

A policy grouping led by Secretary of the Treasury James Baker seems intent on imitating the famous King Canute, who ordered the onrushing tides to recede. Baker wants to prevent another stock market crash, by making it against the law.

The Working Group on Financial Markets, set up last month by President Reagan to make recommendations on regulatory changes in the market to prevent another crash like Oct. 19, 1987's "Black Monday," is expected to issue its recommendations in mid-May.

The featured recommendation is expected to be that the future and stock margins be brought closer together. Margins are the percent of the total price that has to be paid in cash.

Other, similar formalities, not touching the underlying causes of the crash or the collapsed state of the real economy, are also expected.

The Working Group is not one that will otherwise inspire confidence. It includes Securities and Exchange Commission chairman Ruder, chairwoman of the Commodity Futures Trading Commission Wendy Gramm, and Federal Reserve Board chairman Alan Greenspan. It is headed by Treasury Secretary Baker.

Meanwhile, as presidential candidate LaRouche predicted, the October Crash has begun to take its toll on tax revenues, making a mockery of state and federal budget projections. California State Finance Director Jesse R. Huff reported April 26 that state income tax receipts are as much as \$800 million below projections. It is such a substantial amount below the anticipated that it threatens to wipe out much of the budget reserve and force massive cutbacks in current as well as future expenditures.

Another member of the Commission on State Finance, however, said that even this is an understatement. He warned that the shortfall could be closer to \$1 billion.

Agriculture

FAO admits famine threat from locusts

U.N. Food and Agricultural Organization (FAO) officials have admitted that the locust plague now affecting Africa and threatening southern Europe will lead to a resurgence of famine in sub-Saharan African nations next year, according to a report in the *New York Times* April 24.

Over the past three years, the FAO has persistently opposed spraying on the scale that would have been required to contain the locust threat.

The *Times* reports that the locusts are unlikely to be eradicated, partly because of the refusal of Western donors to allow the use of the most effective pesticide, Dieldrin. Rafik Skaf, who recently retired as head of FAO's locust control program, told the *Times* that only Dieldrin offers hope of controlling the plague.

The April 8 *EIR* documented the refusal of FAO officials, including Skaf, to permit the kind of large-scale spraying program required. In this, they enjoyed the backing of the U.S. State Department, which threatened to cut off aid to any African nation employing an effective insecticide, ostensibly out of concern for the environment, but in fact out of a desire to see human population in Africa reduced.

The point is underscored by the charges of some Catholic groups in Zaire, whom leading African Catholic leaders meeting in Rome say have prepared a report proving that much of the food aid coming to Africa from institutions like the World Bank contained sterilizing material.

Meanwhile, Italy is mobilizing a special force of aircraft to attack the locust swarms flying north from Africa, reported London's *Sunday Times* April 23. "The locust is a very good flying machine. Swarms could reach the southern coasts of Spain, France, and Italy" an FAO official is quoted.

Some swarms which had been threatening central Italy and Sardinia were killed off by an unexpected cold snap, but the danger remains.

Crash of '88

Schmidt predicts it will happen again

In spite of Germany and Japan pumping money into the dollar, a new crash is probable, former West German Chancellor Helmut Schmidt wrote in an essay in the weekly, *Die Zeit*.

Not only does the dollar remain unstable, but the monetary support for the U.S. currency from the central banks of Germany and Japan has infected the two latter economies with the danger of inflation.

Schmidt concluded that "what happened on Black Monday 1987" may happen again.

The ex-chancellor called for a "double-track monetary system" for Europe modeled on "ancient empires." A European central bank should issue ECUs (European Currency Units) as the reserve currency of the 12-nation European Community, while respective national currencies such as the Deutschmark, franc, guilder, and lira would remain the currency for domestic transactions.

Schmidt cited ancient Troy and the Mycenaean empire, the ancient Roman Empire and later, the European Holy Roman Empire. All used gold-backed currencies for trade, and a silver-backed currency for national transactions.

● **CAR PRODUCTION** capacities will be reduced by General Motors over the next five years to match current depressed sales levels, the company has announced. This is a major about-face for the nation's number-one automaker, which has heretofore insisted that its market share losses were only temporary. Firestone will be dropped as a tire supplier for GM's North American vehicles.

● **THE U.S. GOVERNMENT** filed an official protest with the Vatican against the publication of Pope John Paul II's latest encyclical, *Sollicitudo Rei Socialis*. The encyclical attacked both Soviet-style socialism and "free enterprise" capitalism of the Reagan variety, for excluding morality from policymaking criteria. The protest was filed through the U.S. Ambassador to the Vatican, Frank Shakespeare.

● **GEORGE BUSH'S** banker associate, Nicholas Brady, blamed Japan for the October 1987 stock market collapse. Brady headed the official administration investigation into the crash. He told a meeting of money managers April 21 that massive selling of U.S. Treasury bonds by Japanese investors incited the plunge.

● **SECURITY PACIFIC** National Bank, based in Los Angeles, announced on April 28 that it plans to close up to 10% of its branches, between 40 and 60, within the next six months. The move is a cost-cutting measure. At the same time, the bank is acquiring the 35-branch Hibernis Bank, based in San Francisco, for \$160 million.

● **THE U.S. ENERGY** Department has abandoned the development of a 20-kilowatt modular nuclear reactor designed for military applications. It would have required minimum maintenance and no change of fuel elements for 20 years.

Panama: the keystone of the hemisphere

by Lyndon H. LaRouche, Jr.

The following is the foreword, written on April 15, 1988, for the Schiller Institute pamphlet, "How to Stop the Financial Malvinas Against Panama." The pamphlet was produced by the same task force that prepared the book Integración Iberoamericana, the Schiller Institute's 1986 book on continental economic integration, and released on the occasion of the Unified Front of Panama's trade union conference in Panama on April 28-29, 1988.

Following Mr. LaRouche's foreword, EIR is pleased to print the emergency measures recommended for Panama by the Schiller Institute Trade Union Commission.

In the sane world which does not yet exist, the future economic prospects of Panama were defined by its geography and history. The nation's future importance is centered around the fact, that it is the logistical keystone of Ibero-America's participation in world trade.

It may seem ironical to some, but in the coming age of space-travel powered by terawatt thermonuclear-fusion power plants, the role of transoceanic and sea-coast water-borne transport of freight will increase to levels several times the total tonnage of the 1970s. With large vessels, built of new materials replacing today's steel, operating at higher speeds with greatly improved power plants, it will be cheaper—in the general case—to transport goods between the Pacific and Atlantic coasts of the Americas by ship, than any other mode of transport.

In that circumstance, the existence of a sea-level canal through the proper isthmus route will be essential to the prosperity of Ibero-America as a whole. To the degree we are able to integrate the cooperation among the economies of the Americas, the rate of development of each nation of the hemisphere will benefit greatly. Without adequate water-borne freight transport between the Pacific and Atlantic coasts, economic development within the hemisphere, and with the world outside the hemisphere, will be constrained. Without such a canal, the average cost of transport of imports and exports of every nation will be increased, an increase which must come directly out of the pockets of the populations of those nations.



Carlos Wesley

The Hong-Kong style "informal economy" in this scene reflects Panama's skewed employment patterns. The Banco Nacional de Panamá, under the Schiller Institute's proposed plan, would be rechartered as a state-owned "Banco de la Nación" to issue a new currency, and credit for productive investment.

For Panama, the new sea-level canal will be much more than a source of toll-revenues. For all nations within the hemisphere, and other nations trading with our hemisphere, it is simply good economic sense to perform some processing of a significant fraction of the freight throughput in the vicinity of the new canal. The cost of transporting ocean freight is approximately a constant price-range per ton carried; thus, the greater the value of each ton of freight carried, the smaller the percentage of freight-costs of tonnage carried. Hence, the world's major ocean-vessel canals, which bring together the greatest variety of materials and semifinished products at one point, are naturally regions of important industrial economic development.

Immediately, although the addition of the projected new Culebra cut in the present lock-canal will not solve the problem of putting 200,000-ton ships through the isthmus, it will increase the capacity for flow of freight of a coastal trading class, and help the progressive economic integration of the region. Were I U.S. President, at the choice of the government of Panama, we could complete a sea-level canal within 10 years, or perhaps less. In the meantime, the completion of the Culebra cut could be accelerated, requiring less than the presently projected five years.

This illustrates the way in which the fate of Panama is a matter of vital economic interest to every nation of this hemisphere, especially the Ibero-American economies. Economically, and also politically, tiny Panama is the keystone of the Americas: To a large degree, as Panama goes, so go the Americas as a whole.

The immediate question is: How shall Panama survive to

reach the point at which its bright future emerges? In my view of the matter, there are two Panamas. The one is the geographic Panama with the population inhabiting that region. The other is the human Panama, the patriotic movement committed to the security and development of the nation. No mere collection of people can develop a nation; there must be an organized movement, committed to that development, otherwise the will to develop will not be mustered, and either no development will occur, or a very poor, chaotic sort of development. It is both Panamas, the geographic and the human, which must survive.

The essence of development is capital improvements in infrastructure: national systems of fresh-water management, the production and distribution of electrical energy, national transportation systems, urban industrial infrastructure, schools, and hospitals. All of these works are the function of either governmental agencies or regulated, privately-owned public utilities. Other private investments, such as industry, agriculture, and so forth, will not succeed without the required level of supporting, basic economic infrastructure.

Essentially, the possible level of development of agriculture, industry, and average productive powers of labor, is a function of levels of technology. The possible level of technology reached is delimited by the quantity of energy consumed per capita and per hectare; most of this energy-requirement is expressed in the form of required levels of capital improvements in land and infrastructure.

Hence, since infrastructure, the precondition of development, is a function of government, it is the quality of political movements which shape and direct government

which determines the ability of nations to realize their potential for development in every way.

The political issue in Panama is not the personalities of the late Omar Torrijos or Manuel Noriega, but rather the patriotic movement which they serve. Without that movement, which is the creation of the majority of the people of Panama, the likelihood of national economic development would be very poor.

So, in that respect, the geographic and human potentials of Panama are one and the same thing. So, this vision of our common interest in the successful future development of Panama must guide us today. All true statesmen base their

decisions on the future, and treat the present as the indispensable pathway by which the happier choice of future is to be reached. At stake is not only the future of Panama, but, to a very significant degree, the future of the Americas and every nation within our hemisphere.

The pathway to the future, for Ibero-America immediately, but also the entire hemisphere, is progress along the pathway of economic integration of Ibero-America. More trade among those nations, more emphasis upon common interests of the states, and so forth, is the road upward. So, in the case of the Panama crisis, let clear view of the future guide our actions in the present.

The emergency measures to save Panama

When the United States government launched its assault on Panama, its Defense Forces, and Gen. Manuel Antonio Noriega in early 1988, they apparently believed their own propaganda: They were sure that the nation would quickly capitulate and that General Noriega would accept a deal and flee. Neither has occurred. Enraged that a tiny nation of 2 million would dare to assert its sovereignty in the face of the insane demands of the United States, the State Department moved to isolate Panama from the rest of Ibero-America. Despite the disgraceful behavior of the Ibero-American nations at the Group of 8 meeting in Cartagena, where they voted to exclude Panama from participating, and which almost led to an immediate U.S. invasion of Panama, subsequently Ibero-America has begun to awaken to what is at stake, and through the Latin American Economic System (SELA), has agreed to support Panama.

But the "Gods of Olympus" that rule in Washington and on Wall Street will not be defied. They are trying to annihilate Panama and teach it—and all of Ibero-America—a bloody lesson, unless Panama agrees to their demands: to be transformed into a new Hong Kong, a territory of limited sovereignty, where the banking emporia have free rein to launder their billions of dollars from the drug trade, and where the entire nation is transformed into one, gigantic free trade zone and financial center. In short, they are trying to forcefully implement a modern version of Teddy Roosevelt's neo-colonialist policies, which is the policy of the International Monetary Fund (IMF) and the World Bank today. They are

deployed to impose this policy militarily, including the seizure of the Panama Canal by force. And they are attempting to destroy the Panamanian Defense Forces as an institution, in order to achieve these objectives.

Just as in the case of the Malvinas War of 1982, the imperial powers have launched an all-out war to crush an Ibero-American nation—only this time, it is a "Financial Malvinas," to economically dismember Panama. The only way to stop this is through the economic and political support of the rest of Ibero-America. Unity is the key to victory—for if Panama is allowed to fall, every nation of the continent will soon suffer the same fate. Therefore, Ibero-America cannot afford to lose this battle. Ibero-America must do what it failed to achieve in 1982—integration.

Panama is doing its part. It has refused to surrender. It has survived. And it has issued a call, through SELA, to the nations of Ibero-America to come to its help, to provide the financial, trade, and economic support it needs to survive. Those sister republics now have the ball in their court.

It is the purpose of this report to identify how an emergency economic program can save Panama, and what concrete steps the nations of Ibero-America must immediately take to achieve this. We present this not as the final blueprint, but in the way of general guidelines to urgent action, which require further elaboration. We will also identify the longer-term measures that will allow for the full industrial development of Panama and of an integrated Ibero-America. The emergency measures can be summarized as follows:

1) Panama needs to shift about two-thirds of its export markets from the United States to Europe and Asia.

2) Ibero-America must provide the imports that Panama can no longer get from the United States—over \$500 million worth of additional goods per year, on top of what it already supplies.

3) Ibero-America will have to finance this tripling of exports to Panama with a trade credit line of about \$850 million per year.

4) This credit line need not be in dollars. Ibero-America can either take Panamanian government IOUs; or a new Ibero-American currency can be established to finance such regional trade.

5) Ibero-America must help Panama establish its own, sovereign currency (the balboa), by placing about \$150 million in dollar deposits in a newly chartered, state-owned Banco de la Nación, which would serve as a hard currency reserve to back up the balboa.

6) Only strict foreign exchange and capital controls will prevent the flight of these dollar reserves. Necessarily, this means the end of the Financial Center's speculative activities in Panama.

7) The suspension of debt service and personal and profit remittances from Panama for the duration of the crisis—or at least until the United States ends its illegal withholding of funds owed to Panama—is essential. This implies a full, political break with the austerity policies of the International Monetary Fund and the World Bank.

8) Panama can produce its way out of the crisis. Fifty thousand new jobs can be quickly created, mainly in the area of infrastructure and other construction work, in order to absorb those who lose their jobs due to the crisis. This will require an additional credit line from the nations of Ibero-America of about \$200 million.

Trade and balance of payments

Panama's economy is highly dependent on international trade. It imported goods worth \$1.275 billion in 1986, which was 25% of its GDP of \$5.1 billion. By comparison, Argentine imports are only 6% of its GDP; Guatemala's imports are 9%; and Ibero-America as a whole 7%. Thus, if Panama's imports were to stop or be significantly reduced, the entire economy would suffer a major collapse. Under the worst-case scenario of a total U.S. trade embargo (which has not yet been applied, but may well be just around the corner), what will happen to Panama's imports and balance of payments? Can imports currently supplied by the United States be replaced by other countries, preferably in Ibero-America? And can Panama generate the resources to pay for them?

To answer these questions, we must look at Panama's imports and exports by source and destination. **Table 1** summarizes the picture.

Thus, the United States today provides one-third of Panama's imports, and buys two-thirds of its exports. Ibero-

TABLE 1

Panama's trade, 1986

(millions of dollars)

	Imports (CIF)	Exports
Ibero-America	319 (25%)	40 (12%)
Colón Free Zone*	179 (14%)	4 (1%)
United States	436 (34%)	224 (69%)
Other	341 (27%)	59 (18%)
TOTAL:	1,275 (100%)	327 (100%)

Source: *Panamá en cifras*.

*The Colón Free Zone functions like an enclave within Panama—and is not functionally part of the Panamanian economic or balance of payments picture. It imports \$1.589 billion per year (more than Panama itself), and exports \$1.800 billion per year, for a net surplus of \$211 million. Interestingly, the U.S. is neither a major supplier to nor purchaser from the Colón Free Zone: the Zone mainly imports semi-manufactured goods from the Far East (South Korea, Taiwan, etc.), and produces in-bond manufactures which are then exported to Ibero-America (including Panama).

America only accounts for 25% of the imports, and 12% of the export market, which shows how poorly Panama is integrated into the Ibero-American economy.

A detailed review of Panama's imports by category was conducted for this study. The first thing we did was to list which imports could be considered "luxuries" or non-essentials, and could therefore simply be cut without significantly hurting the Panamanian economy. This includes such items as jewelry, alcoholic beverages, and cosmetics, as well as a modest percentage of such consumer items as home appliances, cars, etc. Our estimate is that only \$235 million of a total 1984 import bill of \$1.411 billion could be dropped in this way, leaving a remaining bill for necessary imports of \$1.176 billion.

The major import categories were then examined to determine which can be provided by Ibero-America and the rest of the world, instead of the United States. The findings are encouraging, and are summarized in **Table 2**.

Ibero-America is estimated to be able to supply about \$871 million, or 74%, of Panama's total necessary imports—up from \$319 million today. This means a near tripling of existing trade levels! This is possible, because various nations of Ibero-America produce most of everything Panama imports, and in many cases already export some of these goods elsewhere. They thus have the capacity to satisfy Panama's (relatively small) import needs as well. For example, Panama's strategically crucial food and energy needs can be met fully by Ibero-America, as can between one-half and two-thirds of its requirements of imported machinery and manufactures.

Furthermore, there is no reason in the world why trade within Ibero-America has to be conducted in dollars. Panama could pay its sister republics either: a) through barter; b) with

a new Ibero-American-wide currency (which could be called the "peso de oro"); or c) with Panamanian government bonds or IOUs, or perhaps with a new, sovereign Panamanian currency (the balboa). We will have more to say on these mon-

etary matters below.

The \$133 million that Panama imports from the Colón Free Zone can be maintained at the same level under this plan, but will have to be paid for in dollars. The remaining imports, which neither Ibero-America nor the Colón Free Zone can supply (mainly machinery and certain manufactures), will have to be purchased with dollars from the rest of the world (excluding the United States)—which is quite feasible, as we show. Thus, Panama can survive without importing one dollar's worth from the United States.

This means that Panama will have a "shopping list" of imports that Ibero-America must help satisfy. Table 3 lists the principal items and the amounts involved, as well as a preliminary idea of which Ibero-American nations are in a position to provide these items. This list is by no means intended to be either final or exclusive: The details of which nations provide exactly what quantities, must become the subject of immediate negotiations between Panama and its Ibero-American neighbors, using the SELA mechanism. It should be emphasized that this increase in exports to Panama will benefit the other nations of Ibero-America as well, and reactivate their economies, which are now being destroyed by IMF austerity measures.

So far, we have demonstrated that it is physically possible for Panama to eliminate its dependence on U.S. imports, by increasing its reliance on Ibero-America. We now turn to the question of how Panama can pay for these imports, and cover its other balance of payments requirements.

The first thing to look at is Panama's exports of goods, and to see if it is possible to shift them away from the United States and toward other Ibero-American nations, as we did with imports. But here it is not so easy. This is because the composition of Panama's exports is mainly the same primary products which most Ibero-American countries also produce and export, as Table 4 shows.

It is therefore unlikely that Ibero-America will be able to increase its share of Panama's exports much beyond the level it now absorbs. Rather, Panama will have to find new markets in Europe and Asia for the 69% of its exports (\$224 million) that is currently bought by the United States. This is not an impossible task: An aggressive marketing strategy, combined with international political pressure applied by a united Ibero-America, should be able to place perhaps \$200 million of these \$224 million in exports in the European and Asian markets. We can thus summarize the shift of Panama's export earnings under our proposed emergency program as shown in Table 5.

Under our proposed plan, Panama's exports to Ibero-America and the Colón Free Zone would be paid for in *pesos de oro* or balboas, or would be part of barter packages as described above. Only the \$259 million in exports to the rest of the world would bring in hard currency, such as dollars.

This, of course, is nowhere near enough foreign exchange to cover Panama's import bill. In fact, historically

TABLE 2
Panama's imports, by origin
(millions of dollars and percentages)

	1984		Schiller Plan	
	\$	%	\$	%
FOOD: Total	128	100	128	100
Ibero-America	22	17	126	98
Colón Free Zone	2	2	2	2
United States	69	54	0	0
Other	35	27	0	0
FUEL: Total	367	100	367	100
Ibero-America	343	93	367	100
Colón Free Zone	—	—	—	—
United States	22	6	0	0
Other	2	1	0	0
CHEMICALS: Total	150	100	150	100
Ibero-America	36	24	114	76
Colón Free Zone	27	18	27	18
United States	45	30	0	—
Other	42	28	9	6
BASIC MANUFACTURES: Total	214	100	214	100
Ibero-America	38	18	134	62
Colón Free Zone	19	9	19	9
United States	68	32	0	0
Other	89	41	61	29
MACHINERY: Total	219	100	219	100
Ibero-America	21	10	95	43
Colón Free Zone	39	18	39	18
United States	47	21	0	0
Other	112	51	85	39
MISC. MANUFACTURES: Total	98	100	98	100
Ibero-America	11	11	35	36
Colón Free Zone	46	47	46	47
United States	7	7	0	0
Other	34	35	17	17
TOTAL:	1,176	100	1,176	100
Ibero-America	471	40	871	74
Colón Free Zone	133	11	133	11
United States	258	22	0	0
Other	314	27	172	15

Panama has covered its large balance of trade deficit in a half-dozen other ways, including: 1) the Colón Free Zone net surplus; 2) port services; 3) Canal payments; 4) U.S. military payments (including rent for the bases, wages, and pensions); 5) pipeline fees; 6) tourism; and 7) Financial Center net payments. The problem with these lines is that most of them have been unilaterally cut to virtually zero by the illegal financial warfare being waged against Panama by the United States. And there is no reason to expect this to change in the short run, or voluntarily. The Financial Center, for example, has been destroyed by the U.S. actions, and will never be rebuilt. Tourism is next to zero, and will stay there for some time to come. U.S. military pensions and salaries paid to Panamanians working on the U.S. bases are still being paid by the United States as of this writing, but fees for electricity,

water, and other services to those bases are not. And perhaps Panama will be able to recover some revenue from the pipeline, but by and large it is safer to assume that these lines will all be at close to zero, until such time as Panama wins this battle for its sovereignty. This adds up to a net loss of foreign exchange of \$1.811 billion per year, as indicated in **Table 6**.

The reader will notice that we have divided the balance of payments requirements under the Schiller Plan into two categories: those that must be paid with dollars, and those that can be paid in *pesos de oro* (or equivalent balboa IOUs). This is because Ibero-American trade—as mentioned above—need not be paid in dollars, and Panama's deficit on this account can be handled differently than its dollar deficit.

The reader should also note that, just as most of Panama's dollar income has dropped to zero in the current crisis, so too

TABLE 3
Ibero-America can satisfy Panama's import needs
(millions of dollars)

	1984 Imports from Ibero- America	Schiller Plan Imports from Ibero- America	% Imports from rest of world	Potential provider
FOOD	22	128	100	
Meat and fish	6	20	100	Argentina, Peru, Costa Rica
Dairy	0	17	100	Argentina
Cereals	7	40	100	Argentina, Guatemala, Colombia
Fruit and other	6	35	100	Argentina, Brazil, Chile, Costa Rica
Edible oils	3	16	100	Argentina
FUEL	343	367	100	Aruba, Ecuador, Mexico, Venezuela
CHEMICALS	36	114	76	
Basic & fertilizers	12	50	83	Argentina, Brazil, Colombia, Costa Rica, Mexico
Pharmaceuticals	18	34	62	Argentina, Costa Rica, Guatemala, Mexico
Misc. plastics	6	30	91	Argentina, Brazil, Costa Rica, Mexico
BASIC MANUFACTURES	38	134	62	
Rubber	2	2	15	
Paper	7	10	18	Argentina, Brazil, Colombia, Costa Rica, Peru
Textiles	7	40	83	Brazil, Colombia, Costa Rica, Peru
Metals	11	47	100	Brazil, Costa Rica, Mexico, Venezuela
Other	11	35	71	Argentina, Brazil, Mexico
MACHINERY	21	95	43	
Non electric	8	35	41	Argentina, Brazil, Mexico
Electric	8	30	56	Argentina, Brazil, Mexico, Peru
Transportation	5	30	38	Argentina, Brazil, Mexico
MISC. MANUFACTURES	11	35	36	Argentina, Brazil, Colombia, Mexico, Peru, Venezuela
TOTAL	471	871	74	

TABLE 4

Composition of Panama's exports, 1986

(millions of dollars)

Bananas	70	(22%)
Shrimp	68	(21%)
Coffee	30	(9%)
Petroleum products*	20	(6%)
Sugar	20	(6%)
TOTAL	327	(100%)

*1985 figure

Source: *Panamá en Cifras*.

will its payments—for debt service, profit and personal remittances, and capital flight (“errors and omissions” in the official tables). The conclusion from Table 6, which may surprise many readers, is that *Panama is perfectly capable of generating enough dollars from the Colón Free Zone and exports to Europe and Asia, to cover all required dollar payments for necessary imports—if the source of imports is shifted heavily toward Ibero-America*, and if the resulting balance of trade deficit with Ibero-America (\$827 million) is covered with peso de oro credit lines to Panama in that amount.

If there is any delay in the establishment of the peso de oro, Panama could just as readily pay the sister nations of Ibero-America with Panamanian government bonds. These new “Sovereignty Bonds” would be redeemable in dollars by the Panamanian government, at the point that the United States ceases its illegal blockade of the Panamanian economy, and thereby frees up the nearly \$2 billion per year in payments now being withheld. Thus, Ibero-America would essentially be giving Panama an emergency trade line of credit of about \$850 million per year, until such time as victory is achieved. In this way, the fate of Panama and of Ibero-America are properly linked together, both economically and politically.

It should also be noted that an \$850 million per year Ibero-American credit line to Panama is a truly minuscule amount of money. It is less than 3% of the total annual debt service payments of \$35 billion which Ibero-America makes to its usurious creditors every single year. Surely, Ibero-America can afford to lend Panama 3% of the amount it obediently pays to the banks every year!

Monetary and currency reform

Since its birth in the first decade of this century, Panama has had two, equally significant limits placed on its national sovereignty. First, the Panama Canal and Canal Zone—now scheduled to revert to exclusive Panamanian sovereignty in the year 2000. Second, the lack of a national currency—Panama has instead used the U.S. dollar.

Throughout history, it has been the case that no nation

can be fully sovereign if it does not control its own money supply and credit policy. If some foreign nation or international institution controls your credit, in a time of crisis they can control your entire economy and national livelihood and dictate terms to you—as Panama has painfully learned during the current crisis.

To reassert sovereign control over its own monetary affairs, Panama can immediately re-charter the Banco Nacional de Panama into a fully state-owned Banco de la Nación (BN)—as distinct from an “independent” central bank of the sort the IMF always demands. The BN’s first mission would be to issue some sort of negotiable instrument for transactions in the domestic economy, i.e., a new Panamanian paper currency, the balboa.

The model for these actions is what was done by the United States itself as it was establishing itself as a nation. Even before the Declaration of Independence of 1776, the Massachusetts Bay Colony was issuing its own paper currency to facilitate economic growth in the colonies. And then, in the 1789-91 period, Alexander Hamilton established the First National Bank of the United States, which channeled credit preferentially toward areas of industrial and agricultural growth, and away from speculation. Thus, what Panama would do today is no more nor less that what the United States itself did over 200 years ago.

Panama’s new balboa would be backed up the same way any currency of Ibero-America now is, with hard currency reserves in the BN (dollars, deutschmarks, yen, gold, etc.) Detailed calculations should be done to establish more precise proportions, but it is our preliminary estimate that an economy as small as Panama’s could get by with about \$150 million in hard-currency reserves, which corresponds to about six months of Panama’s projected hard-currency expenditures on imports.

Panama does not have this amount of reserves at this time, and so Ibero-America must again come to the rescue. They must either lend Panama \$150 million in dollars, on favorable terms, or else make long-term deposits of that amount in the BN. To defend these dollar reserves, Panama will have to

TABLE 5

Destination of Panama's exports

(millions of dollars)

	1986	Schiller Plan
Ibero-America	40 (12%)	40 (13%)
Colón Free Zone	4 (1%)	4 (1%)
United States	224 (69%)	0 (0%)
Other	59 (18%)	259 (86%)
TOTAL	327	303 (100%)

Source: *Panamá en Cifras*.

prohibit the free convertibility of balboas into dollars, and do something that no nation of Ibero-America has dared to do in the recent past, with the exception of Mexico under José López Portillo in 1982: Slap on tight exchange and capital controls. This is the only way to prevent the flight of these dollar reserves, especially in the face of the kind of extreme economic warfare Panama is suffering. It is also the only way to maintain the parity of the balboa, and prevent its forced devaluation through international monetary speculation, as has occurred with so many other Ibero-American nations.

This has drastic implications for the functioning of the Panamanian economy—but none as drastic as its outright destruction, which will otherwise occur if measures such as these are not adopted. The Financial Center banks, for example, will no longer be able to freely transfer funds in and out of the country. Banking secrecy will end. And the Ibero-American drug mafia will no longer be able to launder their funds through Panamanian accounts and will have to take their business elsewhere—a loss which will surely benefit Panama. In short, the Financial Center, as we now know it, is finished, thanks to U.S. economic warfare. The private banks now operating in Panama can be encouraged to convert from offshore activities to the servicing of the domestic economy, under government guidelines.

On matters of trade, a kind of “foreign exchange budget” could be established and allocated by the government, in order to guarantee that the most strategically necessary imports are purchased, and luxuries are not.

And in terms of the domestic economy, the BN can play the same dirigistic role Hamilton’s bank did: It can encourage productive economic activities that are in the national interest, through low interest rates and other favorable terms, and penalize speculative and unproductive uses of credit with onerous interest charges. This would create a business climate highly favorable to profitable business activity, and lay the basis for mutually beneficial cooperation between the government and the private sector.

Economic reactivation

What are the immediate tasks of economic reactivation? The first and most immediate, is to provide new, productive employment for those workers dislocated by the current crisis. Although precise numbers are not available, some useful estimates can be made of the number of jobs involved.

Panamanian economists estimate that unemployment in August 1987 stood at almost 90,000, or 12% of the economically active population. On top of that, the immediate effects of the crisis have thrown another 10%, or 75,000 people, out of their jobs. Much of this is hopefully short term, and will be reversed immediately once the credit and monetary system is functioning normally. This is the case, for example, with workers at factories that can’t open because there is no banking activity available. Perhaps 50,000 of the 75,000 newly unemployed are in this category; but the remaining 25,000 will have to find new jobs.

TABLE 6
Panama’s balance of payments
(millions of dollars)

	1985	Schiller Plan	
		Dollars	‘Pesos de oro’*
Debits	2,182	305	871
Import of goods (CIF)	1,444	305	871
Debt service	316	0	0
Profit remittances	113	0	0
Personal remittances	56	0	0
Capital flight	253	0	0
Credits	2,449	577	44
Exports of goods	320	259	44
Colón Free Zone surplus	211	211	0
Port services, etc.	107	107	0
Canal payments (net)	301	0	0
U.S. military payments	227	0	0
Pipline	228	0	0
Tourism (net)	135	0	0
Financial center (net)	560	0	0
Other (net)	315	0	0
BALANCE	+267	+272	-827

*The gold-backed reserve currency proposed for the use of the Ibero-American Common Market by Lyndon LaRouche, Jr.

Source: *Situación Económica, Balanza de Pagos*. Statistics and Census Administration, Panama.

There is a second kind of unemployment created by the crisis. For example, it is likely that of the 9,000 banking sector jobs, as many as 6,000 will disappear as a result of the elimination of the Financial Center. Hotels and restaurants will also suffer both from the elimination of the Center and from the contraction of tourism, which may eliminate another 9,000 jobs in that sector. There will certainly be some ripple effects of these firings in other areas, so it may be estimated that another 10,000 jobs may be lost for this reason. Thus, we are talking about another 25,000 newly-unemployed workers that will need jobs. So, in total, it will be necessary to create at least 50,000 new jobs immediately.

In the medium term, jobs must also be created for the 90,000 now officially unemployed, as well as for the 20,000 or so new workers who enter the labor force each year.

To determine how and where these jobs can be created, it is necessary to examine the current employment picture in Panama more closely, and to look at the overall strengths and weaknesses of the economy.

Figure 1 shows the historical evolution of Panama’s labor force since 1950, in comparison with the rest of Ibero-America and South Korea. As with most other countries, the

percentage of the labor force in the agricultural sector has fallen from between 50-60% in 1950 to the 20-30% range now. This development in itself is positive, but in Panama, as in much of the rest of the region, it has had two drawbacks: Agriculture is still quite backward, and the new non-agricultural jobs have not been primarily in industry, but in services. The result is underproduction of the real wealth required for development, and a stunting of the industrial structure in favor of export-oriented assembly plants and the maintaining of a colonial pattern of primary product exportation.

This has led to the current employment picture, which we present in more detail in **Table 7**.

The most glaring weakness of Panama's economy is its skewed employment pattern. Less than 10% of its workforce is in manufacturing, the lowest figure for any Ibero-American country outside of Haiti. And within manufacturing, almost the entirety of the output is light consumer goods, with food products alone accounting for almost one-third of total output. There is no heavy industry to speak of, and very little output of machinery items of any sort. The only relative bright spot is the Colón Free Zone, which processes \$1.5

billion in imports into \$1.7 billion of exports, and involves a much wider range of products than are otherwise produced. But this Zone is managed separately from the rest of the economy, and is a virtual enclave.

The counterpart of this low figure, is the very high employment figure in services. One major chunk of services is the result of the policy forced on Panama in the 1970s, to make its income from its offshore banking operations and other "Hong Kong-style" activities. Another significant component is domestic servants, who outnumber those employed in all other non-government services, and who account for two-thirds as many workers as the entirety of the manufacturing sector. The third area of services, the government sector, largely corresponds to the buildup of needed government services for the population.

On the other hand, Panama also has some notable strengths, especially in terms of the quality of its labor force. Relative to the size of its population, Panama has more students in the secondary and university levels than almost every other country in Ibero-America. Thus, 17.8% of its non-agricultural employed labor force has completed high school and attended university for some period of time; another 25.7% have completed between 3 and 6 years of secondary education; and 18.4% have completed 1-3 years of secondary education, for a total of 62% who have gone beyond a primary education. The average number of years of schooling completed is 9, only 2% have no schooling, and 6% have less than 3 years. The average wage level is among the highest in Ibero-America.

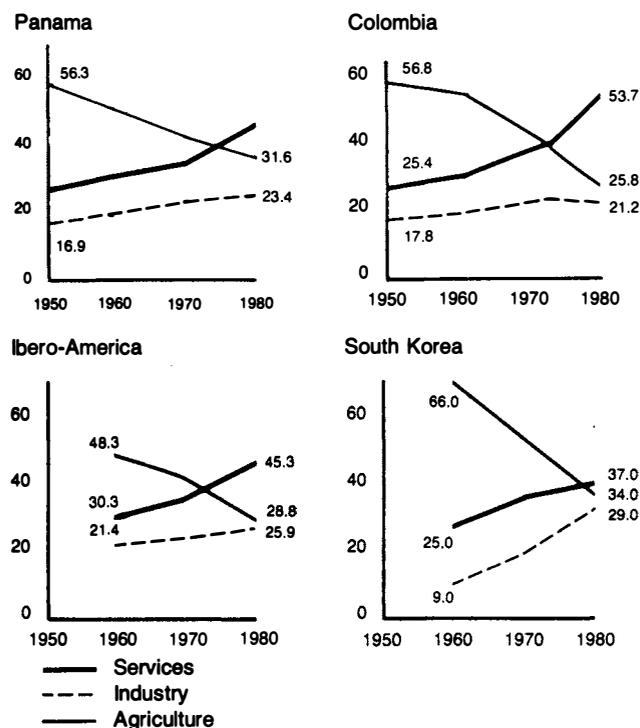
Also on the plus side are advances in infrastructure. In 1984, Panama completed a major expansion of its hydropower system, and presently produces more electric power per capita than Mexico and Colombia, and almost as much as electricity-rich Brazil. Furthermore, it has a margin of 20% of reserve capacity of thermal power which would be tapped if there were industrial customers for it. So, the country would have no trouble accommodating a large number of new factories without straining its existing power network.

As for availability of construction materials, Panama produced 565,000 tons of cement in 1981, which is 250 kilograms per capita—a higher level than that for any of the major countries of Ibero-America.

Taking all of these factors into account, the most efficient way to create most of the required new jobs is in the area of construction and infrastructure, both because of the relatively low level of capital required per new job, and the speed with which new projects can be begun. This requires identifying the projects, and coming up with the capital investment required.

Panama badly needs to overhaul the railroad that services the Canal. Panama inherited it in dilapidated condition, and has not heretofore been able to restore it. A second project is improving the road system, in which only 8% of its 10,000 kilometers of roads are well paved, and two-thirds are not

FIGURE 1
Composition of the workforce: 1950-80
(percentages of total)



Sources: ECLA and World Bank.

TABLE 7

Panama's employment, by area, 1984

	Employed	% of total employed	Unemployed	% of employed*
Total population	2,245,400			
Economically Active Population (EAP)	682,700			
Never worked			29,572	
Employed	613,937	100.0		

AGRICULTURE	174,982	28.5	2,801	1.6
MANUFACTURING/ MINING	60,763	9.9	6,062	9.1
Non-durables	44,309			
Durables	15,658			
UTILITIES	8,403	1.4	205	2.4
CONSTRUCTION	31,576	5.1	5,278	14.3
TRANSPORTATION	35,793	5.8	2,977	7.7
TRADE	89,951	14.7	8,634	8.8
Retail	56,106			
Wholesale	16,106			
Restaurants, hotels	17,080			
FINANCE, BANKING, REAL ESTATE	22,956	3.7	1,170	4.8
Banking	9,000			
Real estate, etc.	13,956			
SERVICES	174,919	28.5	10,801	5.8
Government	102,887			
Public admin. & defense	42,173			
Other	60,714			
Domestic	39,960			
OTHER	32,072			
CANAL AREA	14,594	2.4	1,295	8.2

*Percentage of unemployed in each category

Source: *Situación Económica, Estadísticas del Trabajo: Año 1984*. Statistics and Census Administration, Panama.

paved with all-weather surfacing. The entire network needs to be expanded; the 2,500 km of dirt roads upgraded to semi-paved, and the 4,000 km of semi-paved should be fully paved. In particular, adequate roads need to reach every farm in the country, to guarantee every cultivator access to market, fertilizer, and tractors. Also, an improved network will facilitate constructing and operating the new factories to be built over the next several years.

There are exciting possibilities involving the development of the former Canal Zone, as well as further port and fishing development. Construction work is also required for new hydropower projects to come on line in coming years, to keep ahead of rapidly growing demands for power. And construction of new factories will shortly also be required. These projects are all in addition to the normal requirement to construct new housing and commercial structures as population and the economy expand.

We estimate that perhaps up to 25,000 new workers could

be quickly absorbed into the construction sector, and more later as projects get under way, virtually doubling the size of the sector's labor force. It is quite feasible that an equivalent number of jobs will thereby be created in ancillary industries—the construction materials industries (cement, bricks, lumber, gravel), additional transport, and other jobs. So, the emergency 50,000 jobs can be entirely provided for, if an aggressive infrastructure construction program is launched.

Some of these jobs will cost little more to create than the cost of the added wages. For others, some equipment will need to be provided, and for still others, some import of machinery or building materials. Nonetheless, it can be roughly estimated that the cost per new job should be well under the average cost for new manufacturing jobs. If, hypothetically, each new job required \$10,000 of investment, including wages, a total of \$500 million would be needed, of which the majority could be covered by new credit issued through the Banco de la Nación, and no more than \$200 million would need to be provided, in the form of credits, from the rest of the Ibero-America.

The second major area to be worked on in the short term is agriculture. Official figures for yields establish conclusively that where adequate fertilizer and tractors are employed, yields are double or triple the national average. Panama's has 4,150 tractors in operation, a level which has stagnated since 1978, and several thousand more tractors need to be imported immediately, most likely from Argentina, which once had a capacity for building 30,000 tractors a year. Total fertilizer consumption has been stagnant since 1975, and needs to be immediately doubled from its present range of 23,000 tons. Within 1-2 years, total output of maize and rice can easily be doubled. This would permit Panama to cease importing \$8 million of maize and \$12 million in animal feed grains, and might even permit substitution of maize flour and rice for some portion of the \$12 million of wheat imported annually. But it would also begin to transform the countryside and raise the rural income level, stimulating creation of ancillary jobs in this sector.

In the short-term, such efforts in the areas of infrastructure and the technological improvement of agriculture will solve Panama's immediate crisis, and lay the basis for the greatest development task which awaits it: the construction of a second, sea-level canal.

But more importantly, what will be demonstrated is an even more fundamental point. If the smallest, most dependent, and vulnerable nation of Ibero-America can survive an all-out economic assault by the United States and the international banks—and we have demonstrated that it can—let no Ibero-American political leader ever again justify his own cowardice in the face of the IMF, the State Department, or the creditor banks with the argument that his nation could not withstand the economic embargo that would result from fighting the looting of the IMF and the banks. If Panama can do it, so can every nation of Ibero-America.

Trade unionists support Panama

by Robyn Quijano

Panamanian President Manuel Solís Palma celebrated two months in office by inaugurating the first "Solidarity with Panama Trade Union Conference" on April 28. Having resisted two months of total siege, Panama received unqualified support from the largest and most important trade union confederations of Ibero-America, marking the defeat of U.S. efforts to strongarm Panama's neighbors into supporting the U.S. war on the smallest nation of Spanish-speaking America. Over 3,000 Panamanian trade unionists rallied to hear the President and to welcome 150 delegations from 25 nations.

The Reagan administration's insistence that only Cuba, Nicaragua, and Libya were supporting Panama was undermined by the crucial support of the Mexican labor movement. The first international guest to address the gathering was José Sosa, a high-ranking leader of the Mexican Petroleum Workers, one of the most powerful unions of the multi-million member Confederation of Mexican Workers. He told the delegates about the U.S. aggression against Mexico with the Senate's decertification of Mexico's anti-drug effort, a move well understood within Mexico as the beginning of the "Panama treatment." Like the U.S. accusations against Defense Forces Commander Manuel Antonio Noriega, the decertification is designed to justify imperial aggression against sovereign nations. Sosa brought the support of Mexico's trade unions and the people of Mexico for Panama's fight against U.S. aggression. He quoted Benito Juárez, the Mexican President who defeated the French imperial invasion of his nation: "Respect for the rights of others, is peace."

This Mexican trade union support occurred the same week that the Mexican government made it official that it would supply Panama with oil and other goods, to break the stranglehold of U.S. economic warfare. An AFP wire datelined Washington, April 27, cited State Department sources enraged that Mexico had "joined Libya and Cuba . . . in helping Noriega resist U.S. pressures, by providing petroleum." In reality, the Ibero-Americans had declared support for Panama against U.S. economic aggression weeks before during a meeting of the Latin American Economic System (SELA). But Mexico's actions ended the U.S. ability to isolate Panama, and then use the isolation to charge that Noriega could only get help from the communists, and therefore was turning

Panama into another Cuba.

This entire scenario went down the drain, with the broad-ranging support of Ibero-America's democratic trade unions for President Solís Palma and Defense Forces commander Noriega.

While the Communist World Federation of Trade Unions sent delegations from all over the world, the conference was dominated by the strength of the democratic union delegations from Mexico, Argentina, and Colombia. Ernesto Dávalos of the Argentine State Natural Gas Workers addressed the delegations, bringing the support of the Argentine workers. He told the history of the coup against popular leader, President Juan Domingo Perón, and compared the way it was run directly out of the U.S. embassy to the U.S. aggression against Panama today. The United States was out to destroy the nationalist movement of Argentina then, just as it is determined to wipe out the nationalist Torrijista movement represented by General Noriega today, he told the delegates.

Miguel Angel Castrillón, executive of the Union of workers of Cauca, one of a larger delegation from the democratic sector of the CUT, Colombia's largest workers' confederation, addressed the delegates. Castrillón spoke of the battle in his nation to end the domination of the International Monetary Fund and the World Bank over economic policy, a fight being waged by most of the trade unions of the continent.

Two days before, Jorge Carrillo, president of the CUT, former labor minister and leader of Colombia's Liberal Party, met with President Solís Palma and General Noriega, offering the support of hundreds of thousands of Colombian workers for their fight for sovereignty. On his arrival, Carrillo held a press conference. It is bad enough that the United States always imposes its choice for finance minister on the nations of Latin America, he said. But when they start telling us who should be President, and what is or is not democracy, Carrillo quipped, this is going too far. We're here to join the battle for Panama, he said.

The Single Popular Front (FUP), which sponsored the Trade Union conference, distributed to all the delegates the programmatic document prepared by the Schiller Institute, "How Panama Can Defeat the 'Financial Malvinas': Ibero-American Integration" (excerpts begin on page 22, above). The work of the trade unions in every nation of the continent is now to organize concrete economic support so that Panama can withstand the economic aggression and begin to rebuild a sovereign economy based on increased trade with her sister republics.

Hector Alemán, president of the Panamanian National Federation of Public Employees Associations (Fenasep) and key organizer of the conference, was in Peru this past March, meeting with trade unionists and political leaders. An important delegation of Peruvian trade unionists attended the conference. Aníbal Culiolis García, also a leader of the Fenasep, made a similar tour through Mexico, receiving broad press coverage and support from Mexico's trade unions on the highest level.

President Solís Palma's speech

Panamanian President Manuel Solís Palma greeted the labor leaders April 28. Excerpts follow:

Above all, I want to express my warmest welcome to our country to the leaders and representatives of more than 400 million workers of the world, from all continents, organized in unions and present in this significant Trade Union Conference in Solidarity with Panama.

The Panamanian people and my government, subjected to merciless North American intervention, deeply appreciate and thank the workers of the world who have made themselves present in our country through the distinguished delegates of the world trade union movement meeting [here] with the Single Popular Front for this palpable demonstration of solidarity and respect. . . .

What kind of democracy do we want? There are two aspects basic to democracy: the real side and the formal side. If only one aspect is present, it is not democracy. The key point is that it is not democracy if only the formal aspects are there. It is indispensable that there be democracy which recognizes and accomplishes the real side of democracy.

We have spoken of deepening democracy. And this democratic deepening is contained in my government's and my own conception of what democracy is. There cannot be full democracy if part of the city, if part of the inhabitants of both city and country do not have food. There cannot be democracy if the majority of the country's population does not have clothes to wear. . . .

Every time I am asked a question at press conferences, it is whether we are going to keep the social communications media closed or when we will open them. But, none of the reporters—and I'm not criticizing them, I'm just mentioning this—asks me: "When is there going to be food? When is there going to be clothing? When is there going to be education? When is there going to be work for the Panamanian people?"

I want a free and broad electoral process, a pure and honest one, but not so that those who are going to preserve the people's misery and their caste's privileges can win them. Not for that! Democracy is for the majority of the Panamanians. . . .

Economists, those who develop the economy, cannot continue thinking that the country has to develop on the basis of mortgaging the Republic to those who do not respect the dignity of the people. The economy has to develop with our own resources and the resources of our friends, with the

resources of brother countries and not with the resources of the enemy countries. So that we can steer the economy to the path of dignity, respect, and progress, without subjugating ourselves, without being drowned, without losing our condition of being a Nation. Selling out for a dollar is finally over and done with, that selling out which stained the honor and dignity of the Republic. . . .

Why are they assaulting us? Why does the North American President dislike one man? What's so disturbing to the desires of that gentleman, about one man, that he causes a Nation to lose its good name in the world? Gentlemen, this man is being attacked because he represents the leadership of the Defense Forces, because he represents the leadership of large popular sectors of this country. And this disturbs, and this hinders North American interests from making their stay in this country permanent. . . .

And this man, Manuel Antonio Noriega, is an obstacle to their staying in Panama with their bases and with the canal, especially with their bases. This man is an obstacle for reaching accords with them about all the contractual positions of the future. That's why they have to finish off Manuel Antonio Noriega. . . .

We have learned from the crisis we are undergoing. We have lost the fear of fear itself. People could not speak of sanctions by the U.S. without us trembling . . . and we trembled. But no longer. The Panamanian people are on their feet and more united than ever.

Fear of what? we now ask. No sirs, the valor of our struggle and our efforts enhances our dignity and determination to be a country, to be a free, independent, and sovereign nation. But our experience did teach us that we have to change the course of our economy, of our trade relations. We have to negotiate with all the countries in the world who want to negotiate with us. . . .

They can't figure out how we could have held up for more than 60 days; and I can't understand why they never realized the dignity and quality of the Panamanian people. They never realized its sacrifice nor all our love for the Fatherland. They look everywhere for explanations—did Libya give [money], did that [country] give. Nobody has given us anything so far. What we have given is a demonstration of national dignity, decorum, and valor. We have given that at every moment. . . .

Representatives of the workers of the world, I reiterate our thanks for your presence in Panama, and you may be sure that the battle we are fighting for the liberation of Panama is also the battle for the liberation of the peoples of America and the oppressed peoples of the world. We are glad to give our sacrifices as we are to receive you here. And I hope you have a pleasant stay, that you see the truth, that you see the same thing can happen to any people, because we are giving our quota of sacrifice, since Panama has always seen fit to put itself in this position as the center of the world and the heart of the universe. It will continue to do its share for the world, for the good of mankind.

C=256: the foundations of scientific tuning

Jonathan Tennenbaum's presentation to the April 9, 1988 Schiller Institute conference in Milan on "Music and Classical Esthetics."

Editor's Note: Two weeks ago, in EIR Vol. 15, No. 17, we published a report on the Schiller Institute's conference in Milan launching the initiative to pass the "Verdi Law" for a standard tuning pitch of A 432, in Italy. We printed excerpts from the speeches by soprano Renata Tebaldi, baritone Piero Cappuccilli, and Schiller Institute founder Helga Zepp-LaRouche. The articles below continue our coverage of this historic event.

I want to demonstrate to you why, from a scientific standpoint, no musical tuning is acceptable which is not based on a pitch value for middle C of 256 Hz (cycles per second), corresponding to A no higher than 432 Hz. In view of present scientific knowledge, all other tunings including A 440 must be rejected as invalid and arbitrary.

What is the argument of those in favor of constantly raising the pitch? Typically, they argue, "What difference does it make what basic pitch we choose, as long as the other notes are properly tuned *relative* to that pitch? After all, musical tones are just frequencies, they are all essentially alike. So, why choose one pitch rather than another?" To these people, musical tones are like paper money, whose value can be inflated or deflated at the whim of whomever happens to be in power!

This liberal philosophy of "free floating pitch" owes its present power and influence in large part to the acoustical theories of Hermann Helmholtz, the 19th-century physicist and physiologist whose 1863 book, *Sensations of Tone*, became the standard reference work on the scientific bases of music, up to this very day. Unfortunately, as we shall briefly indicate here, every essential assertion in Helmholtz's book has been proven to be false!

Helmholtz's basic fallacy—unfortunately still taught in most music conservatories and universities today—was to claim that the scientific basis of music is to be found in the properties of vibrating, inert bodies, such as strings, tuning forks, pipes, and membranes. Helmholtz defined musical tones merely as periodic vibrations of the air. The fundamental musical tones, he claimed, are sine waves of various frequencies. Every other tone is just a superposition of added-up sine waves, called "overtones" or "harmonics." The consonant musical intervals are determined by properties of the "overtone series" to be simple whole-number ratios of frequencies. Arguing from this standpoint, Helmholtz demanded that musicians give up well-tempering and return to a "natural tuning" of whole number ratios; he even attacked the music of Bach and Beethoven for being "unnatural" on account of their frequent modulations.

Helmholtz based his theory of human hearing on the same fallacious assumptions. He claimed that the ear works as a passive resonator, analyzing each tone into its overtones by means of a system of tiny resonant bodies.

He insisted that the musical tonalities are all essentially identical, that it makes no difference what fundamental pitch is chosen, except as an arbitrary convention or habit.

Helmholtz's entire theory amounts to what we today call in physics a "scalar," "linear," or at best, "quasi-linear" theory. Thus, Helmholtz assumed that all physical magnitudes, including musical tones, can at least implicitly be measured and represented in the same way as lengths along a straight line. But, we *know* that every important aspect of music, of the human voice, the human mind, and our universe as a whole, is characteristically *nonlinear*. Every physical or aesthetic theory based on the assumption of only linear or

scalar magnitudes, is bound to be false.

A simple illustration should help clarify this point. Compare the measurement of lengths on a straight line with that of arcs on the circumference of a circle. A straight line has no intrinsic measure; before we can measure length, we must first choose some unit, some interval with which to compare any given segment. The choice of the unit of measurement, however, is purely arbitrary.

The circle, on the contrary, possesses by its very nature an intrinsic, *absolute* measure, namely one complete cycle of rotation. Each arc has an absolute value as an *angle*, and the regular self-divisions of the circle define certain specific angles and arcs in a lawful fashion (e.g., a right angle or the 120-degree angle subtended by the side of an equilateral triangle inscribed in the circle).

Just as the process of rotation, which creates the circle, imposes an absolute metric upon the circle, so also the process of creation of our universe determines an absolute value for every existence in the universe, including musical tones. Helmholtz refused to recognize the fact that our universe possesses a special kind of curvature, such that all magnitudes have absolute, geometrically-determined values. This is why Helmholtz's theories are systematically wrong, not merely wrong by accident or through isolated errors. Straight-line measures are intrinsically fallacious in our universe.

For example, sound is not a vibration of the air. A sound wave, we know today, is an electromagnetic process involving the rapid assembly and disassembly of geometrical configurations of molecules. In modern physics, this kind of self-organizing process is known as a "soliton." Although much more detailed experimental work needs to be done, we know in principle that different frequencies of coherent solitons correspond to distinct geometries on the microscopic or quantum level of organization of the process. This was already indicated by the work of Helmholtz's contemporary, Bernhard Riemann, who refuted most of the acoustical doctrines of Helmholtz in his 1859 paper on acoustical shock waves.

Also, Helmholtz's theory of hearing turned out to be fallacious. The tiny resonators he postulated do not exist. The human ear is intrinsically nonlinear in its function, generating singularities at specific angles on the spiral chamber, corresponding to the perceived tone. This is an active process, akin to laser amplification, not just passive resonance. In fact, we know that the ear itself *generates tones!*

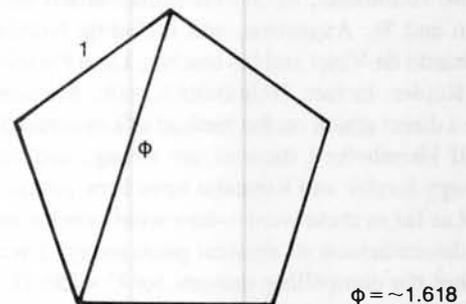
Moreover, as every competent musician knows, the simple sinusoidal signals produced by electronic circuits (such as the Hammond electronic organ) *do not* constitute musical tones. Prior to Helmholtz, it was generally understood that the *human singing voice*, and more specifically, the properly trained *bel canto* voice, is the standard of all musical tone. Historically, all musical instruments were designed and developed to imitate the human voice as closely as possible in its nonlinear characteristics.

The *bel canto* human voice is for sound what a *laser* is for light: The voice is an *acoustical laser*, generating the

maximum density of electromagnetic singularities per unit action. It is this property which gives the *bel canto* voice its special penetrating characteristic, but also determines it as uniquely beautiful and uniquely musical. By contrast, electronic instruments typically produce Helmholtzian sine-wave tones, which are ugly, "dead," and unmusical exactly to the extent that they are incoherent and inefficient as electromagnetic processes.

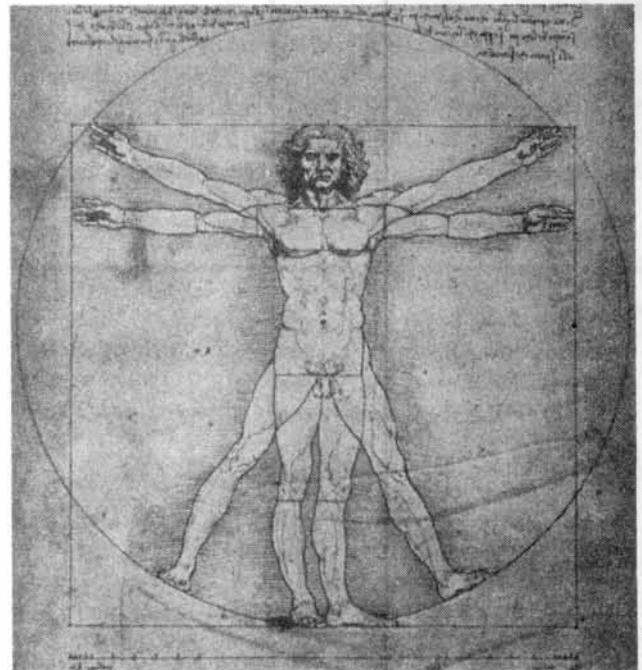
The human voice defines the basis for musical tuning and, indeed, for all music. This was clearly understood long

FIGURE 1



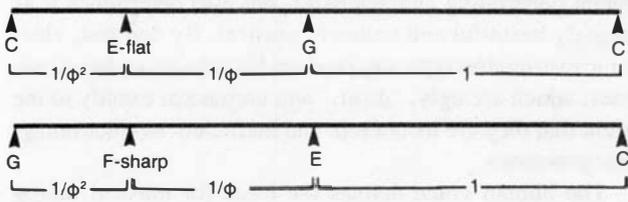
The Golden Section arises as the ratio between the side and the diagonal of a regular pentagon.

FIGURE 2



This famous Leonardo da Vinci drawing of the human body inscribed in a circle shows the Golden Section proportions.

FIGURE 3



The classical well-tempered system is itself based on the Golden Section.

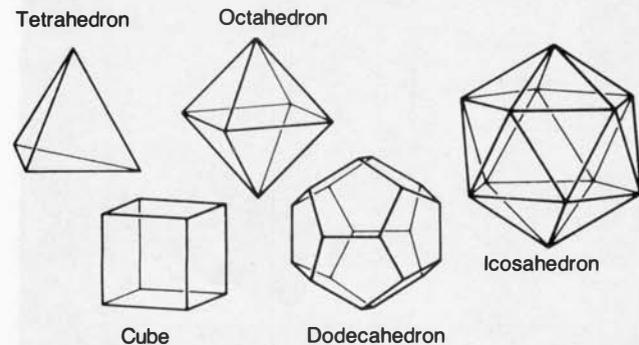
before Helmholtz, by the scientific current associated with Plato and St. Augustine, and including Nicolaus of Cusa, Leonardo da Vinci and his teacher, Luca Pacioli, and Johannes Kepler. In fact, Helmholtz's book, *Sensations of Tone*, was a direct attack on the method of Leonardo da Vinci.

If Helmholtz's theories are wrong, and those of Plato through Kepler and Riemann have been proven correct—at least as far as these went—then what conclusions follow for the determination of musical pitch today? I want to briefly outline the compelling reasons for $C=256$ Hz as the only acceptable scientific tuning, which have emerged from a review of the classical work of Kepler et al. as well as modern scientific research. My remarks will be based on the investigations and consultations of an international working group, involving physicists, biologists, musicians, and instrument builders. This work was carried out under the inspiring leadership of Lyndon LaRouche.

The human voice: the basic instrument

The human voice, the basic instrument in music, is also a living process. Leonardo and Luca Pacioli demonstrated that all living processes are characterized by a very specific internal geometry, whose most direct visible manifestation is the morphological proportion of the Golden Section. In

FIGURE 4a



The five Platonic solids.

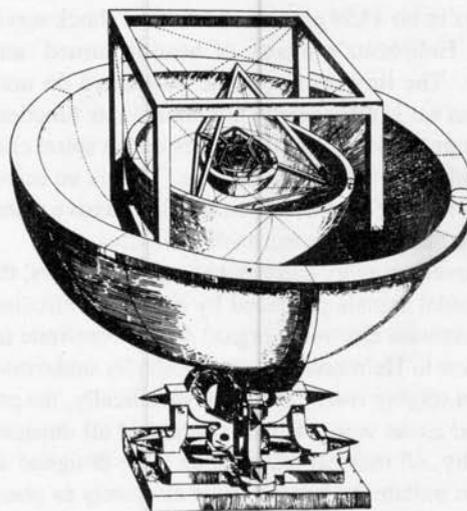
elementary geometry, the Golden Section arises as the ratio between the side and the diagonal of a regular pentagon (Figure 1). The Golden Section naturally forms what we call a self-similar geometric series—a growth process in which each stage forms a Golden Section ratio with the preceding one. Already before Leonardo da Vinci, Leonardo Pisano (also called Fibonacci) demonstrated that the growth of populations of living organisms always follows a series derived from the Golden Section. In extensive morphological studies, Leonardo da Vinci showed that the Golden Section is the essential characteristic of construction of *all* living forms. Figure 2 illustrates the simplest Golden Section proportions of the human body.

Since music is the product of the human voice and human mind—living processes—therefore, everything in music must be coherent with the Golden Section! This was emphatically the case for the development of Western music from the Italian Renaissance up to Bach, Mozart, and Beethoven.

The classical well-tempered system is itself based on the Golden Section. Carol White illustrates this very clearly with the following two series of tones, whose musical significance should be evident to any musician: C, E-flat, G, C; and C, E, F-sharp, G. In the first series, the differences of the frequencies between the successive tones form a self-similar series in the proportion of the Golden Section. The frequency differences of the second series decrease according to the Golden Section ratio (see Figure 3).

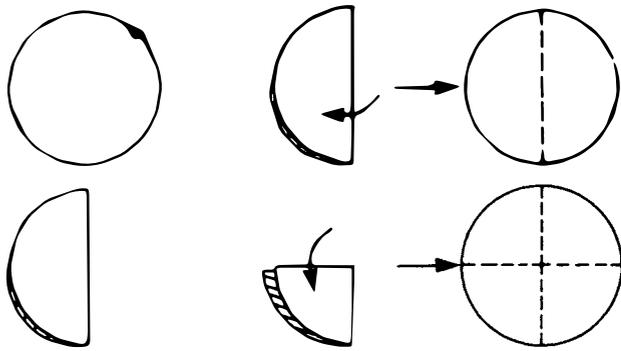
To understand the well-tempered system better, we must first examine the reason why certain specific proportions, especially the Golden Section, predominate in our universe whereas others do not.

FIGURE 4b



Kepler's construction of the planetary orbits by nesting the Platonic solids in spheres.

FIGURE 5



By the process called "synthetic geometry," we generate from the circle, by folding it upon itself, a straight line—the diameter. Folding again, we generate a point, the center of the circle, as the intersection of two diameters.

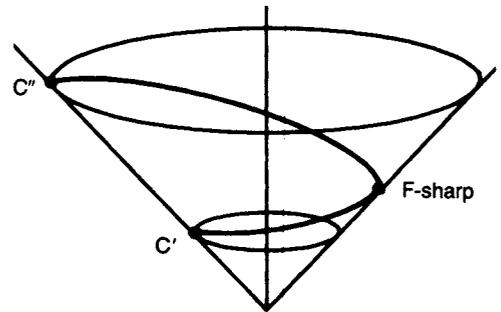
There is nothing mysterious or mystical about the appearance of the Golden Section as an "absolute value" for living processes. Space itself—I mean the visual space in which we perceive things—has a specific "shape" coherent with the Golden Section. For, space does not exist as an abstract entity independent of the physical universe, but is itself *created*. The geometry of space reflects the characteristic curvature underlying the process of generation of the universe as a whole. How do we know that space has a specific shape? We know this because only five types of regular solids can be constructed in space: the tetrahedron, cube, octahedron, dodecahedron, and icosahedron (Figure 4a). These five solids are uniquely determined characteristics of space. They are absolute values for all of physics, biology, and music! Now, Luca Pacioli emphasized that all the solids are derived from a single one, the dodecahedron, and that the latter is uniquely based upon the Golden Section. Hence, the Golden Section is the principal visual characteristic of the process of creation of the universe.

In his *Mysterium Cosmographicum*, Kepler provided further, decisive proof for Leonardo and Pacioli's method. He demonstrated that the morphology of the solar system, including the proportions of the planetary orbits, is derived from the five regular solids and the Golden Section. Figure 4b shows Kepler's famous construction of the planetary orbits through a nested series of concentric spheres whose spacing is determined by inscribed regular solids. Therefore, the solar system has the same morphological characteristics as living organisms.

Circular action

Kepler located the underlying reason for these morphological characteristics in the generating process of the universe itself, and this he attempted to identify with the help of what is called the *isoperimetric theorem*. This theorem states

FIGURE 6

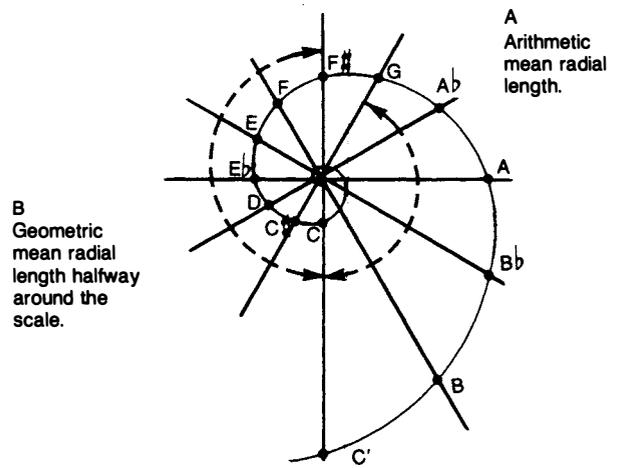


Spiral action on a cone.

that among all closed curves having a given parameter, the circle is the unique curve which encloses the greatest area. Circular action is the maximally efficient form of action in visible space, and therefore coheres uniquely with the *bel canto* musical tone and the beam generated by a laser. Kepler reasoned that if circular action reflects uniquely the creative process of the universe, then the form of everything which exists—of atoms and molecules, of the solar system and the musical system—must be constructible using nothing but circular action.

By this procedure, called "synthetic geometry," we generate from the circle by folding it upon itself (i.e., circular action applied to itself), a straight line, the diameter. By folding again, we obtain a point, the center of the circle, as the intersection of two diameters (Figure 5). So, we have the basic "elements" of plane geometry! Also, by rotating a circle we obtain the sphere. Further constructions, using circular

FIGURE 7



The conical spiral projected onto a plane, showing the intervals of the scale.

action alone, generate the regular polygons—the equilateral triangle, square, and pentagon—which form the faces of the five regular solids. From these uniquely determined polygons, Kepler derived the fundamental musical intervals of the fifth, fourth, and major third, *without any reference to overtones!* In fact, these polygons embody the principle of self-division of circular action by 3, 4, and 5. The octave, or division by 2, we already obtained as the very first result of folding the circle against itself. From division by 2, 3, 4, and 5 we obtain, following Kepler, the following values for the basic musical intervals: octave 1:2; fifth 2:3; fourth 3:4; major third 4:5.

Division by seven is invalid, Kepler argued, because the heptagon is not constructible from circular action alone, nor does it occur in any regular solid. Since Kepler's musical ratios are uniquely coherent with the regular solids, they are uniquely coherent with the Golden Section underlying those solids.

Kepler went on to demonstrate that the angular velocities of the planets as they move in their elliptical orbits around the Sun, are themselves proportioned according to the same ratios as the fundamental musical intervals! (See **Table 1.**) Since Kepler's time, similar relations have been demonstrat-

ed in the system of moons of various planets, and provisionally also even in the motion of spiral galaxies!

Now, C 256 has a uniquely defined astronomical value, as a Keplerian interval in the solar system. The period of one cycle of C 256 (1/256 of a second) can be constructed as follows. Take the period of one rotation of the Earth. Divide this period by 24 ($= 2 \times 3 \times 4$), to get one hour. Divide this by 60 ($= 3 \times 4 \times 5$) to get a minute and again by 60 to obtain one second. Now divide that second by 256 ($= 2 \times 2$). These divisions are all Keplerian divisions derived by circular action alone. It is easy to verify, by following through the indicated series of divisions, that the rotation of the Earth is a "G," 24 octaves lower than C 256! Similarly, C 256 has a determinate value in terms of the complete system of planetary motions.

By contrast, A 440 is a purely arbitrary value, having no physical-geometrical justification. A 440 is an insane tuning in the rigorous sense that it bears no coherent relationship with the universe, with reality.

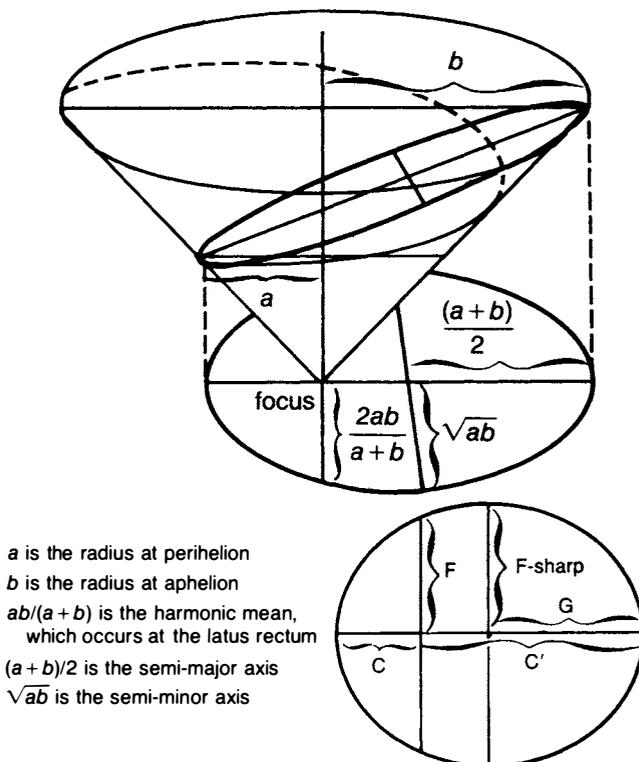
Conical spiral action

Today, we can add some essential points to this. Kepler's solution was absolutely rigorous, as far as it went. However, circular action is only an incomplete representation of creative action in the universe. The next great step was taken by Carl Friedrich Gauss at the beginning of the 19th century. Gauss introduced *conical spiral action*, instead of mere circular action, as the basis for synthetic geometry. Spiral action combines the isoperimetric principle of the circle with the principle of growth expressed by the Golden Section. Let us demonstrate conical spiral action in the *bel canto* voice!

Let a soprano sing a scale upward, starting at middle C ($= 256$). What happens? As the frequency increases, so does the intensity of the sound produced. The more precise term for this intensity is "energy flux density." But this increase is not merely linear extension, not merely increase in scalar magnitude. As our singer sings upward, two important events occur. First, our soprano must make a register shift, at F-sharp, in order to maintain the "isoperimetric," least-action form of *bel canto* tone. We shall come back to the register shift in a moment. The second event occurs upon arrival at the octave, C 512. We hear very clearly, that *one cycle of action* has been completed, like a 360-degree rotation. Aha! This proves that there is a *rotational* component of action to increase the frequency or energy flux-density. Again, Helmholtzian straight-line action does not exist!

The true geometry of the singer's action is therefore most simply represented by *spiral action upward on a cone* (**Figure 6**). In our diagram, the cone's axis represents frequency. Each circular cross-section of the cone represents a *bel canto* musical tone. The spiral makes one complete rotation in passing from C 256 to C 512, and one more cycle in passing from C 512 to the next higher octave, C 1024. Thus, the interval of an octave corresponds to one complete 360-degree cycle of conical spiral action.

FIGURE 8

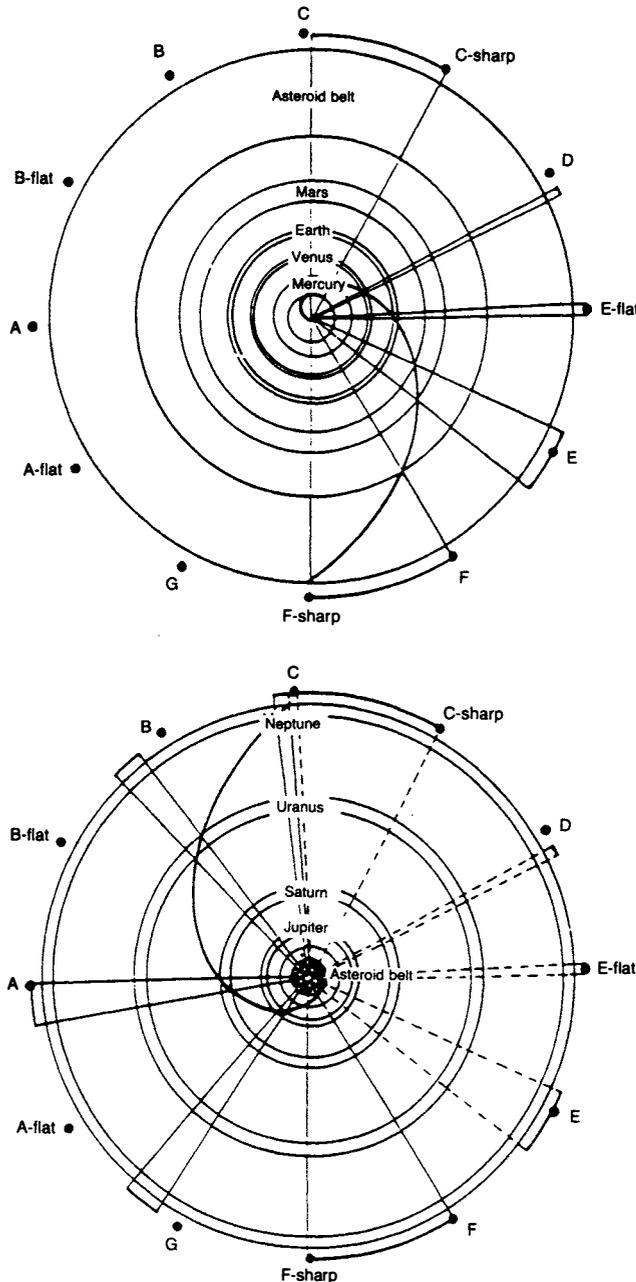


Projection of the ellipse formed by the circular cuts of the octave onto a plane, and the important division points of the ellipse.

Not only the octave, but all musical intervals correspond to specific angles on conical-spiral action. This is most clearly seen if we project our conical spiral onto a plane perpendicular to the axis (Figure 7). If we divide a full 360-degree rotation into 12 equal angles, then each such (30-degree) displacement corresponds to a semitone interval in frequen-

cy. In fact, the radial lengths defined by the spiral at the indicated 12 angles are exactly proportional to the frequencies of the equal-tempered musical scale! The interval of a fifth corresponds to rotation through 7/12 of the circle, or 210

FIGURE 9



A self-similar spiral will make exactly one full cycle in passing from Mercury to the region defined by the overlapping orbits of Neptune and Pluto.

TABLE 1
Kepler's musical system

(Ap. stands for aphelion; Per. for perihelion)

Planet	Daily journey	Ratio	Musical note value
INNER PLANETS*			
Sun	874.2	9.087	F
Mercury			
Per.	380.01	3.95	E
Ap.	165.07	1.715	C-sharp
Venus			
Per.	97.53	1	E
Ap.	94.90	1	E
Earth			
Per.	61.14	.6356	G-sharp
Ap.	57.18	.5944	G
Mars			
Per.	38.09	.3959	C
Ap.	26.19	.2722	F-sharp—F

*The arithmetic mean of the orbit of Venus is taken as the standard of comparison, because its orbit is nearly circular. Note that the planets move down the scale as they move away from the Sun.

Planet	Daily journey	Ratio	Musical note value
OUTER PLANETS**			
Jupiter			
Per.	5.50	15.3631	D
Ap.	4.53	12.6536	B
Saturn			
Per.	2.24	5.2570	B
Ap.	1.80	5.0279	G
Uranus			
Per.	.772	2.1564	F—E
Ap.	.642	2.1417	C-sharp
Neptune			
Per.	.364	1	E-flat
Ap.	.352	1	E-flat
Pluto			
Per.	.408	1.1397	F
Ap.	.148	.4066	C-sharp—C

**The arithmetic mean of the orbit of Neptune is taken as the standard because its orbit is nearly circular.

The angular velocities of the planets are in the same ratio proportions as the fundamental musical intervals.

degrees. The interval of a minor third corresponds to a right angle, and so forth.

(The equal-tempered system, of course, is only an approximation of a rigorous well-tempered system whose details have yet to be fully elaborated. Nevertheless, the indicated construction identifies the frequency regions and angular displacements within which the well-tempered values are to be defined.)

Most important, the halfway point of the full cycle starting at C, is F-sharp, the diminished fifth from C, or the interval once known as the "devil's interval." In terms of geometrical proportion, this F-sharp is located as the *geometric mean* of C 256 and its octave, C 512.

Now, if we carry out synthetic geometry constructions with conical spiral action, just as Kepler did with circular action, we discover wonderful things! For example, construct the characteristic of the conical volume bounded by the circles at C 256 and C 512, by slicing the cone diagonally across those two circles. The result is an ellipse. Now, project this ellipse onto the plane. The principal parameters of the resulting, plane ellipse define exactly the frequency ratios for the most important division-points of the octave (**Figure 8**):

- C 256 corresponds to the perihelion of the ellipse
- C 512 corresponds to the aphelion
- F corresponds to the semilatusrectum
- F-sharp corresponds to the semiminor axis
- G corresponds to the semimajor axis

At the same time, F, F-sharp, and G correspond to the harmonic, geometrical, and arithmetic means, respectively, of the octave. These three means formed the basis of classical Greek theories of architecture, perspective, and music. The same notes F, F-sharp, and G mark the principal division of the basic C-major scale. This scale consists of two congruent "tetrachords": CDEF and GABC. The dividing-tone is F-sharp.

Now, remember that our soprano makes the first register shift, from first to second register, exactly at this point! The first tetrachord, CDEF, is sung in the first register, while GABC are sung in the second register. So, the register shift

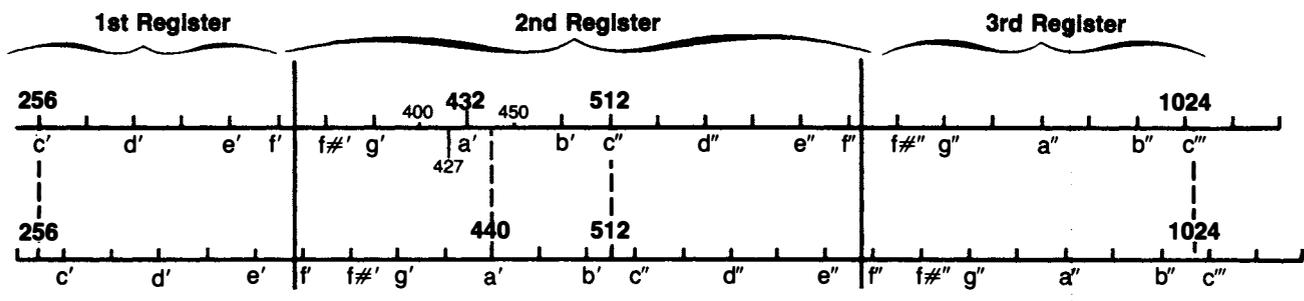
divides the scale exactly at the geometrical-mean or halfway point in the cycle of conical spiral action. The same process repeats in the next higher octave, where the shift from second to third register of the soprano comes once again at F-sharp, the geometrical mean.

The *bel canto* register shift is a physical event of fundamental importance, not merely a technical question for the voice. In physical terms, the register shift constitutes a singularity, a nonlinear phase change comparable to the transformation from ice to water or water to steam. We think an even better comparison is to the biological process of cell division (mitosis). In any case, we see that in the tuning C 256, the region of this singularity coincides with the principal *geometrical division* of conical spiral action. (Here we take the soprano voice, for musical and developmental reasons, as the fundamental reference for the human voice in general.)

Our solar system also makes a "register shift"! It has long been noted that the inner planets (Mercury, Venus, Earth, Mars) all share such common features as relatively small size, solid silico-metallic surface, few moons, and no rings. The outer planets (Jupiter, Saturn, Uranus, and Neptune) share a second, contrasting set of characteristics: large size, gaseous composition, many moons, and rings. The dividing-point between these two sharply contrasting "registers" is the asteroid belt, a ring-like system of tens of thousands of fragmentary bodies believed to have arisen from an exploded planet. Now, it is easy to verify that the solar-system register shift falls exactly in the same, geometric-mean position, as the shift of the soprano voice in the proper C 256 tuning.

If we begin at the outer layer of the Sun, and construct a self-similar (logarithmic spiral) making exactly one rotation in passing from that layer to the orbit of the innermost planet, Mercury, then the continuation of that spiral will make exactly one full cycle in passing from Mercury to the region defined by the overlapping orbits of Neptune and Pluto (**Figure 9**). The halfway or geometric mean point comes exactly at the outer boundary of the asteroid belt! More precisely, if we compare the planetary spiral with our simple spiral derivation of the equal-tempered system (Figure 7), letting the

FIGURE 10



Comparison of C=256 and A=440 tuning, and the placement of the register shifts.

interval from Mercury to Neptune-Pluto correspond to the octave C-C, then the planetary orbits correspond exactly in angular displacements to the principal steps of the scale. The asteroid belt occupies exactly the angular position corresponding to the interval between F and F-sharp. This region is where the soprano makes the register-shift, in C 256 tuning. Thus, complete coherence obtains, with this tuning, between the human voice, the solar system, the musical system, and the synthetic geometry of conical spiral action. (Recent work by Dr. Robert Moon and associates has extended this coherence to the "microcosm" of subatomic physics.)

Now, what happens if the tuning is arbitrarily raised, from C 256 (corresponding to A between 427 and 432 Hz)

to, for example, A 449? **Figure 10** illustrates the result. We see that the soprano register shifts (at approximately 350 Hz and 700 Hz) fall, in the higher tuning, between E and F, rather than between F and F-sharp! This divides the octave in the wrong place, destroys the geometry of the musical system, destroys the agreement between music and the laws of the universe, and, as others shall discuss at this conference, finally destroys the human voice itself!

If we would arbitrarily change the "tuning" of the solar system in a similar way, it would explode and disintegrate! God does not make mistakes: Our solar system functions very well with its proper tuning, which is uniquely coherent with C 256. This, therefore, is the only scientific tuning.

The violin and increases in frequency: Cremona expert

The following presentation, here translated from the original Italian, was made by Prof. Bruno Barosi, of the International Institute of Violinmaking, in Cremona, Italy, at the Schiller Institute's April 9, 1988 conference on Music and Classical Aesthetics in Milan. Professor Barosi addresses the problem of raising the pitch at which the old violins are played, to today's concert pitch of A = 440 and upwards.

The increase in frequency which is being hypothesized involves, for the violin, serious and not easily solvable problems.

From the physical standpoint the violin is a machine which must fulfill two contrasting roles simultaneously:

A static one, of holding the forces of tension of the strings, forces which act constantly upon the structure and to which it must constantly react to maintain, precisely, static equilibrium;

A dynamic one, of vibration around the position of equilibrium, to transmit the vibrations of the strings into the surrounding environment.

Now the violin's case is not a resonating box, but a coupler between the strings and the surrounding air; practically speaking, the instrument's case fulfills the same role which the magnetic nucleus plays in electrical transformers. In this instance, the secondary [circuit] is the air of the surrounding environment, while the primary is obviously constituted by the strings. But what counts is the coefficient of coupling, a coefficient which depends on the volume and its correlated surface. As a result, it is not possible to change the form of the case. Then, to increase the frequency of the four strings themselves, is only pos-

sible under these three conditions:

- 1) By shortening the instrument's neck.
- 2) By increasing the tension on the strings.
- 3) By changing the diameter or the material of which the strings are made.

Solution 1 is not possible because of the already consolidated technique which would have to be changed. All violinists, from the greatest to the most humble, would have to learn a new technique of positioning their fingers on the finger board.

Solution 2 involves an increase in the forces acting upon the structure of the case, which, when analyzed in their particulars, lead us to state that the increase in the single stresses is such as to reduce the half-life of the instrument, insofar as the effect of an overload depends both on its value, and its time duration.

The increase in the components which tend to flatten the bottom and curve the top, intervenes also to modify the timbre.

Solution 3 involves problems with the bow and hence with the production of sound. A too-small diameter of the string (for example, the E-string) involves a variation of the coefficient of friction and hence definitely a smaller sonority. The change in the material make-up of the strings involves problems connected to the duration and the sonority of the strings, as well as problems connected to the horsehair of the bow, which have not yet been experienced.

Finally, but surely no less importantly, there remains the problem of the early instruments which are now used in orchestras and by soloists:

The increase in the tension would inevitably shorten their life, as well as lessen their acoustical rendering. The shortening of the neck would, once again, damage their integrity as works of art.

The studies and experiments conducted in the Physical Acoustics Laboratory of the International Institute of Violinmaking of Cremona confirm what has been stated here.

A preview of the Soviet plenum: no TV soap opera

by Lyndon H. LaRouche, Jr.

If one believed what is being said around official Washington, D.C., and in major news media such as the *Washington Post* and *New York Times*, Soviet General Secretary Mikhail Gorbachov is a dedicated anti-Bolshevik figure who has been selected by the Bolsheviks to head the Soviet state. The liberal's argument is: We must sacrifice almost anything to Moscow—our national defense, our food supplies, and almost anything else—to dupe the nasty Bolsheviks into believing that Gorbachov is their friend.

So, during the last six months of 1987, the leading U.S. news media, and official Washington, were downright hysterical in their denial that a Soviet general secretary was the target of a tumultuous factional attack inside Moscow. Then, suddenly, recently, the same news media announced that Gorbachov had just triumphed in a factional struggle which the U.S. news media had previously denied to exist.

While Western Europe watched the behavior of the U.S. news media, and official Washington, with disgust, the U.S. liberal news media went so far—after long denying any significant factional opposition to Gorbachov's policies—as to announce that Gorbachov had dumped his leading rival, Soviet "Grand Inquisitor" Yegor Ligachov. Within days after this announcement of Ligachov's fall from power, the latter gentleman appeared side-by-side with Gorbachov at an official Soviet public celebration.

This folly in Washington and the news media appears to go on, and on, and on. Soon, at the end of the coming month, there will be a plenary session of the Soviet leadership in Moscow. Now, the Gorbachov fans around the Reagan-Bush administration and news media are bragging that Gorbachov will come out of the June plenary sessions with consolidated

power; more cautious observers adopt the view that Gorbachov will survive through the next year or two. None of this Washington chatter has anything at all to do with the reality of the process currently coming to a boil inside Moscow.

The issue of the June plenary session is not the issue of Mikhail Gorbachov as a U.S. soap-opera personality. For us, here in the United States, and for most of the rest of the world, the real issue is, that if the next President is a silly goose, such as Vice President Bush or Michael Dukakis, and if his strategic policymaking is steered by the kinds of political advisers dominating Bush's and Democratic leadership today, the best of us had better begin practicing to kiss the United States good-bye.

Anyone qualified to be a military or intelligence adviser of the next President must view the present developments in Moscow on three levels. The first level is the nonsense apparently believed by both the news media and the credulous citizens on the receiving end of the TV tubes. The second level is the wild blundering of the most influential of the U.S.'s Soviet experts behind the scenes. The third level is what is actually occurring inside Moscow itself.

We examine those three levels, in that order.

Level one: the soap opera syndrome

Generally, the liberal news media have been portraying events in Moscow as a Russian-speaking version of the TV soap opera "Dynasty." Since "Dynasty" is perceived as entertaining, and distant from the day-to-day reality of personal life, most of the U.S. electorate believes that sort of soap opera-style hogwash.

Like the citizens and slaves of the city of Rome under the

eroding Roman Empire, the U.S. citizenry has come to accept "bread and circuses"—mass-spectator sports, TV soap opera, and the recreations of the rock-drug-sex counterculture—as not only an escape from reality, but a near-schizophrenic's fantasy-world substitute for reality. To a large degree, the mass manipulators, those who produce such escapist garbage, in official Washington, or as employees of the news and entertainment media, believe in that fantasy-world almost as credulously as the poor folk sitting duped on the receiving end of the TV tube.

So, the Mikhail Gorbachov who married into the highest circles of the Soviet oligarchical families (Titorenko) is viewed in the U.S.A. as another of those synthetic media-created political personalities, just as the news media images of Vice President George Bush or air-headed Gov. Michael Dukakis have no resemblance to the real-life characters of the same name.

To understand the popularity of Gorbachov among so many U.S. voters, we must recognize that U.S. citizens do not vote for a real-life Bush or Dukakis. Some bet their votes and campaign-support money on what they are induced to believe is the home team, or star player in a mass-spectator sport. Others bet their egos on hot tips as to how the election campaign will turn out in the next TV soap opera episode. It has not been difficult to portray news media "star" personalities Mikhail Gorbachov and Raisa Gorbachova to the U.S. citizenry in the same way.

In TV soap opera, there is no actual business transacted on "Dallas" or "Dynasty." There is no actual presentation of the inside of the medical profession, as medicine, on "General Hospital." Rather, soap opera, from the radio days of the 1930s and 1940s, was based upon little girls' playing with dolls. "My doll is a doctor. She will. . . .": there is as much actual businessman or physician in the characters of a TV soap opera as there is in the "living theater" sort of script elaborated by two little girls playing dolls together.

He-men usually prefer mass-spectator sports. It takes them back to the games of their childhood, as the Hollywood "horse operas" or "war stories" used to do.

If one listens carefully to men and women discussing political campaigns, one hears the same kinds of divorced-from-the-real-world language the same speakers would otherwise employ in discussing their favorite teams or players in mass-spectator-sports events, or the "I know how it will turn out" fantasy-ruminations of the soap opera fanatic. One hears this on national and international political issues, too. To these citizens, U.S. political candidates and Mikhail Gorbachov are leading U.S. sports or soap opera personalities, and the news media is careful to play up to such delusions.

Listen to the reporters' questions to presidential candidates. Observe the language and imageries the news media use in covering the presidential campaigns. Observe the same sort of infantile nonsense in the way the issues of Reagan-

Gorbachov summits, or Gorbachov himself are covered in those same news media.

Official Washington may not concede that there exists a reality far different than what is told to mass audiences of the news media. For the true believers in the magic of the "power curve," whatever the public can be induced to believe is "political reality." These P. T. Barnums of the political circus believe that the only important realities are the hocus-pocus which brings the ticket-buying suckers into the carnival tents. So, official Washington is trapped into the same delusions it concocts for the deception of the general electorate.

'The so-called U.S. experts on Moscow, most of whom are second-generation Trotskyists or Bukharinites reliving the Soviet succession-crises of the 1920s, babble on developments in Moscow today about as badly as those who write the scripts of the TV anchorfolk.' An analysis written by Lyndon LaRouche on April 25.

Level two: the so-called experts

Now, turn to the so-called experts. The seamy case of Roy Godson illustrates what is terribly wrong with U.S. intelligence on Moscow.

Roy Godson and his patron, Establishment-family figure Richard Mellon Scaife, were caught in the center of laundering what appear to have been tax-exempt funds to an Elliott Abrams-sponsored "Contra" operation. Both are part of a network which is the subject of continuing investigation in two famous spy cases, those of Jonathan Pollard and Shabtai Kalmanowitch. Former national security advisers "Bud" MacFarlane and Adm. John Poindexter, along with Major General Secord and Vice President Bush's Oliver North have taken the heat, while Elliott Abrams, Scaife, and Roy Godson are still shaping key elements of U.S. policy.

Godson, and other elements of Scaife's network, have taken over vital aspects of the U.S. government's Soviet counterintelligence functions, and play an influential role in shaping the intelligence policies of the Reagan-Bush administration in a more general way. Godson's case symptomizes the reasons U.S. intelligence's official assessments of devel-

opments inside Moscow are so consistently disinformed.

The key to Roy Godson is an aging former Soviet intelligence asset in the leadership of the Communist Party U.S.A., Jay Lovestone. Even after Bukharin protégé Lovestone was dumped from the leadership of the Communist Party U.S.A., he continued to function, according to his own bragging during that time, as both a Soviet intelligence operative and a conduit between Soviet intelligence and the U.S. State Department's intelligence. In this double-agent role, Lovestone's international communist intelligence organization used channels including the daughter of the early-1930s U.S. Berlin Ambassador Dodd, using the same apparatus which became the International Rescue Committee of Lovestone, Leo Cherne, et al.

Later, the CIA's labor foreign intelligence section was developed under the direction of these Bukharinite ex-communists. Roy Godson's father, Joe Godson, was a leading figure in that network. Roy inherited his present job.

Much of the U.S.'s Soviet intelligence organization is directed by a combination of both (now-aging) ex-communists and the more active second and third generations of Bukharinite and Trotskyist elements. Joe Godson's son, Roy, brought to prominence under the patronage of Scaife, typifies that. Zbigniew Brzezinski is a product of his own training under the influence of such Bukharinite and Trotskyist specialists of the Soviet Studies circuits.

A similar problem exists in the shaping of U.S. China policy over the past 20 years, another area in which the silly Brzezinski has established himself as a Trilateral Commission policy-spokesman. The heart of U.S. China intelligence has been the Soviet intelligence's Richard Sorge network, which overlapped the Asia and Latin America operations of the famous Comintern super-operative M.N. Roy. One of the key official links between the network featuring Sorge and U.S. intelligence is the links established in Boston, Massachusetts, right after World War I, through negotiations between Comintern official Agnes Smedley and the circle at Harvard University. This link has continued to be the center of the liberal Establishment's China policy to the present day.

U.S. China policy is the laughingstock of the Orient. The networks linking Harvard to Communist China through the old Institute for Pacific Relations channels know China very well in the sense of studies of China's law, language, and so forth, as well as through longstanding contacts run through Canada. The problem is, that no amount of factual knowledge suffices to warn these Harvard-centered China specialists that Harvard has interpreted these facts from the standpoint of the mystical interpretation they superimpose upon the facts. Experts in Far Eastern nations explain that these Harvard and kindred China specialists are credulous believers in a Rudyard Kipling sort of cult of the "mysterious Orient," who seek to interpret mystery where none exists.

If you wish intelligence on China, contact the relevant experts in the Orient. Those experts say: The only "China

Card" which exists, is neither one which the United States or Moscow could play; it is the "card" which China itself holds, and plays cautiously in all directions—while dreaming cautiously of old tales of the Middle Kingdom.

U.S. intelligence on Russia is not quite as bad as U.S. assessments of China. Lovestone and his inner circle were steeped in the culture which Russian Jewish-minorities problems imposed upon their parents and themselves. To that degree, they are able to think of Russia as do most Russian exiles of Bukharinite or Trotskyist pedigrees. Their familiarity with Russian subject-matters, is one of their principal disqualifications for intelligence appraisals of the Soviet Union today.

Most of them have a sneaking desire that a neo-Bukharin or neo-Trotskyist faction will come to the top in Moscow, that, then, the Bukharinite or Trotskyist factional positions of the 1920s and 1930s will be "vindicated history," and that they themselves might be received in Moscow as honored veterans of the Comintern. True, these fellows broke with Stalin, and broke also with some of their communist enthusiasms of earlier decades. They never gave up the deeply embedded mind-set which had attracted them to communist ideology in the first place. Soviet intelligence specialists who understand this mentality are able to manipulate the Godsons rather easily.

These Bukharinites and Trotskyists have not given up the old communist's hatred of industrial capitalism, or their desire for a world-federalist order which would ensure world peace by destroying the institution of the sovereign nation-state republic. The significant thing about these fellows is how they think; to this day, into the second generation, the way in which their minds work is the way the old Cominternist's mind worked. It is therefore easy for the Soviet intelligence services to manipulate the mind of a second-generation Bukharinite such as Godson.

The center of the universe for the person maintaining the family tradition of a Bukharinite or Trotskyist past, is a commitment to justify his father's or grandfather's factional position in the Soviet and Comintern factional affrays of the 1920s. Soviet intelligence recognizes this readily, and plays upon that in the same way it plays upon the susceptibilities of others with unresolved family backgrounds of affinity to the Communist parties or related "causes."

Although Henry A. Kissinger has a background as an impassioned socialist during his youth, Kissinger and Brzezinski are not of the same species as a Lovestone or Roy Godson. They are, in a meaningful sense, the victims of the Lovestones' and Godsons' standing as experts on the inside of Communist and Soviet history. Kissinger can be diabolically clever in his scheming, and can affect a superficial sort of plausible urbanity when it suits him to do so. Poor Brzezinski is an all-around fool, whose only importance is that he speaks as an errand-boy for his patrons. Both are credulous suckers for what they believe to be "expert" information.

The fact that U.S. China specialists are what they are, and that the ex-Bukharinites and ex-Trotskyists dominate the nuts-and-bolts side of Soviet studies think tanks, thus permeates the thinking of the intelligence establishment generally.

Inevitably, because of the mentality of the Bukharinite and Trotskyist as summarily described, the events of the 1920s Soviet factional struggles are seen in terms of formal literary expressions of "political positions" and tactical maneuverings among personality-centered factions. The Trotskyists are notorious for their squabbles respecting which slogan was "the correct position" under certain circumstances. The Bukharinites emphasize tactical minutiae. Their issue is, which slogans or tactics should have brought their man into a winning position in such and such a circumstance of the 1920s and 1930s.

Each time such fellows turn their attention to Soviet Russia, or related matters, their obsessively personalized factional memories of the factional affrays of the 1920s and 1930s are projected upon current developments. To the Bukharinite, for example, the burning question is whether or not "Gorbachov is a new Bukharin, who will rehabilitate Bukharin fully." For the ex-Trotskyist, "Will Trotsky be rehabilitated?" Their expert views, as we might read the result in the usual stuff of this sort in the *New York Times*, or occasionally in the *Foreign Affairs* quarterly of the New York Council on Foreign Relations, color the way the Soviet experts advise a Brzezinski, a Kissinger, et al.

Apart from the factional attachments to Bukharin, Trotsky, et al., their view of Soviet Russia is colored by the image of struggles among personalities as such. Personalities creating powerful factions which secure top-most position, is their inbred image of political processes, and is, not insignificantly, the way the game of musical chairs is played inside the U.S. intelligence community under Ronald Reagan's Executive Order 12333, and earlier.

So, because of the influence of such thinking on the nuts and bolts of U.S. Soviet studies, the U.S. interprets the presently breaking developments in Moscow in a way not very much different than the TV soap opera fans do. Why not? Most of the official Trotskyist and kindred old-comin-ternist literature is largely soap opera stuff. After we boil away the academic persiflage from what comes out of the U.S. Soviet studies think tanks, the net result is not much different overall from the TV soap opera reading.

Level three: What is actually happening in Moscow

For the Bolshevik, past and present, there is only one mission in politics: the establishment of Holy Moscow as the eternal capital of a new, worldwide, Third Roman Empire. For the Bolshevik, the socialist movement is but the lately-discovered instrument by aid of which Moscow might succeed in realizing Czar Ivan the Terrible's goal, where the

czars had failed to do so.

Stalin's "socialism in one country" merely expressed the Bolshevik nationalist's appreciation, that world revolution would bring the foreign power's collective wrath to bear against Holy Russia, if Russia itself were not built up to a sufficient level of military strength to deter the foreign powers from crushing the world revolution by destroying it in its Moscow center.

For the Bolshevik Muscovite, "world revolution" is simply a tactical device. By mobilizing mass-based insurgencies and kindred developments against the industrial and political power of the nations of Western European culture, these nations might be weakened in material strength and in political will, and substantial populations of Moscow sympathizers be recruited in enemy nations. International socialism means approximately the same thing to Moscow, strategically, as Moscow's post-1967 direction of the forces of international narco-terrorism: Destroy the hated West from within both the "metropolitan" industrialized nations, and the dependencies among developing nations.

From the beginning of Soviet power, those around Lenin began to place as much emphasis on particularist religious and ethnic-minority insurgencies as Brzezinski did in defending the Carter administration's decision to overthrow the Shah of Iran and bring the Khomeini lunatics to power. The 1920 Baku conference of the Communist International is an example of this point. Today, Moscow's steering of its drug-war against the United States, its coordination of international narco-terrorism through Hafez Assad's Syria, and the work of Yevgeni Primakov's Oriental Institute in running Soviet particularist subversion in Central and South America, is the leading edge of Soviet subversion. Marxism is a very poor also-ran in Soviet subversion today.

Moscow's varying choice of timetables for the day on which Moscow's eternal empire becomes inevitable—a point of no return—is a mere detail. The commitment to making Moscow the eternal capital of a world-empire dates from the immediate aftermath of the 1439 Council of Florence, five hundred and forty-odd years ago. The imperial destiny of the czars was proclaimed in A.D. 1510, and has been the continuing determinant of Russian thinking under czar and commissar to the present time.

This brings us to the meat of the Gorbachov issue.

To understand Mikhail Gorbachov's problems today, it is sufficient to stress that, in Soviet Russia, there is no political error but perceived failure of a personality or policy to perform as desired. If one traces what Moscow defines as "failure" to the bottom-line of the political accounting system used there, it is clear that perceived failure of a personality or policy is judged by the standard of goals older than Ivan the Terrible: Moscow must never retreat from its gains along the road to world conquest, must always be strengthening itself for future world conquest, both internally and externally.

Moscow's perceptions sometimes misestimate what will or will not contribute to those goals, but they always react brutally against any policy or personality which they perceive to have led them along a detour away from the pathways leading toward such goals.

Contrary to the delusions of most of the nuts-and-bolts specialists in U.S. Soviet-studies think tanks, Trotsky was dumped because his policy had been shown a failure, as Bukharin was dumped after him. They were victimized still more, because they had not only been perceived to have failed, but because they insisted upon defending policies which Moscow judged to be a dangerous detour from the goal of establishing Moscow as the eternal capital of the new world empire. When the oppositionists were perceived to be turning to old wealthy foreign former sponsors of the Bolshevik's "cosmopolitan" factions, in the effort to reverse adopted Soviet policies, Moscow viewed the oppositionists as traitors, and slaughtered them root and branch, as the Western admirers of Gorbachov are attempting to set him up for the slaughter today.

All policy-issues of this significance pertain to the interdependency between two goals: the building up of the material and political strength, the internal stability of the Soviet police-state rule itself, and the extension of the global power of that state at the least possible risk to the Soviet state.

As long as Moscow does not believe that Gorbachov is turning to Western forces among liberal bankers and social-democrats in the effort to impose his own policies upon Russia, the only personal danger to Gorbachov is that, in an explosive situation, he might become a scapegoat. If he commits what is in Muscovite eyes the "treason" of basing his political power in Russia on support from liberal forces in the West, his future is almost certainly a gruesome end.

Personally, I do not believe that Gorbachov is the liberal fool most wishful thinkers around Washington and the Socialist International believe him to be. After all, every cell in his body was examined and reexamined for ideological purity as he reached each upward rung of the apparatus ladder, in the course of achieving appointment as General Secretary.

Gorbachov was selected and groomed to carry out a certain tactic. After the unexpected death of the architect of present Soviet strategic doctrine, Yuri Andropov, Moscow was left with the strategic policies of Andropov and matching military doctrines of Marshal Nikolai Ogarkov, but without a man in the position of General Secretary able to steer through the program which Andropov had begun. Nearly two years slipped from the Moscow timetable, from the death of Andropov, through the nominal leadership of place-holder Chernenko, and the initial months under Gorbachov.

As to why Gorbachov was selected, and sold to the West's liberals as he was, we must remember 1982 and 1983, when the liberal Establishment in the West was saying almost the same things about Gorbachov that Britain's Prime Minister Margaret Thatcher was induced to say about the visiting

Gorbachov even before Gorbachov's appointment as General Secretary was consolidated. Andropov, like Gorbachov, was praised in the British and other press as a Soviet leader likely to rehabilitate Nikolai Bukharin.

Gorbachov was profiled to conduct three policies. First, *perestroika* as part of a pre-war economic mobilization of the Soviet economy. Second, to secure Western economic concessions to assist Moscow's economy in its pre-war mobilization. Third, to exploit the deepening financial crises in

The center of the universe for the person maintaining the family tradition of a Bukharinite or Trotskyist past, is a commitment to justify his father's or grandfather's factional position in the Soviet and Comintern factional affrays of the 1920s. Soviet intelligence plays on this.

the West to lull the West into strategic complacency and foster divisive issues among the U.S.'s allies. On the first two points, there was and probably still is no difference between Gorbachov and the Soviet military. As for *glasnost*, that was already Andropov's policy, a policy which Gorbachov brought in with the backing of the majority-combination which placed him in power.

There are two charges against Gorbachov. First, that he failed to handle the implementation of *perestroika* as effectively as was intended. Second, that Moscow has discovered the price of *glasnost* to be much higher than it had foreseen. It is the second issue which has become the proverbial straw that broke the camel's back.

In other words, not only has the Gorbachov administration *failed* to implement adopted policies as *successfully* as is now demanded; some parts of those policies themselves have proven themselves to have been mistakes by the standard of Soviet imperial goals. These elements of policy are now judged to have been a *failure*, too. Gorbachov is in trouble because of what are seen as these two *failures*. Had he succeeded, his factional victims would have been dumped without regret; since he has failed, some of those victims are permitted to apply for positions as pallbearers at the interment of his political career.

The crux of the matter, is that elements of these policies at issue have been responsible for an imminently catastrophic

collapse of the economies of Soviet captive nations of Eastern Europe. The economies of Poland and Romania are now at the verge of physical breakdown. In Poland, the situation is vastly beyond any of the problems which existed in 1982. Romania of 1982 was almost a paradise compared with the Hell of breakdown ongoing today. The situation in Bulgaria is not as bad as in Romania, but moving in that direction. There is a crisis of the same causes in Hungary, and related troubles in Czechoslovakia.

To understand Gorbachov's predicament, watch the developments in Czechoslovakia closely over the coming weeks. In the meantime, pay close attention to the role of East Germany within the bloc's factional politics as a whole.

As time is running out for the economies of Eastern Europe, so time is running out at the same rate, or even faster, for the *glasnost* policies associated with Gorbachov.

Background: the Bukharin issue

Review briefly the facts supplied in an earlier *EIR* report: the parallel in the conditions which caused Stalin to dump Bukharin in the 1927-29 factional upheaval, and the sudden downslide in the position of Gorbachov beginning the spring of 1987. As "personalities" were not the efficient issues behind the dumping of both Trotsky and Bukharin then, so "personality" is not the underlying issue in Moscow today.

Gorbachov's opposition is the failure of certain of the policies he was entrusted to carry out, not any mere ideological resurgence of Stalin's personal adherents.

The issue which was the undoing of Bukharin was the prices at which Soviet grain and raw materials were being delivered to Western members of the Anglo-Soviet "Trust" under the 1922-27 "New Economic Policy." As world grain prices paid by the international grain cartel fell during the second half of the 1920s, the effect was to bring Soviet industry to the brink of a collapse analogous to the breakdown of most of the economies of Eastern Europe today. This was the problem which Trotsky had labeled famously "the scissors crisis."

On this point, Stalin agreed with Trotsky's facts. Trotsky's problem was that he did not see the logic of these facts as clearly as did Stalin. Stalin recognized that this meant a break of the "Trust" arrangement with the Western financiers, and that breaking that "Trust" arrangement meant that the usefulness of Western-linked Bolshevik "cosmopolitans" such as Trotsky and Bukharin had come to an end. Trotsky and his followers protested that Stalin was always an uncultured national chauvinist; they overlooked the simple fact that this national chauvinism was among Stalin's essential qualifications to carry out the desired breaking of the power of the "cosmopolitans" inside the Soviet leadership.

Since Trotsky represented the brains among the cosmopolitans, and had great, although rapidly waning prestige in still-official versions of the October Revolution and Civil Wars, Stalin's backers backed Bukharin to destroy the Trot-

sky faction in both the Bolshevik Party and Comintern, and, once Trotsky was pushed out of the way, dumped Bukharin.

Today, the situation is different in detail, but essentially similar in fundamentals.

Throughout the postwar period, the Soviet economy has always depended upon massive margins of looting of the economies of Eastern Europe. Andropov's launching of the pre-war mobilization against the United States demanded increased looting of Eastern Europe. Gorbachov's efforts to seduce Western financial interests with "Trust"-like trade-concessions had the inevitable effect of increasing the looting of Eastern Europe still more. It was the added margin of looting caused by the concessions, which became the straw which broke the camel's back.

So, the economic crisis in Eastern Europe is the analog for the Soviet industrial crisis of the 1920s. Both are read in Soviet eyes as a "scissors crisis." Time is almost run out for stabilizing the Eastern European economies. This latter fact is key to the assigned role of the voice of East Germany in the current Soviet internal political fight.

Likely Soviet policy

Moscow has two current objectives. On the one hand, it seeks to milk as many irreversible strategic concessions from the Reagan administration as possible. That consideration recommends keeping Gorbachov visibly in the position of being the apparent Soviet General Secretary. On the other hand, it must dump leading elements of Gorbachov's policy immediately; it can not wait until after the summer.

In view of the fact that Western defenses are being collapsed very rapidly, and the fact that strategic softies such as either Bush, Dukakis, or Sen. Sam Nunn appear likely to become the next U.S. President, Gorbachov's usefulness has become merely marginal on these accounts. Andropov's entire strategic game was premised on the assumption that a new 1929-31-style international financial crisis would provide Moscow a unique strategic "window of opportunity" for making its ultimate world empire an irreversible certainty. Moscow will rely much more on that "objective" consideration than Armand Hammer's influence over Nancy Reagan's husband, or the Averell Harriman-like soft-headedness of a Bush or liberal Establishment-approved Democratic nominee.

Push comes to shove, if Soviet internal interests demand that Gorbachov go, Gorbachov will go, whatever short-term price Soviet diplomacy has to pay for that.

This does not imply that Moscow will cut off all trade-concessions with the West. To this degree, the history of the 1927-35 period is a good rough guide to what the next turn in Soviet foreign policy will be.

When the "Trust" arrangements were broken in 1927, Western concessions continued in a new form under Stalin's First Five-Year Plan. Marshal Nikolai Ogarkov has praised the Soviet war-mobilization under the First Five-Year Plan

as an approximate model for now, while blaming Stalin for the wrong economic policy during the 1935-40 period. The Soviet military will back a Soviet leader committed to carrying out the sort of change typified by the transition from "Trust" concessions to dealings with foreign concessionaires under Stalin's First Five-Year Plan, this time Ogarkov style. *Perestroika* will be continued as a pre-war mobilization in that form.

Moscow will exploit the international financial crises' effects to secure the economic concessions it needs the more

Moscow viewed the oppositionists as traitors, and slaughtered them root and branch, as the Western admirers of Gorbachov are attempting to set him up for the slaughter today.

cheaply, and on more favorable terms of credit, from a desperate economy of the West. Moscow will otherwise remain what Moscow has been since before the reign of Czar Ivan the Terrible; it will, in addition, view the destruction of the power of the United States, and the establishment of unshakable Soviet world imperial hegemony during the course of the 1990s, even by as early as approximately the time of the election of the new President of Europe, in 1992.

Complexities of the factional process

Nikita Khrushchov consolidated power, first by allying with Marshal Zhukov, and then moving, with the backing of Mikhail Suslov, to dump Zhukov. The Soviets have a passion for chess, and play their factional games in the succession process as chess players develop their middle-game in the opening, and their end-game in the middle-game.

Gorbachov's only visible option for retaining power would be to join forces with the Soviet military to crush those identified as defenders of inefficiency. If that, for example, were to occur, that would develop a middle-game position for each of the temporary allies, leading toward a later end-game. In that case, Gorbachov conceivably might be retained in leadership for a time. There are other combinations, which will tend to be chosen and played out as the various forces involved see the chess board at this time.

The point to be stressed, is that the Soviet succession process is a complex process, which rarely proceeds directly from the outbreak of an issue to a predetermined, direct solution. Exactly how the succession-process in Moscow will

unfold beginning the end of May, no one in the West could possibly foresee precisely.

All that is certain, is that a major policy-shift is now in progress, and that some part of that major shift will occur by early June, with finishing touches probably due for the coming autumn. The short fuse on the economic bomb in Eastern Europe permits Moscow to waste no more time in facing up to the demand for immediate, major policy-shifts. Keep your eyes on the policy-issues; how the personalities are shuffled during the next weeks is a secondary matter, and may include some temporary adjustments in personnel which tend to suggest an entirely different result than has actually occurred. Again, focus your attention on the policy-issues.

There is, of course, a sometimes decisive subjective factor in history. This occurs chiefly as either a person rises to extraordinary power over institutions shaping the choices in history, or simply through the influence of the ideas of a creative personality. In Moscow today, barring the military genius of such as Ogarkov, and some scientists outside the mainstream of political power, the process of succession is a matter of bureaucratic personalities, far more capable than a mere Bush or Dukakis, but singularly uncreative. In that circumstance, where the politicians are mere intellectual mediocrities, it is the mechanics of the policy-issues, not personality as such, which will predominate.

So, expect an early and dramatic adjustment in Soviet policy, and remember, meanwhile, that Russians conduct their succession-games as Russians play chess.

Further reading: East bloc economic problems

For recent documentation on the "scissors crisis" in the Soviet Union and East bloc economies, see *EIR*, Vol. 15 (1988), articles in the following issues:

No. 4, Jan. 22, p. 8, "Soviet infant deaths at Third World level," by Luba George.

No. 12, March 18, p. 40, "Unrest spreads in Soviet Union, East bloc satellite countries," by Mark Burdman.

No. 13, March 25, p. 8, "Poland's economy set to explode," by Luba George and Kazimierz Kowalski.

No. 14, April 1, p. 6, "Discontent grows in looted Hungary," by Konstantin George.

No. 15, April 8, p. 10, "Thanks to IMF and the Russians, Poland has 19th-century health care," by Luba George and Kazimierz Kowalski.

No. 18, April 29, p. 18, "Soviet looting and the collapse of East bloc housing," by Luba George.

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Inter-Action Council mobilizes to save Gorbachov

by Mark Burdman

From May 16 to 19, the Inter-Action Council of Former World Leaders, headed by ex-West German Chancellor Helmut Schmidt and ex-Japanese Prime Minister Takeo Fukuda, will be holding its annual summit meeting in Moscow. The official theme of the meeting will be, "Preparing for the next century." But the focus of Western attendees in Moscow will be much less long-term: Schmidt and associates fear that Soviet leader Mikhail Gorbachov is "balancing over the abyss" in Soviet factional warfare, and they are conceiving of the mid-May meeting as a diplomatic effort, on the eve of the next Reagan-Gorbachov summit, to bail out their hero in the Kremlin.

Privately, Schmidt intimates reject the inexplicable euphoria of the American media and Washington-area think tanks that Gorbachov has emerged "triumphant" in the factional war with "conservative" opposition figures like Yegor Ligachov. One Schmidt associate who just returned from a mid-April stay in Moscow, reports that the factional warfare is so intense in Moscow, that different "columns of power" are not communicating with each other, as they watch and wait to see who emerges on top in the political struggles in the weeks before the All-Union Party conference beginning June 28.

Gorbachov has made short-term gains among younger academics and intellectuals and others, via his "withdrawal from Afghanistan" diplomacy and other measures, this source estimates, but the continued inept performance of the Soviet economy and worsening living standards faced by growing numbers of the Soviet population, has only fed the opposition. The latter is intensively organizing, behind-the-scenes, and is making significant political gains, although operating in such a clever, byzantine way, that what they are doing and

how they are doing it, is not always visible to the West.

"Gorbachov is really balancing over the abyss," this individual stated. "What he's doing, the closer the threat comes to his being defeated, is being quite clever in increasing the *price* for his being sacked. He's making clear to his adversaries, that there will be a total loss of international confidence in the U.S.S.R. if he's out. He is meeting four, five, six politicians a day from abroad. He met Arafat, he met Willy Brandt, and all the big shots of the Federal Republic are intending to go to Moscow, [Hans-Jochen] Vogel [chairman of the Social Democratic Party parliamentary fraction] in early May, [Economics Minister Martin] Bangemann some time in late May or soon after that. Gorbachov is playing all his international cards, and extremely so. He's trying to realize Soviet foreign policy in all fields. He has to, with his tongue hanging from speaking so much, hasten from foreign policy success to success."

The conclusion that the Inter-Action Council draws from its evaluation of Gorbachov's troubles, is that a major effort must be made to help him. Stated this Schmidt intimate: "Some people think that a strong Soviet Union, if Gorbachov prevails, would be a threat to the West. The majority view in the Inter-Action Council is, why not have more chances to cooperate with Gorbachov, if that will make things more stable than now? The Inter-Action Council backs the idea of developing the Soviet economy. And the Soviet authorities reached agreement with us, that the meeting in Moscow would be a marvelous opportunity for arranging the stage for the summit with Reagan. Gorbachov, we think, will take his chances, and will use the meeting as an instrument to give the Western public some new initiatives. We would be flabbergasted if he doesn't see the meeting as an excellent op-

portunity to make a policy statement.”

The Red carpet treatment

Gorbachov's mafia is doing everything to reciprocate Inter-Action's favors. Thanks to intervention by the Supreme Soviet, Inter-Action participants will be housed at the Sovietskaya Hotel, heretofore reserved exclusively for delegations representing fraternal communist and socialist parties from abroad. The meeting itself will be held in Moscow's Dom Soyuz, the second-most important edifice in the Soviet capital after the Kremlin.

Approximately 110 individuals, including staff, will be in attendance. Former leaders and government officials scheduled to attend, in addition to Schmidt and Fukuda, include Britain's former Prime Minister James Callaghan, France's former President Valéry Giscard d'Estaing and Prime Minister Chaban-Delmas, Italy's former Prime Minister Giulio Andreotti, Switzerland's former President Fürgler, Spain's former Prime Minister Adolfo Suárez, the former U.S. Secretary of State William Rogers, and China's former Foreign Minister Huang Hua, among others. Council sources report that Soviet participation has been upgraded, from the level of former ambassadors and representatives of the diplomatic corps, to certain of the top specialists and architects of the Gorbachov-era economic reforms—leaving aside the question of whether and how Gorbachov himself participates.

The intention of the Council organizers, is to produce a final document that outlines how the Soviets could be made partners in the “global economic and security system” going into the next century. Questions to be posed to Soviet officials include: Are the Soviets prepared to enter the International Monetary Fund? Will they change part of their currency into an international currency? Will they enter into a COMECON-accounting ruble?

Also, the Inter-Action group will place on the table the findings of the meeting of the Inter-Action Policy Board in Harare, Zimbabwe, which took place from March 19-21 of this year. That meeting had discussed the economic situation in black Africa, and the regional crisis situations in southern Africa and in the Sudan. Schmidt et al. seek to offer the Soviets a “co-management” role in Africa and, potentially, in other areas of the world. The Schmidt aide just returned from Moscow stated, “The Soviet Foreign Ministry now claims, privately, that there is *no difference in judgment* between them and the United States on crisis areas in the Middle East as well as in southern Africa. They want to get into agreements and to get involved. They want to become partners in negotiating different issues, presupposing a reaction from the American side. . . . Gorbachov needs foreign policy successes so much, that he is negotiating from weakness, and is really willing to pay.”

Neomalthusian ‘global system’

What this all amounts to, in practice, is attempting to

reach an East-West “global system” premised on neomalthusian population-reduction policies in the Third World, austerity, and neo-corporatism in the advanced sector, and the bringing-into-being of a federalist world government. Since its founding in the 1982-83 period through initiatives taken by the U.S.'s Bradford Morse out of the offices of the United Nations Development Program in New York City, the Inter-Action Council has assumed a central role on the international political stage, in trying to implement a neomalthusian world-federalist order. Since mid-1983, Schmidt, Fukuda et al. have exerted pressure on India, Malaysia, and the nations of Africa and Ibero-America, to reduce their populations. They have tried to weaken the Vatican's commitment to population growth and economic development, and have allied with those powerful factions within international rentier-finance circles, who have tried to use denial of credit instruments, as a means of reducing nonwhite populations in the world. Essentially, the Inter-Action approach to the Soviets is to enlist the U.S.S.R. in a longer-term project for East-West cooperation in carrying out this aim.

For the immediate term, what Schmidt et al. are doing to save Mikhail Gorbachov, is one part of a general mobilization of the Western partners in the “Trust” to rescue him from political defeat.

Speaking for this viewpoint, West German Foreign Minister Hans-Dietrich Genscher told the daily *Die Welt* April 28 that it was “in Germany's interest” that Gorbachov succeed, and predicted that Gorbachov would prevail at the All-Union Party Conference beginning June 28.

From the West's economic/banking side, top-level delegations from the powerful Deutsche Bank have twice been to the U.S.S.R. during the month of April. On April 26, bank director and Soviet expert Axel Lebahn told *Die Welt* that German industry should be interested in developing whole “regions” in the Soviet Union. He pointed, as an example, to the Kola Peninsula, world-renowned for its awesome concentration of Soviet military power.

On April 25, in Washington, James Giffen, the head of the U.S.-U.S.S.R Trade and Economic Council, told a congressional hearing that trade between the United States and the Soviets could rise by 15 times, from its current \$1 billion, to \$15 billion per year, and that trade should be used as a “carrot” to change Soviet policies, instead of using “sticks.”

Seagram's liquor magnate Edgar Bronfman advised the same committee, that trade restrictions to the Soviets should be eased if they started acting like members of “the club.” In his capacity as head of the World Jewish Congress, Bronfman has been attempting to parlay larger numbers of Jews emigrating from the Soviet Union, into trade concessions to the Russians (and, of course, to himself). During the week of April 25, Bronfman co-thinker Armand Hammer told the Israeli newspaper *Yediot Aharonot* that Gorbachov had promised him personally that any Jew who wanted to leave the

U.S.S.R. would now be allowed to go.

'Dobrynin told me so!'

During mid-April, Giffen and U.S. Commerce Secretary C. William Verity had led a giant delegation of over 500 American businessmen to the U.S.S.R., to discuss joint ventures, and the establishment of U.S.-Soviet working commissions, in the field of energy and other areas. On April 26, Verity told a conference in Washington sponsored by the Committee for National Security that Gorbachov "enjoys the backing of the Army, the KGB, and the Politburo," and had prevailed in the Soviet politburo over Ligachov. According to Verity, the source of this information was former Soviet ambassador to the United States Anatoly Dobrynin! "Dobrynin might have been saying this for our consumption only, but I don't think so," Verity intoned.

Evidently, Dobrynin, who spent 25 years in Washington learning how to manipulate American "useful fools," is an important source for the disinformation that began to pour out of American media sewers, beginning in mid-April, about Gorbachov's "triumph" over Ligachov.

Other "Trust" channels now activated include the Anglo-Soviet Roundtable and the International Institute for Applied Systems Analysis (IIASA) in Laxenbourg, Austria.

The Roundtable held its annual series of meetings from April 11-13, at the Royal Institute for International Affairs, also known as Chatham House, in London. The Soviets brought over a high-powered delegation, led by Yevgeni Primakov, now head of the influential IMEMO think tank in Moscow. Primakov let his British interlocutors know that the Soviets would be eager to reach new Afghanistan-like regional deals and to move closer to a "superpower condominium" approach to world crises, in part through the agency of a United Nations Security Council that would be upgraded in status.

As for IIASA, its Vienna-based affiliate, the New Initiatives Committee for East-West Trade, will be holding a meeting on expanding East-West trade opportunities on May 16-17, in Vienna, simultaneous with the Inter-Action meeting in Moscow. With participation from Goldman Sachs of New York, Italy's Banco da Roma, France's Crédit Lyonnais, Britain's Barclays, Austria's Kreditanstalt, and others, and participation from the Soviets' Gosbank and Poland's Handlowy Bank, the two-day session will discuss themes like, "The integration of COMECON into the world financial system," "Western financial integration and its consequences for East-West trade," and "New possibilities for financing joint ventures." As is the case with IIASA, the co-founder and *éminence grise* of the New Initiative Committee is Dzhermen Gvishiani, the chief of the Global Systems Analysis program of the U.S.S.R. For two decades, Gvishiani has specialized in manipulating the West's liberal establishment and neomalthusian organizations, to help destroy the West from within and further Soviet Russian imperial aims.

The lid will shortly the succession fight

by Konstantin George

It's the pre-summit "New Yalta season" in Moscow. The Reagan administration has already sold out Afghanistan and Pakistan, via the April 14 Geneva "agreement." The Moscow talks held between Secretary of State Shultz and Soviet Foreign Minister Shevardnadze April 21 and 22 will go a long way toward defining the scope of the next round of expected American capitulations—START, ABM-SDI, the Middle East, and the Gulf—during the May 29-June 2 Reagan-Gorbachov summit.

This is true irrespective of whether or not a formal START treaty is signed at the summit. The Reagan administration's policies are doing a superb job of crippling the SDI and other vital programs, without the help of "arms control" agreements. Regarding the summit, there is a distinct danger that minus a START treaty, a superpower "understanding" on ABM could be just as deadly.

Beneath the picture of hasty pre-summit diplomacy, there is the brawl of the Soviet succession fight. This involves not only selecting a replacement for Mikhail Gorbachov, a purely secondary feature of the process, but forming the institutional combination that will *successfully* implement the war buildup policies code-named perestroika for the remainder of this decade and into the 1990s, a "period" Moscow believes will culminate in Russian world domination.

May will be an extremely important month in Moscow, but contrary to popular opinion, the most important event in Moscow during the month of May will *not* be the Reagan-Gorbachov summit.

Radio Moscow announced on April 24 that the Supreme Soviet (parliament) will convene on May 24. Sessions of the Supreme Soviet are almost invariably preceded by a Party Central Committee plenum. This one will be the last Central Committee plenum before the June 28 special Party Conference, making it of decisive importance.

The Supreme Soviet membership includes the Central Committee membership, who will thus all be present in Moscow for several days. This will give all the "mafias" of the Soviet *Nomenklatura* more than ample time to fine-tune the policy shifts in the making, and, should a decision on the leadership succession be made, organize the appropriate con-

come off in in the Kremlin

spiracies to settle the secondary matters, including outstanding "personnel questions."

Urgent questions must be resolved soon, beginning with a policy to tackle the catastrophic economic situation in the captive nations of Eastern Europe, threatening severe disorders in the very near future, and potential explosions in countries like Poland and Romania (see page 6).

The April 20 'mini-plenum'

The heat of the buildup to the June 28 XIX All-Union Party Conference, was demonstrated on April 20. Twenty-four hours before Shultz arrived in Moscow, TASS announced that Gorbachov had met, in three separate sessions on April 11, 14, and 18, "the first secretaries [party leaders] of all republics, regions [oblast], and territories [krai]." The tense pre-conference atmosphere was certified when TASS, in its remarkably terse statement on this "mini" Central Committee plenum (about one-third of the Central Committee was present), reported "an exchange of views" on the analysis and "preparations for the . . . Party Conference." Despite reference to "unanimity," this statement pointed to raging fights and disagreements.

The importance of this conference was underscored by the near total lack of coverage of it in the Soviet media. It, and not the Shultz visit, was the most important event of the week, indeed, of the month, in Moscow.

Events of this type ought to make Western governments look twice at what's really going on in the Soviet Union. They have been largely fooled by a contrived pattern in the Soviet media, a pre-summit ploy, giving the appearance of a Gorbachov "comeback." Why?

The hysteria in the West on this issue reached its peak with the April 21 lead story in the *New York Times*, asserting that the Politburo's chief ideologue, Yegor Ligachov, had been "dumped," or "stripped of his functions," in a "victory" by Gorbachov.

Within 24 hours, it was the *New York Times* which had been "stripped" of its pretentious claim to be a newspaper, as the "dumped" Ligachov appeared, seated next to Gorbachov at the April 22 Lenin birthday celebrations.

The pre-summit 'Potyomkin village'

Moscow has been staging a *show* to give the appearance that Gorbachov is "firm" as general secretary. This is being done to preserve an atmosphere in which Moscow can haul in as many strategic concessions from Washington as possible. The Soviet news media are therefore painting over the dramatic eruption of the post-Gorbachov succession fight, highlighted by the March-April war between the U.S.S.R.'s two leading party newspapers, *Pravda* and *Sovetskaya Rossiya*, as if it had been resolved in Gorbachov's favor. Looking at *Pravda* and *Sovetskaya Rossiya* coverage from April 5, the day of *Pravda*'s attack on *Sovetskaya Rossiya*, until Shultz's arrival in Moscow, one could write a lengthy documentation of a Gorbachov "victory" over his opponents. Since April 5, *Sovetskaya Rossiya* has twice published lengthy apologies for the "errors" in what *Pravda* called its March 13 "Manifesto by the Opponents of the Perestroika."

Added to this, the Soviet press, beginning with *Pravda*, has been filled, day in and day out, with reader's letters hailing *Pravda* and denouncing *Sovetskaya Rossiya*.

The April shower of "letters" and *Sovetskaya Rossiya*'s "apologies" illustrate an old Russian tradition, the *Potyomkin Village*, all façade with nothing behind. But ironically, the very "letters" campaign launched to create the image that everything's okay with Gorbachov, has shown the opposite to be true.

The April 18 edition of *Pravda* was to have been the climax of the "letters" campaign. That day, *Pravda* published a statement signed by nearly all of what are called the "creative unions," from the arts, culture, and media. On the surface, it all looked very impressive. The letter, denouncing *Sovetskaya Rossiya* and praising the April 5 *Pravda* editorial, was dutifully signed by; Yu. Platonov, first secretary, U.S.S.R. Union of Architects; Yu. Solovyov, chairman of the U.S.S.R. Union of Designers; E. Klimov, first secretary of the U.S.S.R. Union of Cinematographers; T. Khrennikov, first secretary of the U.S.S.R. Union of Composers; K. Lавrov from the U.S.S.R. Union of Theater People; A. Vasnetsov, chairman of the U.S.S.R. Union of Artists; and, I. Zubkov, *first deputy chairman* of the U.S.S.R. Union of Journalists.

The Journalists Union's chairman is Viktor Afanasyev, the editor in chief of *Pravda*. Thus, the boss of *Pravda* failed to sign the letter from his own organization in his own newspaper. Another omission: The most important of all the "creative unions," the U.S.S.R. Writers Union, was not represented. This signal touched off panic in the camp of Gorbachov and his close ally on the Politburo, Alexander N. Yakovlev.

The next evening, April 19, the chairman of the U.S.S.R. Writers Union, Viktor Karpov, was hauled onto the Moscow evening news program, *Vremya*, to explain why the Writers Union had not signed the letter in *Pravda*. Karpov replied that the Writers Union planned to draft a "separate" letter,

being vague on details and as to when.

The next day, the plot thickened, when 38 leading writers signed a letter printed in *Pravda*. The fact was striking on two counts. It was a defense of perestroika that anyone could support, as the list of signers proved, from the ultra-liberal poets, Yevgeni Yevtushenko and Andrei Voznesensky, to the arch-Russian chauvinist editor of the Komsomol (youth) monthly, *Molodiya Gvardiya*, Anatoli S. Ivanov. The content was safe, "Prose writers and poets, publicists, playwrights, and critics, and the entire Writers Union hereby declare that to be a patriot of the socialist fatherland means to be a fighter for perestroika."

The "letter" contained yet another signal. Despite the phrase "the entire Writers Union hereby declare," it, too, was not signed by the head of the Writers Union, Viktor Karpov.

The Russian military and Russian chauvinism

Behind the obstinacy of Karpov and the great majority of the Writers Union, lies some very powerful support, transcending that offered by the Politburo's chief ideologue, Yegor Ligachov. Over March and April, there emerged a solid alliance between the Soviet military establishment and the Russian nationalists among Soviet writers, reflecting the "Russian Party" in the *Nomenklatura*.

It all began, as *EIR* reported two issues ago, with the statement in the March 13 *Sovetskaya Rossiya*, that it was "especially important" to publicize Stalin's July 28, 1942 "Not One Step Backwards" directive, wartime Directive 227. That call was picked up in a spread in the Defense ministry daily, *Krasnaya Zvezda*, March 26, authored by Colonel Filatov, and titled: "Directive 227." In between, the defense ministry had gone out of its way to award its 1987 literary prize to an arch-Russian chauvinist writer, Valentin Pikul. Pikul writes mostly for the aforementioned *Molodiya Gvardiya*, a publication notorious for its Russian chauvinist and anti-Semitic diatribes.

Filatov's *Krasnaya Zvezda* feature was an editorial by the military, just as devastating as the *Sovetskaya Rossiya* broadside, though couched as an historical feature. Filatov called for the Soviet Union today to be run in "all sectors of Soviet society, including the economy, scientific-technological labs," etc. on the principle of Stalin's directive. The implication is that, because this principle has not been instituted, the war economy perestroika has been failing under Gorbachov, and this unpardonable sin must be urgently rectified.

It also echoed *Sovetskaya Rossiya* in calling for the elimination of liberal trends in literature and the arts, and for bringing to the fore writers on military and "patriotic" themes, hailing the late 19th-century ideologue of the Great Russian "master race," Fyodor Dostoevsky, as the model for today's writers, "Yes, Dostoevsky wrote about many things . . . criminals as well. At the same time, he did not shy away from other themes; he considered it his national duty, the duty to the Fatherland . . . the duty to say a word about the

soldier. . . . Where are those writers today who are trying to inspire our soldier?"

In the March 30 *Krasnaya Zvezda*, the answer was given by Defense Minister Dmitri Yazov, when he awarded laureate prizes to a group of writers on "military-patriotic" themes. The awards were presented to Valentin Pikul, Alexander Prokhanov, Vladimir Vozobikov, etc. Each gave a statement of thanks, from which we excerpt. These statements, printed front-page in *Krasnaya Zvezda*, are editorials, a military declaration of war against the neo-Bukharinites in the thick of the ongoing succession fight:

Pikul: "I love the military reader, especially the officer, the most educated and prepared to grasp the . . . facts of our heroic past. History showed that Russia [not the "Soviet Union"] more than once had to defend its worthiness and independence on the fields of cruel battles, defending the very right of the people's existence and its culture. For the culture of the military man is an inseparable part of our national culture.

"In the near future, I expect again to encounter military readers in the pages of the magazine *Nash Sovremennik* [a Russian chauvinist publication], where my new novel: *Honor I Have. From the Notes of an Officer of the Russian General Staff*, is appearing."

Prokhanov: "Above all, I'm interested in the present army and its role in our daily life. . . . On the one hand, the idea of global disarmament is more and more influencing the minds of politicians and military men. . . . The liquidation of certain types of weapons does not mean simply their annihilation. . . .

"Today's army is the essence of the very high and very dear values which today's society lacks. The masterful comprehension which the army has preserved ought to become the property of society as a whole. This, above all, is patriotism, love for the Motherland."

The alliance between the military, and the political and cultural "Russian Party," was again visible on April 5, when *Sovetskaya Rossiya* printed a feature by the same Colonel Filatov, extolling the virtues of Russian nationalism, Russian "military-patriotic" glory and traditions, and again portraying at great length Fyodor Dostoevsky as the model for today's writers. The glories of Russia spanned the centuries from Prince Dmitri Donskoi's victory over the Mongols at Kotelnikovo in 1380, through the 19th-century conquest of Central Asia, complete with Dostoevsky's role in propagating such imperial expansionism.

With the onset of the "April Fool" Potyomkin Village game in the media, there has been a temporary, relative hiatus in such polemics. Exemplary is the fact that the April issue of *Molodaya Gvardiya*, containing a monster feature entitled, "The Meaning of Our Life," echoing the polemic of *Sovetskaya Rossiya*, has yet to appear on the newsstands. But no one should be surprised when the lid comes off, and very soon.

Ibero-American unity turns tide on Panama crisis

by Gretchen Small

The campaign of the "Project Democracy" U.S. secret government to overthrow Panama's institutions of government and defense, has blown up in its face.

Panama, the smallest of the Spanish-speaking nations of the Americas, was to be the test case for the projected U.S. role of imperial master of the Americas in the developing one-world condominium with Moscow. The result, however, has been otherwise: Panama's tenacious defense of its national sovereignty has set into motion the first steps toward the overall integration of Ibero-America's economies, which is required to defend production in each nation against international usury.

Ironically, this continental unity, potentially far greater than that forged during the 1982 Malvinas War, may prove to be the only force capable of blocking Moscow's plans to seize political hegemony in Ibero-America, as Ibero-America rebels against United States' imperial wars.

On April 22, Panama's National Information System announced that Mexico had agreed to supply Panama with 50% of its oil needs on easy credit terms, "until the difficulties of the present crisis are overcome." Thus, Mexico became the first government of Ibero-America to answer Panama's request to SELA (the Latin American Economic System), that its 22 member states help defend Panama from U.S. economic aggression.

Had Mexico not done so, Panama could have run out of oil by May. When the Reagan administration's cut-off of dollar flows left Panama without foreign exchange with which to pay for its basic imports, Panama turned to its "brother Latin American governments" for help, President Manuel Solís Palma explained on April 25.

Mexico's embassy in Panama reported that Mexico took this decision because of its government's belief that "it is imperative to make Latin American unity grow," citing Decision 271 of SELA, signed on March 29 by the foreign ministers of the SELA nations. That decision mandated SELA to "promote and coordinate" measures by member states to aid Panama against "the coercive economic measures taken by the government of the United States of America against Panama."

Other economic aid will follow. "The Mexican government has given us facilities to obtain oil, and it is also studying the possibilities of giving facilities to obtain certain raw

materials, food, and perhaps medicine," Panama's President, Manuel Solís Palma, reported on April 25. He added that Mexico was also "studying the possibility of helping us mint coins."

SELA executives arrived in Panama April 20, to work out the details of what Panama needs, so that SELA can provide other Ibero-American countries a centralized list of what they must provide if Panama is to survive. This includes aid to stabilize Panama's banking system, Finance Minister Orville Goodin reported on April 25.

Toward Ibero-America, away from IMF

The crack in the international blockade against Panama, allowed the government to proceed on its plan for internal reconstruction, even as U.S. economic warfare continues. On April 24, President Solís Palma announced a major change in his cabinet, bringing in new ministers of Agriculture, Planning, Foreign Affairs, Labor, Welfare, Education, and Public Works. This cabinet better responds to the "needs of our current situation," he stated at a press conference the next day, because it is prepared to mobilize "our main resource . . . Panamanians' unwavering desire to be always a nation, and never a colony."

Government spokesman Nils Castro reported that this cabinet has "fewer technocrats, will be more linked to Latin America, and will have less ties to the International Monetary Fund and the World Bank."

Cabinet ministers at the press conference with Solís Palma reported on efforts to open new areas of production of physical goods, to replace huge banking and service sectors which U.S. warfare has shut down.

Priority attention is being given to agriculture, so that planting can be completed between now and June 30, Agricultural Minister Darisnel Espino reported. Preparation of land and sowing already began in the critical Veraguas Province, to be followed in Chiriquí, he noted, as part of a "large-scale effort to increase our national production."

Commerce and Industry Minister Mario Rognoni announced that his ministry has begun an inventory of the country's mineral resources, left unexploited since the last century. Industrial fishing has already increased in such areas as shrimp-fishing, as unemployed Panamanians seek to find new sources of income, he added.

Rarely has such an about-face in tactics been seen, as is now being exhibited in Washington from the plan of action which Secretary of State George Shultz and his sidekick bully, Elliott Abrams, promised to all would force Panama's General Manuel Noriega from power.

Reagan policy routed

Mexico's support for Panama had already been announced, when an interview with Abrams in Brazil's *Veja* magazine hit the stands. Abrams had bragged too soon that the administration "has discussed with all the democracies, requesting that they do nothing of aid or assistance to Noriega. Until now, all the countries without exception, maintain that certainly they will do nothing to support the general because they, too, want him to fall."

Not only is General Noriega still commander of the Defense Forces, but the government of Panama has survived 60 days of attack, and *strengthened* its position.

On April 24, the Reagan administration lost further ground, when Panama's Catholic Bishops read from every pulpit a letter calling U.S. economic sanctions against Panama "morally unjust," and requesting they be rescinded immediately. The U.S. measures have "badly hurt all the people, above all the poorest and humblest. As the church, and as Panamanians, we reject these measures that violate national sovereignty," the Bishops' said.

Isolated, the Reagan administration is now backtracking, speaking of dialogue where before no talk of "compromise" was allowed. White House spokesman Marlin Fitzwater even admitted on April 28 that perhaps General Noriega will be granted the privilege of living in his own country. What has so far been missed, however, is that the *policy* itself is both wrong, and a strategic disaster—not merely the tactics adopted to implement the policy. It is the same failure to understand principles, which has caused U.S. officials to express "surprise and frustration" at the depth of support for General Noriega, and the military-civilian political alliance which he leads in Panama.

One administration official told the *New York Times*, the U.S. error was to "publicly" seek to overthrow General Noriega. For this fellow, "the mistake was suggesting he's going to be going in a couple of weeks."

To the *New York Times*, the problem has been one of "style." The "bullying, snarling style of Abrams risks antagonizing Latins," their April 27 editorial complained. The economic blockade of Panama was correct, but it was imposed "recklessly," they complain.

Sol Linowitz and his buddies insist that if they are handed the reins, they will work as "competent, professional diplomats," not only to get General Noriega out, but to tackle the "long-term problem" of how to restructure Panama's military altogether.

In the words of bank consultant Riordan Roett, "any kind of [Latin] figleaf would have been helpful. . . . Packaging is everything, and this wasn't packaged well."

So, two major tactics are now on the agenda, with hopes of saving the policy. The first, is simply to "get the Latins to do it." Here, Washington is counting on Moscow's allies in the Socialist International to provide the needed figleaf.

Elliott Abrams may have to be gotten out of the way, if Operation "Figleaf" is to succeed—even with the Socialist International. Abrams demonstrated the best of his diplomatic capabilities when he told *Veja* magazine, "I ask the countries of Latin America—Brazil, Argentina and Uruguay—if they are ready to seek another wave of coups in the hemisphere. If the answer is no, we must fight against Noriega until he is defeated."

Abrams's crude threat provoked official protests from the governments of Ecuador and Peru. The foreign ministries of both nations demanded explanations of Abrams's remarks, which they charged were "impertinent," and "inadmissible intervention in internal affairs."

There is a certain irony, however, in the fact that the man the Reagan administration is counting on to do the job Abrams cannot, is Gen. Vernon Walters—the very man who gave his word in 1981 to the Argentine Army, that the United States would remain neutral in any Argentine-British conflict over the Malvinas Islands!

Thrown in to support Walters's efforts, is the State Department's Panamanian President-by-video, Eric Delvalle, who announced from his hiding place on a U.S. military base in Panama on April 26, that he will be telephoning Latin American Presidents to press them to join a multinational military force against Panama.

"It's clear that Washington has not found the hoped-for echo in many capitals, including in Buenos Aires, to participate actively in the campaign to overthrow Noriega," the Argentine daily *Clarín* commented April 21. The best even the rabid anti-military President Raúl Alfonsín could promise Walters (currently touring the South American democracies in search of support) was that his government would be willing to help organize Venezuela to cover the United States' flank.

But in case Ibero-America won't do the job, the administration has set out to repeat. . . . Operation Contra!

Delvalle's State Department-based "ambassador," Juan Sosa, announced April 25 that a military command of exiled Panamanians has been established in Washington, D.C., which will mount "a series of economic, political, and military actions" inside Panama, which can deliver "a quick knock-out punch" against Noriega. In his interview with U.S. reporters April 26, Delvalle insisted that "military options by Panamanians are not a fantasy. . . . It's an option, and we're working on it."

Questions on this Panamanian Contra operation have already begun: Through which U.S. government channels will aid be channeled? Is this a CIA operation, or is it being run through the National Security Council? Are President Reagan and Vice President George Bush involved in the operation? Is Oliver North involved in any way?

Presidential vote: harsh lessons

Chirac could still win on May 8, but he must sail between Scylla and Charybdis—and run on the real issues.

The first round of the French presidential elections April 24 marked a brutal change in the political landscape. The breadth of the “protest” vote toward the left and right extremes, the disappointing results for the Gaullist RPR party, and the weak overall total for the traditional conservative parties, presage big upheavals ahead, whatever the outcome of the second round, which is still uncertain—despite Socialist incumbent François Mitterrand’s lead.

The first observation to be made concerns the famous 14.4% of the vote captured by the extreme-right populist, Jean-Marie Le Pen, and on the other hand, the 8.5% of votes distributed among several ultraleft slates. Arising from protest, despair, or cynicism, these votes are a real “punitive vote,” especially since abstention was very low: 18.6%. This bespeaks a sharp rejection of the big traditional parties, reputed to be moderate, but by their own admission, impotent to deal with the crisis. “I am a disturber of the establishment,” Le Pen asserts.

But it is also a symptom of growing radicalization and potential future troubles. The far right exploits the racial tension arising from unemployment and poverty; the ultra-left propels this tension into a confrontation with the right; and two groups adding up to 6% of the vote demand the end of all French civil and military nuclear programs. For example, one explanation commentators give for Le Pen’s 14.4%, was Mitterrand’s proposal, a few days before the first round, to give

voting rights to immigrants.

The 6.7% garnered by the Communist Party’s candidate, André Lajoie, does not indicate radicalization. It’s actually an “establishment” party in rout, whose activist base is getting older and smaller all the time. A large part of its working-class voters have turned toward Jean-Marie Le Pen’s National Front. Yet, counting the Communists, the far left’s vote was as big as the far right’s: 15%.

The second observation concerns disaffection with the RPR party, whose candidate, Premier Jacques Chirac, only got 19.9%—4% below the polls. This score, barely above what he got in 1981, is a bitter blow. But the Gaullists have themselves to blame, for their total failure to introduce serious debate on their positive programs. Chirac did stand up for his conceptions about the crucial strategic role that France will have to play vis-à-vis Europe and the United States in the face of the Reagan-Gorbachov accords, but only in limited circles. Among other things, this entails modernizing France’s tactical nuclear capability and bolstering Franco-German collaboration, as the axis of a “European pillar” of the Atlantic Alliance. Otherwise, Chirac and his agriculture minister aim for a “Marshall Plan” toward the Third World, to save it, build up a basis for development, and set nations back on the path to industrialization.

Chirac and his finance minister also recently proposed interesting reforms for the monetary system, especially

concerning Third World debt. Yet, shying away from polemics, Chirac only vaguely evoked these themes during the first round of the campaign. Whenever the fears of joblessness, terrorism, drugs, and AIDS were raised, he merely flaunted his suntanned looks.

The “traditional” conservative parties polled only 36.5% in round one, 6% less than in 1981 and barely 2% above what Mitterrand won alone.

The electorate that *could* vote for Chirac is around 51%, but there are certain obstacles in the way, which Mitterrand will surely exploit. Chirac’s potential election depends on his allying with two groups that detest each other: the liberal UDF party which ran Raymond Barre, and the National Front of Le Pen, which is overtly backed by the Moonies. Some elements of the National Front are threatening to vote for Mitterrand, if Chirac does not satisfy them on the immigration issue, while some centrist layers of the UDF say they will vote for Mitterrand, if Chirac were too soft on Le Pen’s racist ideas.

Short of forcing the debate against the New Yalta and for the Marshall Plan, Chirac will have trouble solving this dilemma. When Barre made his concession speech in Chirac’s favor, he warned: “I count on his defending . . . an open and tolerant society which rejects xenophobia, racism, and all the extremisms.” Chirac fumbled: “May our national identity be upheld and illegal immigration be fought as we have begun to fight it.”

The May 8 final round could be decisive in terms of France’s policy orientations. The potential defeat of the Gaullist party will sink an important point of resistance to the New Yalta. Further, the very idea of a Marshall Plan may be called into question: The forces around Mitterrand give priority to a “Marshall Plan” not toward the South, but toward the East.

Can Europe still be defended?

The feeling of betrayal by the United States runs deep in the minds of military people in West Germany.

On April 26, Chancellor Helmut Kohl appointed a new defense minister, Christian Democrat Rupert Scholz. He replaces Manfred Wörner who is taking over the post of secretary-general at the Brussels NATO headquarters July 1.

The new minister, a civilian, has a very delicate task: He will have to support aspects of military criticism of U.S. policy that are justified, but will also have to build a barrier against anti-American sentiments, which are growing because of pressure from the United States that the Germans should "pay more, or else" we pull out.

Maneuvering between the many budget-cutters on both sides of the Atlantic, Scholz will have to convince a Bonn cabinet largely favoring arms control, of the need for more and better weapons for the German army.

The demands of the armed forces were made public again at the annual congress of the German Society for Military Technology (DWT), which took place in Bonn the same day the new defense minister was appointed—April 26.

At the DWT congress, the inspector-general of the German ground forces, Gen. Lt. Henning von Ondarza, outlined what is needed, such as a new generation of armored infantry vehicles and tanks with reactive armor. To compensate for part of the demographic drop in available manpower in the 1990s, a far higher degree of motorization is needed. For example, air defense: Germany's ground forces, which would have to hold a 430-km front line against the eventuality of Warsaw Pact attack,

need an "air defense dimension." A surprise attack by air on the 300 main military command and coordination centers in Germany is the likely form of attack to occur, so air defense is vital.

What is needed is a multi-layered system of air defense. Two senior spokesmen for German military industry, Ernst Kraemer of Rheinmetall and Hanns Arnt Vogels of MBB, told the DWT congress that "laser-based systems are best, in terms of speed and efficiency, for air defense." Next to lasers, the electric cannon should be developed into an efficient high-speed air defense weapon.

The one big problem the military industry faces is that the United States has decoupled technologically from the Europeans over the past two years, in tandem with the superpower summitry. Harsh critiques of this pattern of "negotiating over the heads of the European allies" were voiced at the DWT congress.

Vogels voiced deep disappointment at the U.S. practice of not telling its European allies details of the Strategic Defense Initiative (SDI) and other U.S. weapons systems, while the Soviets are given this information in the context of summit diplomacy. Ondarza also called it a "scandal," that the U.S. ground forces are now equipped with a new radio communication system that is totally incompatible with the new system the German ground forces are being supplied with. On the front line against the Warsaw Pact in Germany, direct communication between neighboring defense zones of the United States and Ger-

many is made impossible.

Discussing the Ondarza speech afterward, congress attendees guessed that such an absurdity in NATO weapons technology can only mean that the United States is not intending to have its troops fighting shoulder-to-shoulder with the Germans in Europe, but to pull them out and deploy them elsewhere.

The feeling of betrayal by their main NATO ally, the United States, runs deep in the minds of military-related people in Germany, and this sentiment is dangerous for the future cohesion of the Alliance.

MBB's Hanns Arnt Vogels linked the transatlantic decoupling in military technology to the basic trend of U.S. security policy over the past 20 years or more. Originally the superior power, the Americans first committed the strategic flaw of accepting equal status, and then Soviet superiority in several areas. INF diplomacy now wants to remove the "risk factor" of the U.S. nukes in Europe that can still reach Soviet territory and deter a Warsaw Pact attack, and meets Moscow's interest in having these same missiles removed. This sanctuary-building diplomacy becomes a self-fulfilling prophecy for the Americans: Once nuclear defense of Europe is dismantled, Europe can no longer be defended, and indeed, why defend the Europeans at all, then?

Europe can get out of this vicious circle only by demonstrating its commitment to defense, to have the U.S. re-engage in Europe. Vogels and other speakers at the DWT congress called on the Europeans not to grow desperate and dependent on the seeming good will of Kremlin leaders like Gorbachov, but rather to mobilize their own resources for more intense military cooperation with each other, for example, between Bonn and Paris.

Amnesty Int'l defends mobsters

As the Colombian army steps up its war on the Medellín Cartel, the Terrorist International begins its slanders.

The Colombian armed forces are pummeling the kingpins of the Medellín Cartel, and their narco-terrorist allies, with a series of spectacular raids against their hideouts which could, with proper judicial and legislative support, turn into a full-scale rout of the cocaine mafia and of the terrorists plaguing this violence-ridden nation. It thus comes as no surprise that the worldwide mouthpieces of the Terrorist International have revved up a slander and destabilization campaign against Colombia's military.

That campaign is currently headed by the London-based "human rights" lobby of Amnesty International (AI), a global clearinghouse of terrorist and communist movements whose sponsors, especially the Astors' *London Observer*, are furious that their drug legalization plans may be forever buried by a successful military war on drugs in Colombia. In fact, an April 24 *Observer* article by Hugh O'Shaughnessy, who rants that "savage, lawless" Colombia should be given "the pariah treatment," also bitterly laments that "despite powerful arguments for the legalization of drugs, Colombian governments have never adopted them."

On April 19, AI released to the media worldwide a "briefing" on Colombian violence which placed all responsibility for the terror and bloodshed in that country on the heads of the Armed Forces. Explicitly ignoring the role of Colombia's multiple guerrilla movements and powerful drug mafia in traumatizing Colombians and blackmailing the institutions with

widespread terrorism, the Amnesty International report asserts, "It can only be concluded that human rights violations on a massive scale are not merely tolerated within the Colombian armed forces, but are in fact the result of a deliberate policy of political murder."

Attending the AI briefing given in Washington, D.C. was Colombian Senator Pedro Alcántara Herán, a high-level member of the communist Patriotic Union (UP), the electoral front of the Moscow-controlled FARC guerrillas. Senator Alcántara told the media that the Colombian army and police—as institutions—were tainted by the drug trade. He insisted that the Barco government in Colombia should not be forced into pursuing a war against drugs since the country does not have "armed forces and police who are moral and ethical." At the same time, the mouthpiece of the Colombian Communist Party, *Voz*, devoted its April 7 issue to defending Medellín Cartel boss Pablo Escobar from military persecution, and to denouncing IV Brigade commander General Ruiz Barrera, Colombia's leading anti-drug hero, as a "Rambo" who would impose a brutal military dictatorship.

The highly effective dragnets conducted by General Ruiz's IV Army Brigade against mafia holdings in the city of Medellín last March have since been extended to other regions. Based on evidence found in the Medellín raids, joint army/police forces have begun conducting a series of quiet raids against the properties of the Cali-based mafia. The Cundinamarca estates of

Cartel big shot Gonzalo Rodríguez Gacha ("El Mexicano") were raided in late April by the XIII Army Brigade; explosives, weapons, and communications equipment were seized, and only a sophisticated electronic alarm system enabled *El Mexicano* himself to escape. A luxurious mansion in Medellín was raided April 23, and proved to be an assassins' training school belonging to the Medellín Cartel. More than 70 such assaults on mafia strongholds have been conducted since March.

Equally significant is the fact that the army has begun to move against the focal point of the narco-terrorist alliance in Colombia, the cocaine laboratories owned or protected by the FARC guerrillas. The commander of the IV Army Division, Gen. Rafael Padilla Vargas, reported, "The FARC lost their main source of funds when coca-processing labs in the Eastern Plains were destroyed." According to General Padilla, whose troops patrol the territories of Meta, Arauca, Huila, Vaupés, and Caquetá, "The FARC themselves have created gangs of armed criminals to wreak vengeance against the peasantry in the region where the labs have been destroyed."

Colombian Defense Minister Samudio Molina responded furiously to the AI slanders, demanding that the Barco government issue an official protest. He also denounced Senator Alcántara's claims of military complicity in the drug trade as "one more campaign to discredit the armed institutions." Human rights presidential adviser Alvaro Tirado Mejía rejected the AI contention that the purpose of the Armed Forces "is to exterminate the opposition," and described the AI report as "one-sided." Numerous political figures, and even the most corrupted media, charged the AI report with "lack of objectivity." President Barco has yet to respond.

International Intelligence

Takeshita to tour Europe for 10 days

The Japanese foreign ministry's leading expert on Europe, Deputy Foreign Minister Ryohei Murata, has visited Europe to prepare for the 10-day visit of Prime Minister Takeshita, beginning April 29.

Takeshita will visit Italy, the Vatican, Great Britain, and Germany, and will send a Japanese official to join the U.N. team monitoring Afghanistan and make commitments for Japanese funding of a reconstruction program. Japan is already a funder of the Afghan refugees.

"We hope the prime minister's visit will open a new page in the European-Japanese relationship," Murata told British newspapers. "You say Japan shouldn't give specific favors to America, but treat Europe in a non-discriminatory manner. Then, please stop your discrimination against Japan," he said.

Top Lieder singer endorses pitch change

Internationally known German lieder singer Peter Schreier April 23 endorsed a Schiller Institute petition to the Italian government for a return to the scientific tuning of C = 256.

"This is wonderful!" the East German tenor told the Schiller Institute's Gabriele Carls in a long telephone interview, "How are we going to promote this internationally?"

In mid-April, the Institute held a conference in Milan featuring Renata Tebaldi and others, from which the petition emerged.

Schreier is best known as a leading Mozart opera tenor and for his complete recordings of the Beethoven and Mozart lieder.

Schreier denounced the current high tuning in the strongest terms. "When I sing high, I may not destroy my voice," he said, because his voice is high and light, "but the real problem is, I destroy the music. If I have to shift vocal registers where there is no such shift in the music, the ideas of the music get

lost. . . . I feel that I'm falsifying what I'm doing. . . . Some orchestra people say the higher tuning is more brilliant or easier to play, but this is wrong."

Schreier and his wife had just completed a U.S. lieder concert tour. "We spend more money than we make every time we come here," Mrs. Schreier told Miss Carls, "but we come anyway, despite poor concert attendance, because we really feel that America needs the beauty of the Lied."

China won't back Iranian arms embargo

The Chinese government has made it known that it will not endorse an international arms embargo against Iran, in light of the clashes in mid-April between U.S. and Iranian naval forces in the Persian Gulf.

U.S. State Department officials said April 22 that the message was conveyed by Chinese foreign ministry officials to U.S. Ambassador Winston Lord in Beijing, in response to appeals by the Reagan administration to the U.N. Security Council to endorse an arms embargo.

The *New York Times* called the Chinese response the clearest indication that the American naval attacks had undermined the nine-month American diplomatic effort at the United Nations.

Meanwhile, China's Deng Xiaoping and a special representative of Japanese Prime Minister Takeshita, Masayoshi Ito, met last week to discuss strengthening Sino-Japanese ties. It was the sixth meeting between the two, and Deng is quoted as calling Ito "an old friend."

The Chinese leader criticized "ultra-rightists, a handful of Japanese people who try to undermine Sino-Japanese friendship," saying that severe measures should be taken against them. Deng also noted that in the future, troublesome things may still occur between the two countries, and said that he hoped that they would be properly handled.

The Philippines is also the subject of recent Chinese diplomacy. Chinese Premier Li Peng is reported to have given China's

pledge to President Corazon Aquino that China would not support communist rebels in the Philippines. "China will not interfere in your internal affairs and will not support the Communist Party of the Philippines," Li said.

Gandhi visits Vietnam, discusses Kampuchea

Indian Prime Minister Rajiv Gandhi visited Ho Chi Minh City, Vietnam on April 16 for talks on regional affairs, the *Hindustan Times* reported. The situation in Viet-occupied Kampuchea was at the top of the agenda.

Vietnamese General Secretary Nguyen Van Linh told Gandhi that no one had proposed a solution to the Kampuchean problem "which could be as good" as the one Gandhi proposed on his visit. Gandhi told newsmen that the two men agreed that both the Vietnam-backed Hun Sen government of Kampuchea and opposition leader Prince Norodom Sihanouk must be involved in any solution. The Vietnamese stressed that "Pol Pot cannot come back."

Indian Foreign Minister Natwar Singh, who has been closely involved in the Kampuchea negotiations and has met with both Hun Sen and Prince Sihanouk, said that New Delhi had been suggested as the location for at least one round of talks between the parties.

Both India's and Vietnam's relations with China were also discussed.

Linh is scheduled to be the chief guest at India's Republic Day celebrations Jan. 26.

Tolstoy: Demjanjuk trial a travesty

"Travesties in Conduct of Show Trial," is the headline of an April 21 letter to the *Daily Telegraph* of London, on the Israeli trial of retired Cleveland autoworker John Demjanjuk, convicted of being Treblinka concentration camp guard "Ivan the Terrible," on

Briefly

the basis of Soviet-supplied "evidence." The letter was written by Russian emigré Count Nikolai Tolstoy. He wrote:

"Political considerations have been blatantly permitted to override the rule of law in the recently concluded case of John Demjanjuk.

"Last autumn, I spent three days in the courtroom, testifying as an expert witness for the defense. There was scarcely an aspect of the court's procedure which did not strike at the most vital principles of natural justice.

"The lack of a jury and the specious pretext employed to deny the defense any financial resources are apparently stable Israeli practice about which no more need be said. The case was regarded as a show trial in every sense of the word, as was evident by its being conducted in a theatre with continuous live television coverage.

"Judge Levin's conduct of proceedings represented an appalling travesty of every principle of equity. He regularly intervened with bitter sarcasm or crude personal attacks, always at the expense of the accused, his counsel or witnesses called for the defense. He repeatedly took special care to forbid without explanation the hearing of much of that evidence most damning to the prosecution case.

"The intervention of Shamir and other political figures in the proceedings would have been unthinkable in any civilized country, though it may be conceded that the prime minister possesses a closer acquaintance than some with the theory and practice of terrorism. Specially bussed-in audiences were repeatedly permitted to boo and hiss at appropriate moments, Judge Levin smilingly calling for order after an appropriate time-lapse.

"Neither defense nor prosecution laboured under any delusions with regard to the outcome. In conclusion, the overwhelming impression one received was that no judge or prosecution (in this case virtually indistinguishable) could possibly have found it necessary to act in the way they did, were they genuinely convinced of the defendant's guilt. It can only be hoped, for Israel's sake

almost as much as Demjanjuk's, that the Appeals Court does not display the blind intransigence which (alas) most concerned observers anticipate."

Korean ruling party loses assembly majority

The South Korean ruling party suffered a major setback April 26. For the first time in 40 years, it failed to win a majority in the National Assembly.

The big winner of the Assembly elections was celebrated opposition figure Kim Dae-Jung, who is a front man for the World Council of Churches, which has largely created the opposition movement headed by Kim.

The opposition's goal is to kick the U.S. military out of Korea and reunify with North Korea under the hegemony of the Soviet Union, which in turn largely controls the World Council of Churches.

Kim's Party for Peace and Democracy swept his home region in southwest Korea and led in seats gained and popular votes in the capital of Seoul (population 10 million).

Although the ruling Democratic Justice Party will remain the largest single political force in the legislature, it will have, at most, 124 seats of a total of 299. The ruling party will control 86 districts; Kim will control 55; and the more moderate opposition party led by Kim Young Sam will control 46 districts.

In between coverage of the election results, South Korean television news featured a report from Washington that, at a June meeting, the United States will ask South Korea to shoulder more of the cost of maintaining U.S. troops in the Demilitarized Zone separating the North from the South.

The issue has angered some South Koreans, according to a *Washington Times* report, and could play into the hands of Kim-led leftists and mystics who want the troops removed.

● **SIXTY-SIX PERCENT** of the Danish population is pro-NATO, despite anti-NATO action of the Danish parliament, said the latest public poll by the Observa Institute. It was published in the newspaper *Jyllandsposten* on April 24.

● **THE BISHOP** of Chimbote, Peru, responded to the parliamentary sponsors of a bill that allows sterilization of women with two children, saying, "We would like to ask those who support sterilization if they also are willing to let themselves be castrated as part of a process to limit the explosion of the family."

● **MODERATES** have gained control of the Communist Party of the Philippines (CPP) after the capture of three hardliners who advocated armed struggle, claimed Defense Secretary Fidel Ramos in Manila April 21. "The moderates in the central committee are expected to prevail in future policy decisions, and consequently put more emphasis on the legal and the parliamentary rather than the armed struggle," General Ramos told a forum.

● **'SAUDI ARABIA,'** announced King Fahd April 26, "has decided to cut its ties with the government of the Islamic Republic of Iran . . . due to Iran's enemy-like stands toward the Kingdom of Saudi Arabia and intentional harm of its basic interests." Iranian diplomats have been given one week to leave the country.

● **ISRAEL** pulled the press credentials of the *Washington Post's* Glenn Frankel and NBC's Martin Fletcher April 26, for filing stories not cleared with military censors saying that Israel assassinated PLO leader Abu Jihad. "I assumed what I had was a government leak," said Fletcher.

Hadley's primary victory in Pennsylvania sends a signal

by Mel Klenetsky

As the results of the Pennsylvania primaries swept through the newsrooms of the land, one development barely recognized by the national news media was the Democratic primary victory of Donald A. Hadley in the 5th Congressional District. Hadley has been a "LaRouche Democrat" for many years. After the Super Tuesday (March 8) victory of LaRouche Democrat Claude Jones in the race for Houston's Harris County Democratic Party chairmanship, the pattern of voter support for LaRouche Democrats has caused an unparalleled fit of rug-chewing throughout Democratic Party leadership circles.

The Democratic Party leadership and the press, which has so dutifully kept the actual policies of Lyndon H. LaRouche and LaRouche Democrats out of the news, has decided to continue to pretend these LaRouche victories are minor, unimportant events produced by misguided voters.

On the contrary, these victories are the tip of the iceberg. There is growing public awareness of LaRouche's policies, as the alternative to Reagan-Bush and to the policies of Armand Hammer's towel boy, Paul Kirk and the Democratic Party leadership. We are witnessing LaRouche breakouts in many areas, even with intense anti-LaRouche campaigning by news media and top levels of the party in these areas.

The victories are sure signs that there is a "sea-change" occurring in the electorate. First, the LaRouche votes have a definite anti-Establishment character to them, the same characteristic that accounts for much of both Jackson's vote and Robertson's vote on the Republican side. The LaRouche vote, however, comes as part of a growing process of support for LaRouche Democrats across the land, a pattern that goes back to 1982 and before, when the LaRouche candidates' movement started to roll. Voters are fed up with the current leadership of the Democrats and the Republicans, refusing to

believe the lies that we are now in the 67th unbroken month of economic recovery. Low voter turnout, the second characteristic of recent electoral patterns, is another way that the U.S. electorate has characteristically rejected the brainwashing attempts of Washington and the media.

Hadley's opponent in the 5th C.D., Robert W. Houchins, who was backed by the county-level leadership, upon news of his defeat, expressed the exact level of disregard for the electorate that the Democratic Party leadership has shown for the voters from the days of Jimmy Carter on. (The result, of course, was mass defection of Democrats to Reagan during the past two presidential elections.) Houchins lashed out at the voters who had rejected him, saying that they would have voted for Charles Manson, just because they recognized his name. Going even further, he added, "The voters deserved what they got. . . . They have their heads so far up their . . . they can't see the light of day."

Houchins' coarse reaction was in fact no different than the response of the Harris County Democratic Executive Committee, led by defeated former county chairman George Veselka. In March, LaRouche Democrat Claude Jones garnered 53,000 votes, 52% of the vote, in the second-largest electoral county in the country. Veselka and company passed a resolution stripping Jones of his power as a Democratic county chairman, brashly violating the mandate of the electorate, while proclaiming the power-stripping resolution a victory for the Democratic Party. In 1986, when two LaRouche Democrats, Mark Fairchild and Janice Hart, won the Democratic primary positions of lieutenant governor and secretary of state in Illinois, the Democratic candidate for governor, Adlai Stevenson III, refused to run on the same slate. He withdrew, started his own party, and left the Democrats to lose to the Jim Thompson-led Republican ticket. Illinois

Democrats have yet to recover from Adlai's antics. Armand Hammer, Dwayne Andreas, and the Hollywood mafia backers of the Democratic Party, together with Paul Kirk, Adlai Stevenson, George Veselka, and poor Robert Houchins, cannot accept what is going on in the population; they refuse to deal with it.

No fluke

The Hadley victory was not a fluke. This was Hadley's second campaign. In 1986, he captured 34% of the vote in the same congressional district, which lies 30 miles west of Philadelphia. The 5th CD has three cities, Chester, Pottstown, and Coatesville. Chester, population 45,000, is a poverty-stricken, drug-ridden area that was once a thriving shipbuilding and manufacturing center on the Delaware River. Pottstown was formerly a rubber manufacturing center. Coatesville and Phoenixville, cities in Hadley's district, were once centered around steel plants, but are now depressed. The agricultural areas of Hadley's district were once known as the "mushroom capital of the world."

Hadley campaigned door to door, talking up LaRouche's programs for industrial and agricultural recovery. Hadley was not the only LaRouche Democrat to do well. George Elder, a LaRouche Democrat who ran for Senate in 1986, ran unopposed, winning the Democratic Party nomination in the 21st CD. Elder's Republican opponent, Thomas Ridge, also ran unopposed. Elder drew 35,900 votes, more than Ridge's 35,400.

Another LaRouche Democrat, Steve Douglas, running for Senate, came in a strong third out of four, with 145,000 votes. In the 7th CD, Claudia Billington received 20% of the vote, while in the 10th CD, George Eddleston came in with 32.5%.

These kinds of vote totals did not start in 1988. In 1982, Steve Douglas, running for governor, came in second of four, with 155,000 votes. In 1984, LaRouche started his presidential bid in Pennsylvania's April primary flanked by 16 congressional candidates out of a possible 23. (LaRouche refers to these candidates as his running mates.) In 1984, Sarah Phleger of the 17th CD won 49.5% of the vote. Three other congressional candidates, including George Elder, came in with over 30% of the vote. The LaRouche 1984 Democratic campaign got out between 5 and 6 million pieces of literature, saturating the state with LaRouche's ideas.

In 1986, LaRouche Democrats ran in 19 of 23 congressional districts and Hadley and Eddleston both came in with over 30% of the vote.

Nor is the pattern unique to Pennsylvania. Claude Jones's victory in Harris County, Texas wasn't the first there. In May 1986, Donald Varella won a plurality victory of 38% in a five-way race for Bexar County party chairman. That county contains San Antonio, Texas, the tenth-largest city in the country and the third-largest electoral county in Texas. At that time, San Antonio Mayor Henry Cisneros and Texas Democratic state chair Bob Slagle actively pressured Varella

to drop out, which he did after a systematic harassment and slander campaign directed at him and his family, run through his community and church.

The Varella victory at the polls was nonetheless firm, the more so because it occurred after the Hart and Fairchild victories in Illinois. In the aftermath of the Stevenson-Illinois debacle, Bob Slagle, Texas Democratic chairman, had made a personal issue of campaigning against Varella in San Antonio—to no avail.

In 1984, Bert Naranjo, another LaRouche Democrat, had won 42% of the vote for Bexar County chairman, and between 1984 and 1986, LaRouche Democrats received over 30% of the vote in more than 10 county races.

In Illinois, too, the Hart-Fairchild 1986 victories were not the first for LaRouche. In 1984, Marie Anne McArdle won the Democratic primary slot for Will County auditor with 51% of the vote. That same year, Jerry "Laser" Berg, a LaRouche Democrat, won 46% of the vote in the 4th CD, which includes Will County, where the city of Joliet is located. In 1988, Sheila Jones, running for Cook County (Chicago) recorder of deeds, won 116,064 votes.

Fraud against LaRouche himself

The depth of support for LaRouche's ideas is evident. But: When LaRouche himself runs, there is clearly massive vote fraud. In 1984 in Pennsylvania, LaRouche was credited with under 1% of the vote in the Democratic presidential race. He went into court in several precincts, and proved, with sworn affidavits, that more people voted for him than the vote totals that appeared on the backs of the machines. The judge ruled that this was irrelevant, unless LaRouche produced affidavits from more than 15% of the voters, the amount needed to give LaRouche delegates and change the outcome of the election. Proving vote fraud is extremely difficult, but showing a 15% pattern of fraud, with sworn affidavits, is nearly impossible.

LaRouche's 1988 New Hampshire vote total of 179 was equally absurd. He had more campaign workers than that!

LaRouche maintains that his support will surface in a brokered convention, come the July 18 Democratic National Convention in Atlanta. There is not a great deal of support for either Dukakis or Jesse Jackson. In New York, only 12% of the electorate even bothered to show up, and front-runner Dukakis' vote totals, according to ABC News polls, were based on a 37% negative vote factor against Jackson, rather than for Dukakis. In Pennsylvania only 38% of the electorate showed up and 47% of those who voted for Dukakis said they did not stand strongly behind him.

Dukakis will not win a majority in the first round, after which delegates can vote their choice. Should the economic crisis or the other crises that LaRouche has identified on nationwide half-hour television broadcasts break out before July, the convention will be wide open for the Democratic maverick, whose base of support in the party, as just evidenced in Pennsylvania, continues to grow.

Renewed U.S. Gulf actions irk Moscow

by Jeffrey Steinberg

The U.S. Navy's strong response to the April 14 Iranian mining of the USS Samuel B. Roberts in the Persian Gulf has both Secretary of State George Shultz and top Kremlin officials upset and somewhat confused. Just at the moment that Shultz, the Reagan administration's leading proponent of a superpower "New Yalta" condominium, was traveling by train from Helsinki to Moscow in what was thought to be the final preparatory meeting before the May Reagan-Gorbachov summit, a prompt and decisive American military retaliation against Iranian naval and air force targets threatened to blow up Shultz's plans for a replay of Munich 1938.

In the two days of sporadic military engagements, beginning with the April 19 knock-out of two Iranian oil platforms that served as radar tracking stations for attacks against neutral ships passing through the straits, the administration gave new life to a policy initiated by then-Secretary of Defense Caspar Weinberger last July.

Far more than just an interim escort service for reflagged Kuwaiti oil tankers, that Gulf naval deployment had been the most visible component of an American strategy to reassert its permanent commitments to the security of U.S.-allied states in the Middle East. The Weinberger plan included permanent military installations throughout the Gulf and the development of military co-production industries in Turkey, Egypt, and Israel to arm the pro-Western states of the region. Such co-production efforts were aimed at clarifying the nature of the "enemy threat" in the region by shifting the focus of the conflict away from the Arab-Israeli struggle to Soviet encroachments and the spread of Islamic fundamentalism.

In the aftermath of Weinberger's resignation late last year, and the administration's subsequent emphasis on massive Pentagon budget cuts tantamount to a strategic withdrawal from global commitments, the absence of any clarification regarding the duration of the American naval deployment in the Gulf had prompted a majority of moderate Gulf Arab officials to fear the worst.

According to *EIR*'s Washington sources, it was only strong pressure from Pentagon, defense industry, and intelligence community "institutional" forces that induced the President to give the green light for the retaliatory strikes. That pressure

has given Defense Secretary Frank Carlucci and Joint Chiefs of Staff chairman Adm. William Crowe the leverage to press for a broadened allied security deployment into the Persian Gulf. It also emboldened Saudi Arabia. On April 27, King Fahd announced a cut-off of diplomatic relations with Iran.

The same day, Carlucci and Crowe arrived in Brussels to confer with NATO allies over the precise form of an expanded and more coordinated Gulf security deployment. Previously, France, Great Britain, and Italy, who had carried out parallel naval escorts, had shied away from direct coordination with the Americans out of fear of provoking escalated terrorism. Now, those fears appear to have given way to a willingness to join in any action that tends to reverse the Shultz-led policy of American strategic disengagement.

LaRouche urges clarification of 'gray areas'

In a brief statement released on April 27, Democratic Party presidential candidate Lyndon H. LaRouche, Jr. congratulated the U.S. forces in the Persian Gulf for their "prompt and effective response to the recent series of piratical attacks by military forces of Iran's Khomeini dictatorship," and at the same time, called for a clarification of the "gray areas" in the American Persian Gulf policy.

"Last summer and fall, until the State Department's meddling in U.S. response to the Iranian firing of the Silkworm missiles, I thought Defense Secretary Caspar Weinberger's policy was very clear and sound. . . . Later, I, like many other, had worried that Secretary of State George Shultz's regional matters negotiations with Moscow had turned our Gulf policy into a shambles.

"The recent U.S. military response under standard rules of engagement is most reassuring. However, there appear to be gray areas in the Gulf policy overall. Those gray areas should be eliminated."

LaRouche called for a presidential directive to be issued publicly, spelling out the mission and rules of engagement defining military response to any threat to shipping or to American forces in the Gulf, designed to "neutralize armed obstruction to the safe passage of the vessels they are protecting, and, in the case of any attack upon that shipping or U.S. forces themselves, shall act promptly under rules of engagement to neutralize by appropriate means all elements and supporting echelons of those elements engaged in the attack." American forces would then immediately return to the previous "normal" escort function, thereby making it clear that the effort falls below the threshold of war between the United States and Iran.

LaRouche concluded his proposed presidential directive by warning that, short of taking no action whatsoever, the worst thing that the United States could do would be to allow the State Department's crisis management apparatus to step into the middle of the Gulf deployment. That would all but guarantee a degeneration of the situation into a full-scale state of war.

Irangate about to blow up in Europe?

by Umberto Pascali

In early summer 1984, the late CIA director, William Casey, had a long telephone conversation with someone in London. Object of the call: to organize an illegal shipment of 5,000 TOW (the deadly efficient antitank missiles), to Iran for an amount of £34 million. After that call, individuals acting on behalf of the U.S. government were put in contact with Iranian arms dealers. Meetings took place in Paris, Frankfurt, Zurich, and London between the end of 1984 and the beginning of 1985. Banking accounts were opened in Paris, where the U.S. embassy was involved in the "deal."

Lt. Col. Oliver North personally took care of the "performance bond" (the money the seller has to deposit in a neutral bank as a guarantee if he wants to do illegal business with the Iranians). It was also North who "advised" using a Hong Kong and San Francisco based weapons dealer, Horace Hsu, as the supplier. It was North's idea to have Hsu buy the weapons from several sources and ship them through a port in Portugal.

These and other details on a new and unsuspected level of Irangate are not the elements of a journalistic scenario, but testimony given starting April 18 at London's Old Bailey by Michael and Leslie Aspin, two British brothers who had run mercenary operations since the 1970s through companies like Delta Instrument Logistic Supplies and Services of Norwich, Great Britain. The older brother, Leslie, became somewhat famous in the 1970s, after coming back from Angola where he "worked" as a mercenary with the FNLA, a "freedom fighters" formation organized by the CIA, which dissolved for lack of training, strategy, sense of purpose, and military stamina.

If the allegations made at Old Bailey are borne out, they will reopen the Irangate scandal with a bang, because they will at least prove that North lied to Congress. They would also trigger the "European Irangate," the still unknown side of that scandal which, many observers think, would get to the real bottom.

Michael Aspin is a defendant together with three others, accused of having tried to sell to the Iranians missiles that "did not exist." In other words, they are accused of fraud. Naturally, the two brothers will try every means to show that they actually were selling real missiles or, at least, were sponsored by an official U.S. agency. Are they lying? Are they just using the names of William Casey, who died last May, and North, who is the "fall guy" anyway?

Some observers in London tend to endorse this hypothesis, though they cannot explain the fact that Aspin has sup-

plied some proof. For example, Michael testified that on Dec. 21, 1985, when he was freed after two days in jail, he went directly to his club, the Sloane, and placed a telephone call to Oliver North. That call can be traced. It also appears credible that Aspin, as he said, knew Edwin Wilson, the former CIA agent now serving time for selling weapons and explosives to Libya's Qaddafi. It is also credible that the Aspins were in touch with Ed Wilson's associate, ex-CIA Director for Operations, Ted Shackley. Shackley is the individual who, with Michael Ledeen, according to the official versions, began contacts with Iranian spokesman Manucher Ghorbanifar in 1984.

The astonishing thing is that no press, with a couple of very partial exceptions, has reported any of this. This is astonishing, even considering that British law is very strict against "interference" in ongoing trials.

The impression in the British capital is that a ruthless test of strength is taking place between that part of the elite that wants to help certain devastating revelations to emerge, and others who want to maintain the cover-up. Few insiders in London doubt that the real culprits of the Iran-Contra scheme are yet to be exposed—and few doubt that the outcome of the U.S. presidential elections may be affected by this "debate."

The LaRouche question

One individual mentioned as working with Aspin is Gary Howard, of the former Peregrine International mercenary organization, and, according to declassified NSC and FBI documents, the person who was to infiltrate organizations linked to presidential candidate Lyndon LaRouche. According to trial records, Howard's British connection is a London based investigative journalist, Paul Halloran. Michael Aspin testified that he took part in a meeting in Halloran's office with people sent by Oliver North, including Howard. Also presented to the jury was the tape of a conversation between Howard and Aspin concerning the \$4 million "performance bond."

"What bank will this come from, Gary?" "One of the Chases," said Howard. "It's being worked officially now, is it?" "No, it's being worked unofficially. We can't play this kind of game officially to my knowledge." "You mean you are getting the support of your government?" And Howard: "You have got it."

It is also indicated that Halloran has worked for the CIA for the last six to seven years. Obviously, the key point now is not people like Howard or even North, who can be comfortably "sacrificed" in order to cover the "higher level" of the conspiracy. But it is not clear whether the small fishes are continuing to trust the hungry big fishes or are going to talk. According to some reports, within the next few weeks many revelations will surface, including a few concerning the Iranian Cyrus Hashemi, who died in London while involved in U.S.-Teheran arms deals.

FBI's 'Buck' Revell on hot seat in trial

by Herbert Quinde

Oliver "Buck" Revell, the FBI's number-two man, has become a central focus in the political-venedetta trial against presidential candidate Lyndon H. LaRouche, Jr. and his associates. Subsequent developments are expected to lead to new revelations of Revell's complicity in the Irangate fiasco. Revell was subpoenaed April 21 to testify in the context of ongoing government misconduct hearings, in which it has emerged that Revell was linked to Oliver North in an operation against LaRouche.

The revelations also indicate that Revell had access to information that covert shipments of arms were going to the terrorist regime of Ayatollah Khomeini, with the complicity of American officials, at least as early as 1983, a full three years before the story made headlines. By virtue of his knowledge, seemingly, Revell became a participant in attempting to cover up for North's "Project Democracy" in the spring of 1986, when the Contra side of "The Enterprise" dropped its pants. The cover-up included the use of KGB-style tactics to harass, spy on, and intimidate, critics of the worst foreign policy disaster of the Reagan-Bush years, LaRouche included.

In an evidentiary hearing on the prosecution's failure to reveal to the LaRouche defense team that Ryan Quade Emerson (a.k.a. Ivan Nachman) had served as an FBI informant against the "LaRouche organization," Emerson named Revell as the FBI official to whom he sent a letter, which led to his role as an informant.

The letter, dated October 1985, offered dubious "intelligence" information about an "international terrorism" case of the early 1980s. It involved Reginald Slocombe, a business associate of ex-CIA covert operative Ed Wilson, convicted of selling arms to Qaddafi. Slocombe, whom the FBI reportedly considers an asset, had helped convict Wilson. Yet, the letter became the centerpiece of a declassification brawl, with the FBI invoking "national security" as its justification for not releasing the letter. Although the defense team had obtained the text of the letter earlier, the FBI reclassified the letter as *top secret* after Emerson's testimony implicated Revell.

LaRouche lawyers charged cover-up. Only after Revell was personally subpoenaed on April 21 to appear in federal court in Boston, did the FBI "precipitously reverse its position" and cough up the letter, dropping all pretense as to its "national security" import. Prosecutors have moved to quash

the subpoena of Revell.

Although declassified, the letter was released heavily "redacted," with all information blotted out that would tell how it was routed through the FBI bureaucracy. Legal and intelligence specialists believe the letter, which was classified as part of an "international terrorism" (IT) case file, was part of a phony paper trail the FBI used to empower them to take extraconstitutional measures as specified under Executive Order 12333. It became part of the pretext for Emerson's deployment against the "LaRouche organization." "IT" designations have been used by the FBI to justify operations against domestic critics of the Contra policy.

In the "Defendants' Response to Government's Motion to Quash Subpoena to Oliver B. Revell," the LaRouche team lawyers charged that the prosecution was shielding Revell.

First, when Emerson was shown the letter, he changed his story, saying he now remembered that he had not sent the letter in question to Revell, but could not recall whom he had sent it to. Hardly a credible statement from a man whom the prosecution admits has been a professional FBI "snitch" and "sting artist" for over 20 years.

Second, a KL-43 telex message was found in Colonel North's safe, which concerned an effort to obtain "info against LaRouche." (It was obtained by the defense team under the Freedom of Information Act.) In one location, it referred to "our man here." The prosecution revealed that the "our man here" referenced was "Buck" Revell. The dramatic revelation linked Ollie North and Buck Revell to an operation "against LaRouche." The prosecution's admission was later recanted, with the lame explanation that they had "made a mistake."

An interview with one Glenn Robinette appended to the "Defendants' Response" indicates that Revell and North were prepared to use "pretextual accusations" to investigate and harass critics of Project Democracy. The defense charges that LaRouche and associates were targets of such an operation.

Robinette was the "security officer" for Project Democracy under Maj. Gen. Richard Secord and North. In the interview, he detailed how he played along with North and Revell in accusing Jack Terrell of threatening the life of the President to provide a pretext for an operation to silence Terrell. A disaffected Contra supply worker, Terrell had gone public, fingering North and charging the Contras with corruption and narcotics trafficking.

The "Defendants' Response" points out Revell's motivation for wanting to silence LaRouche. "Oliver Revell signed a classified affidavit preventing Defendants from learning the details of Cyrus Hashemi's relationship with U.S. intelligence just before Hashemi served as the key intermediary between the Government of Iran and Oliver North for the ill-fated Iran-Contra arms deal."

LaRouche and *EIR* were the first to expose the arms shipments originating with the Carter administration and continued under the Reagan-Bush administration. And Revell knows LaRouche and *EIR* still have the file.

Bush behind drive to oust Ed Meese

Vice President George Bush, who has tried to make as much political hay as possible out of his constantly self-advertised "loyalty" to President Reagan, has been caught red-handed in the drive to push Attorney General Ed Meese, one of the last remaining old Reagan hands in the administration, out of office.

Bush's role in the attempted ouster of Meese, which was documented in the last issue of *Executive Intelligence Review*, was confirmed by the *Philadelphia Inquirer*, which published a front-page story April 23 naming Bush and his close ally, Howard Baker, as prime movers behind the dump-Meese operation.

Headlined "Sources: Bush trying to oust Meese," the article reported that Bush and Baker "are subtly trying to orchestrate [Meese's] ouster" by claiming his problems are undermining Bush's campaign, and are "quietly laying the groundwork for what they hope will be Meese's departure this spring."

Part of that groundwork included setting up the extraordinary April 20 meeting among President Reagan and recently-resigned Justice Department officials William Weld and Arnold Burns, at which Weld strenuously argued that Meese must be forced to resign, and told Reagan that if he were in a position to do so, he would indict Meese on the spot.

So far, Bush's orgy of back-stabbing, aided and abetted, according to the *Wall Street Journal*, by Nancy Reagan, has not worked. Meese is still clinging to his job, and the President continues to give him a full vote of confidence.

But Bush himself has been hurt politically by his latest display of knuckle-dragging disloyalty, especially among hard-line Reagan backers who never liked the silk-stocking Trilateraloid much to begin with. And, sources say, the would-be President could find himself suffering far greater damage—politically fatal damage—in the near future, if his get-Meese operation backfires sufficiently.

Who's for veep?

With conventional wisdom positing that Mike Dukakis has the Democratic presidential nomination sewn up, the question of who'll fill the vice presidential slot on the party's ticket has now moved to center stage.

As *EIR* reported last week, supporters of Sen. Sam Nunn, the Georgia Democrat who heads the Senate Armed Services Committee and has managed to build a completely undeserved reputation as a great strategic thinker and partisan of a strong American military, kicked off a campaign in mid-April to boost their boy for the spot.

Not content with placing Nunn in the vice presidency—a position not known for its power—his backers insisted that he be given another post in addition, preferably that of Secretary of State or Secretary of Defense.

However, this thinly-veiled effort to make Nunn co-President did not go over too well with the Dukakis camp, according to our sources.

Although it had already been made clear to Dukakis that he would be allowed to garner the nomination only if he agreed to allow the "Establishment" to choose his cabinet and other top advisers, the prospect of having to share the presidency with Nunn, or

even being reduced to a mere figure-head, was asking a bit too much.

Moreover, Dukakis managed to figure out that the Nunn-for-veep boomlet could easily turn into a full-fledged Nunn-for-President campaign, should he, Dukakis, stumble in the final primaries. That, by the way, is a distinct possibility, especially in California, where Jesse Jackson draws strong support from the mammoth homosexual voting bloc, and enjoys the patronage of the powerful speaker of the California assembly, Willie Brown.

As a result, the Dukakis campaign has started to put out the word that Nunn may have too many political disabilities to be considered as vice presidential material. The most frequently heard complaint is that he's too "conservative" to appeal to liberal Democrats, and so in tune with the "white Southern establishment" that he'll alienate black voters.

As part of the same effort, the Dukakis people are also circulating a list of alternate veep candidates, among them Rep. Tom Foley (D-Wash.) and Sen. Bill Graham, the former Democratic governor of Florida. Another prospect, Sen. Lloyd Bentsen (D-Tex.), has already flatly stated that he has no interest in the post.

Meanwhile, a deal appears to have been struck with Jackson: Willie Brown, Jackson's national campaign manager, told reporters April 25 that Jackson had not earned the right to the vice presidency, and would not press for it, whereas both he and another top campaign official, Gerald Austin, had said precisely the opposite just a week earlier.

It just so happens that, at the same time Brown executed his about-face, rumors began to surface in Washington that Jackson might be offered the chairmanship of the Democratic National Committee.

Fate of banking reform depends on House

The Senate vote in favor of the Proxmire Modernization Bill on March 31 was the first major step in destroying the protective "firewall" which had been built up between the banking and the securities industries since the passing of the Glass-Steagall Act in 1933. The bill gives banks and securities firms broad authority to venture into each other's realms.

The second phase of the deregulation of banking will be decided in a committee jurisdiction battle now going on between the House Banking Committee, headed by Rep. Fernand St Germain (D-R.I.) and the House Energy and Commerce Committee, headed by Rep. John Dingell (D-Mich.).

Dingell chairs one of the most powerful committees in Congress, with 150 staffers. He has long been an opponent of deregulation. His father, also a congressman and a New Deal Democrat, strongly endorsed the initial Glass-Steagall legislation.

Rep. St Germain, chairman of the Banking Committee, has also been an opponent of banking deregulation, although he is under much pressure from committee members who want deregulation.

St Germain had crafted a bill which would grant banks a few new powers in the securities and insurance arenas, but would keep legislation under the jurisdiction of the Banking Committee. The proponents of deregulation in the Banking Committee then put forward an alternative proposal which goes further toward deregulation, but would give Dingell undisputed say over the bill—perhaps hoping that they could thereby win him to their cause.

The political in-fighting may play

an important role in undermining what has been a bastion against opening the floodgates of the volatile and insecure securities markets on our local and regional banking system. If there was ever a time to protect our banks from a possible collapse of the securities markets, that time is now.

House begins debating defense appropriations

Initial reports indicate that the U.S. armed services will have fewer weapons and fewer personnel to meet the demands of the 1990s. After adjustment for inflation, there will be an equivalent of \$285 billion disposable for the Pentagon during the fiscal year which begins on Oct. 1. The U.S. military forces have shrunk considerably in the course of several defense budgets. Even though the entire \$285 billion is authorized by the Congress, the U.S. Army will be half the size it was during the height of the Vietnam War.

The "600-ship Navy" still remains only 580—as compared to 890 in 1981 when President Reagan took office—with House Armed Services Committee chairman Les Aspin (D-Wisc.) threatening to cut two of the proposed new Navy aircraft carriers. If Aspin has his way, he will also trim the SDI program and keep only a portion of the active-duty forces in a high state of readiness.

Almost simultaneous with the beginning of the defense debate, the Pentagon provided the Senate Armed Services Committee some key chapters of its annual report, *Soviet Military Power*. The report describes how the Soviets have taken the lead in the development of battlefield lasers, radar jammers, anti-ballistic missile de-

fenses, and high-energy particle beams capable of destroying weapon sensors. Soviet war labs, according to the report, employ 10,000 scientists and are reaching parity with U.S. developments in submarine hunting techniques and sub quieting engineering.

"The Soviets realize," states the report, "that technology is transforming the nature of warfare and that the destructiveness, speed, and precision of new weapons systems could change the balance of power."

Perhaps the Pentagon report will make our budget-slashers less impetuous in their endeavors. Although the real root of the problem lies in the fact that budget austerity—the code word of the day for our legislators—will not only aggravate our economic woes, but would create a shift in the global balance of forces which may be difficult, if not impossible to redress.

House panel probes junk bond operations

The oversight panel of the House Energy and Commerce Committee is investigating whether trading in junk bonds by Drexel Burnham Lambert, Inc. employees might have led to manipulation of bond issues underwritten by the firm. Michael Milken, head of Drexel's junk bond operations, was subpoenaed to appear before the subcommittee on March 21. According to a committee staff member, Mr. Milken was subpoenaed because he declined to appear voluntarily.

The subpoena was issued after weeks of negotiations between congressional investigators and Mr. Milken's lawyers, who wanted to prevent Milken's appearance in court.

When Milken finally did appear

with his lawyer, Edward Bennet Williams, he took the Fifth Amendment, declining to answer questions about his role in directing hundreds of millions of dollars of bond investments for himself and certain other Drexel employees. Rep. John Dingell (D-Mich.), chairman of the Energy and Commerce Committee, adjourned the hearing when it became apparent that Milken was not going to testify.

At a press conference afterward, Dingell raised questions as to whether Milken may have violated numerous securities laws in connection with bond investments. He said the highly profitable short-term trading in accounts controlled by Milken, around the time the bonds were first marketed or underwritten by the firm, raised questions ranging from possible market manipulation to illegal insider trading. Drexel issued a statement that Milken has their full support. "His position," says the statement, "is one we totally respect."

NNDPC'S Tarpley testifies before committees

In testimony before the House Defense Appropriations Subcommittee, a representative of the National Democratic Policy Committee, Webster Tarpley, attacked the theorists of the "Decline of America," like Harvard guru Paul Kennedy, who are proposing the dismantling of the U.S. military presence in Western Europe, because American "imperial decline" is "inevitable." Tarpley called for full funding for an SDI crash program and for radio frequency weapons.

Earlier in the week, Tarpley had given testimony to the Appropriations Subcommittee for Housing and Urban

Development, where he demanded funding for a 40-year Moon-Mars program.

Senate passes trade bill 63-36

The controversial trade bill, passed on April 28 by the Senate by a vote of 63-36, has reached the point that it will face an almost inevitable veto by President Reagan. The bill, brimming with protectionist measures and punitive actions against our better trading partners, will have to go back to square one, when it is rejected by the President.

There is hardly any chance that a new bill, more acceptable to the President, could be worked out in the context of this Congress, even if the will were there to do it. The trade issue will then go from a congressional to an election issue and Hill Democrats will be playing the issue to the hilt. The trade issue thus grinds to a halt like so much else that has been undertaken by the Reagan administration.

Nunn threatens to amend INF treaty

Only the White House and the more fervent supporters of the INF treaty in the Senate seem to be in any rush to ratify the treaty in time for the upcoming summit. The Democratic leadership in the Senate has made it clear that they don't want to be pushed on the INF.

Sen. Sam Nunn (D-Ga.), chairman of the Armed Services Committee, warned in the floor debate on April 22 that he may be forced to attach a

Category 3 amendment to the treaty, which would make approval of the treaty contingent on the President's obtaining an explicit confirmation from the Soviets that they agree with the administration's definition of "weapons delivery system."

The basic issue involves whether missiles armed with lasers or other futuristic technology are a "weapons delivery system," that is, are capable of damaging or destroying a target, or are only measuring, probing, or reconnaissance lasers. Even if the Soviets agreed to some such definition, there would still be a problem as to whether the United States could verify whether the lasers were "weapons delivery systems" or not.

If the Senate makes its way through that labyrinth before May 27, the date of the summit, they will then have to tackle the Biden Amendment, or the so-called "authoritative interpretation amendment," which would essentially be a fight over whether the administration or the Senate maintain the right of ultimate interpreters of the treaty.

The Senate Democratic leadership is in a stall for some as yet not clearly defined reason, having undoubtedly less to do with the treaty as such than with the upcoming presidential elections.

If President Reagan does not have the treaty with him when he goes to Moscow, Moscow will undoubtedly continue to sharpen its tone, as it has done since the public reappearance of Yegor Ligachov, after 48 hours' silence, in a position of honor at the Lenin Day celebrations in Moscow. If President Reagan cannot deliver in the time-frame Moscow has set, then all deals may be called off—sooner rather than later.

National News

Senate panel subpoenas North's diaries

The Senate Foreign Relations Committee, as part of its investigation of international drug smuggling, has subpoenaed Lt. Col. Oliver North's diaries, by a vote of 16-1. The subpoena calls for North and his lawyer, Brendan Sullivan, to turn over 2,848 pages of handwritten diary notes covering the period from September 1984 through the date of North's dismissal from the National Security Council in November 1986.

Sen. John Kerry (D-Mass.) told the committee, "I'm not asserting that there's a smoking gun or something hidden or that some of the redactions are not appropriate. My assertion is that given what has already been declassified, I don't know how we can proceed with our investigation without being able to see all of it."

Seventy-four pages of North's notes were released April 26, but large references preceding and following references to drugs, the DEA, the Customs Service, CIA agents, and Manuel Noriega were systematically blacked out, according to the April 27 *Baltimore Sun*.

It is widely known that the Nicaraguan Contras were running drugs into the United States with the support of the supply apparatus for which scapegoat North worked.

Use drug violence to push legalization

After Baltimore Mayor Kurt Schmoke proposed a national debate on drug legalization before the Washington Conference of Mayors April 25, he was immediately supported on national television by the liberal proponents of drug legalization, Milton Friedman and William F. Buckley, Jr.

Friedman, as part of his "free enterprise" commitments, has proposed the legalization of all drugs, including heroin. Buckley has bragged of smoking marijuana on his yacht

outside the 12-mile limit.

Schmoke's line was that drugs should be dealt with as an affliction, not a law enforcement problem, and that drugs are the same today as liquor was during Prohibition.

EIR had projected that the current wave of publicity about drug violence would be seized upon by legalizers as an opportunity to push their program.

Taking a somewhat different view, Attorney General Edwin Meese told the police policy board of the Conference of Mayors one day later, "I would like to see the day where every person arrested is subjected to a urine test" for drugs.

Meese later told reporters that the testing of arrested persons "is part of our user accountability strategy," the *Los Angeles Times* reported.

Meanwhile, the mayors and police chiefs at the conference attacked the Reagan administration's war on drugs—headed by George Bush—as totally ineffective.

Ford estate meeting a 'private Bilderberg'

"A private Bilderberg" is how one European insider characterized a meeting planned for June 20-24 at Gerry Ford's estate in Vail, Colorado. The elite meeting is to be sponsored by the American Enterprise Institute.

Scheduled participants include Helmut Schmidt, Valéry Giscard d'Estaing, Henry Kissinger, Paul Volcker, and many more.

"As usual, it will discuss the all-embracing global issues. You name it, they'll be there," the European source said.

One area of focus will be U.S. economic and financial policy in the period leading into the next American administration.

Meese fills Justice Department posts

Attorney General Edwin Meese temporarily filled five recently vacated posts in the Jus-

tice Department April 25, and announced that Francis Keating will take over Stephen Trott's post as associate attorney general by early May. Keating will take over the post on an acting basis until confirmed by the Senate, said Justice Department spokesman Patrick Korten.

Meese named Grace Mastalli and C.H. Albright as assistants in the associate attorney general's office and Justice Department aides James Byrnes, John Howard, and Thomas Christina were named to fill three vacancies in the office of former Deputy Attorney General Arnold Burns.

Mastalli has been working in the executive office of U.S. attorneys, and Albright has been a special assistant to Assistant Attorney General John Bolton, who heads up the civil division.

Burns resigned, along with Criminal Division head William Weld, ostensibly because of their distaste for working under the "corrupt" Meese. However, rumors persist that their effort to force Meese out was a power play on behalf of George Bush that failed, and that the two may face indictment on obstruction of justice charges relating to an investigation into Burns himself for illegal tax-shelter schemes.

In the meantime, Weld, scion of a Boston Brahmin opium-running family, has joined the prominent Boston law firm of Hall and Dorr. He will start May 1 in the firm's Washington office, according to a report in the *Washington Times*. In September, he will move to firm's Boston office as a senior partner. According to the report, Weld plans to specialize in defending white-collar criminals.

Cost cuts killing hospital patients

A study printed by the *New England Journal of Medicine* on April 28 shows that medical cost-cutting has been killing patients.

The study is based on data collected in 1983-84. The data shows that patients who are admitted to hospitals in states where hospital costs are strictly regulated, or where

Briefly

cost competition is high, are more likely to die.

"Many doctors are complaining that . . . they are practicing at near-malpractice conditions now," the head of the Doctor's Council of New York, Donald C. Meyer, told the *Wall Street Journal*.

Even the *Journal*, long an apologist for the scaling back of health care demanded by the large insurance firms, had to admit, "If anything, the situation may have worsened since the study's data were collected."

Congress tables troop withdrawal amendments

Two amendments have been tabled in the Congress proposing that U.S. troops be withdrawn from Europe, if the Europeans do not contribute more to their own defense, the *Sunday Times* of London's Stephen Milligan reported from Washington.

One amendment, by Rep. John Bryant of Texas, proposes that 90,000 troops be pulled out during the next three years, while a second, by Rep. Tommy Robinson of Arkansas, would withdraw all American troops within five years.

"Another 50 congressmen are eager to table amendments in the same vein," said Milligan, who quotes Rep. Pat Schroeder (D-Colo.), head of a "NATO burden-sharing" subcommittee, saying, "We are sitting on a volcano." Schroeder's subcommittee will produce a report in June whose "tone . . . will be highly critical of Europe and Japan."

Milligan also reports that U.S. Deputy Defense Secretary William Taft will be touring European capitals in May, "to discuss how America's bill for NATO could be cut." The Pentagon and State Department have set up a joint working group, chaired by Taft, on the issue.

The "first priority" of the next U.S. President will be "to reduce the budget deficit, which will put the defense budget under pressure. . . . To achieve real savings, cuts may have to be made abroad. If whole divisions were disbanded, the savings could

be significant."

Defense Secretary Frank Carlucci recently amazed Manfred Wörner, his West German counterpart, by saying that he regarded this issue as the most pressing problem he faced.

Former U.S. Defense Department official Richard Perle presented "strong evidence" to the Schroeder-led subcommittee showing that "the allies are not pulling their weight." According to Perle, the United States is spending 6.9% of GNP on defense, compared with 3.2% by West Germany, 2.2% by Canada, and only 1% by Japan. Perle also insists that statistics on cost-sharing were "fiddled" to make Europe's contribution appear larger than it actually was. Perle also attacked the Japanese, labeling their policy "chronic freeloading," and characterizing the level of aid Japan offers poorer allies as "scandalous."

Judge threatens to dismiss North case

District Judge Gerhard Gesell, presiding over the Irangate trial of Lt. Col. Oliver North, former National Security Adviser Adm. John Poindexter, Albert Hakim, and Lt. Gen. Richard Secord, has stated that he may be forced to throw out the case if the government does not produce classified documents that may be needed by the defense.

Gesell said April 27 that the blame for withholding key classified materials "lies with the attorney general and the White House."

"I want to find out promptly what is taking place and what is going to take place," he said, contending that he may be forced to dismiss all charges if the materials were not forthcoming.

Gesell pinpointed and interdepartmental task force as the administration group having control over hundreds of thousands of secret documents that may be needed in the case, and said the group had created a serious obstacle to the trial through its "intentional withholding of documents necessary to the defense."

● **MARLIN FITZWATER**, White House press spokesman, sent an official apology via the U.S. embassy in Copenhagen to the Danish government on April 23, for his "Danish means breakfast to me" statement.

● **THE SUPREME COURT** is now hearing arguments on the constitutionality of the independent prosecutor law. Only Chief Justice William Rehnquist, and Justices Sandra Day O'Connor and Antonin Scalia expressed any skepticism as to the constitutionality of the statute during an April 27 hearing, according to a *Baltimore Sun* report. In a suit against the law by the U.S. Justice Department, the U.S. Circuit Court of Appeals in the District of Columbia in January ruled it constitutional.

● **PAMELA HARRIMAN**, widow of Randolph Churchill and Averell Harriman, and Democratic Party patroness, gave the Samuel D. Berger Memorial Lecture at Georgetown University April 27. Characterized as the only Washington hostess with a foreign policy of her own, she wore a short, tight-fitting black silk cocktail dress, and her coiffure was dubbed a "Washington power helmet" style.

● **NASA** is pushing back the launch date of the Space Shuttle. Space Transportation System director Arnold Aldrich said April 26, "We're down probably 10 days on the projected Aug. 4 launch date."

● **GERARD SMITH**, former U.S. arms negotiator, in an exclusive *EIR* interview April 26, said that efforts by Senators Sam Nunn and Robert Byrd to delay the INF treaty over the issue of "futuristic weapons" is "simply an effort on their part to assert legislative clout over the executive branch, and nothing more." He did not expect it to delay ratification until May's Reagan-Gorbachov summit.

The Demjanjuk travesty

The arrogance and savage cruelty of the unjust death-sentence on former U.S. citizen John Demjanjuk in Israel on April 25, could not have come at a worse time for Israel itself.

The evidence submitted in the case shows that the charges against the defendant were fabricated by the Soviet government, that the Israeli court knew the evidence was falsified, and yet not only convicted him, but exhibited monstrous brutality in the statement accompanying the delivery of the death-sentence.

Admittedly, in truth, the U.S. government should bear most of the blame. This miscarriage of justice began with an agreement struck between the Soviet dictatorship and Secretary of State Henry A. Kissinger. Kissinger arranged to have evidence against U.S. citizens, fabricated by Soviet intelligence services, treated by U.S. law as if Soviet KGB indictments had been findings of fact by U.S. federal due process.

Then, with the aid of the newly-established Office of Special Investigations in the Justice Department's Criminal Division, those accused were railroaded out of their citizenship by special procedures denying them all rights of due process, and either exiled, as in the forged Soviet charges against U.S. leading rocket-scientist Arthur Rudolph, or sent to their deaths abroad, as in the cases of Karl Linnas and, probably, now, John Demjanjuk.

As with the case of Karl Linnas, it has been proven that the principal evidence claiming to identify the retired auto worker John Demjanjuk as the notorious Treblinka death-camp figure, "Ivan the Terrible," was forged. Indeed, the key witness accusing him of being that "Ivan the Terrible" had earlier claimed, in his own handwritten diary, to have killed "Ivan the Terrible" personally.

The Department of Justice already knew the dubious nature of the accusations against Demjanjuk, but proceeded against him nonetheless, ripping up the U.S. Constitution left and right, while denying him all rights of due process. Then, that Justice Department dumped

him into Israel, and virtually forced Israel to set up a political show-trial.

They did so for the sake of rotten, back-room deals with the Soviet dictatorship. Ever since Henry Kissinger echoed John J. McCloy's Willy Brandt, in establishing "détente" with Moscow, the Soviet dictatorship has been conceded increasing rights to intervene in the sovereign internal affairs of the United States, to the point of having the U.S. Department of Justice deliver the bloody scalps of U.S. citizens, on the basis of Moscow's mere indication of its making those scalps a part of some regional matters, summitry, or other diplomatic package being negotiated with the State Department or through Armand Hammer's back-channels.

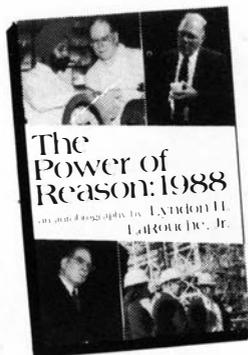
One is impelled to point the accusing finger at the Reagan-Bush administration, and say: "What about old-fashioned U.S. justice, you miserable wretches!"

For years, one U.S. administration after another has demanded support for brave, anti-Soviet freedom fighters in Afghanistan, and has praised the anti-Soviet resistance of forces inside the captive nations of Eastern Europe. We have howled about Soviet anti-Semitism. Then, what happens when a U.S. citizen, a veteran of the wartime resistance to Soviet aggression and terror, is accused of fighting against Soviet terror during that period, or in the postwar resistance often used by U.S. intelligence services? What American is there, who, faced with the facts, will not come near to vomiting over this sentencing?

Certainly, the Reagan-Bush administration shares the far greater ration of guilt in the premeditated judicial murder of John Demjanjuk. However, by adopting the injustice already done by the U.S. government, Israel brings the blame upon itself: To whom will Israel appeal against the injustice of being viewed, now, as the sole culprit in this atrocity? Israel has no prudent option but to reverse its court's abominable actions, and to do this quickly, before waves of revulsion over the court's conduct lead to results, the limits of whose possible consequences can not be calculated.

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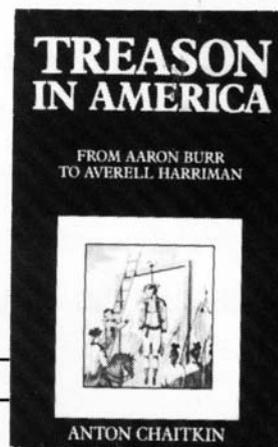
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EIR has commissioned this White Paper to bring the truth of the developing Panama crisis to American citizens and lawmakers, so that decisive action can be taken to stop this campaign before the United States faces a new strategic crisis on its Southern Flank.

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