

EIR

Executive Intelligence Review

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Brzezinski-Shultz deal to sell out Europe
The LaRouche perspective for Peru's economy
Sharon allies arm Khomeini's hordes

**Shultz torpedos American
defense in the Philippines**



EIR

Quarterly Economic Report

The Looming Bankruptcy of the United States

June 15, 1985

Are the U.S. government's "free enterprise" policies bringing on the "final collapse of capitalism"?

How the Russians must be laughing. With an overvalued dollar, the United States is collapsing internal production capabilities at a rate which must soon reach the point of no return, while ruining the economies of its allies. An estimated \$1.3 trillion is being looted annually out of U.S. productive capabilities.

Did you know that . . .

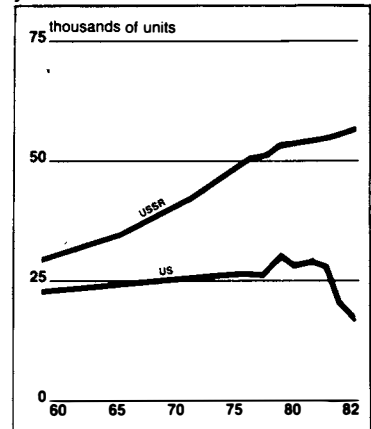
- **Out of the U.S. banking system's some \$3 trillion in loan assets, at least \$2 trillion is worthless?** The S&L panic is only the beginning.
- **Since the 1950s, America's living standard has been cut by 50%.** The American population has a deficit of 20% to 70% in basic goods needed for its survival.

Since the fall of 1979 LaRouche's forecasts have established a record unparalleled in accuracy by any other economic forecasting service in the nation. Data Resources International and Chase Econometrics proved unable, in the fall of 1979, to correctly forecast the consequences of the credit policy then being initiated from the Federal Reserve by Paul Volcker. LaRouche did. Those agencies, and their co-thinkers, have been repeatedly exposed as incompetent bunglers, while the LaRouche record has been maintained.

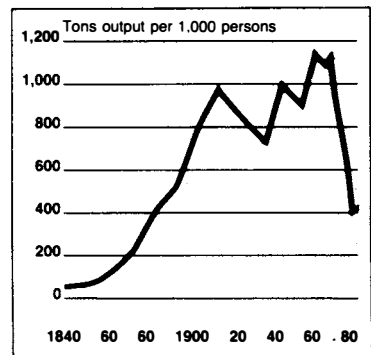
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U.S. iron output per member of the labor force



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EIR

From the Editor

The immediate task before us is to stop Zbigniew Brzezinski and George Shultz from fully taking over what has become the Ronald/Donald Regan/Reagan administration. We intend to do that—but you will have to help, by building up the pressure on Washington.

The *National* lead this week warns of a rapidly progressing Trilateral Commission coup in Washington, sealed by the return to an official policy position of Jimmy Carter's national security adviser, Zbigniew Brzezinski, whom the lisping idiots at the Heritage Foundation are trying to palm off as the Great White Hope of the conservatives. Zbig is the same brilliant chap who gave us the Islamic "Arc of Crisis" as a strategy to outflank the Soviets in the Middle East—thanks to which we got Khomeini in Iran and are now witnessing the mopping-up of what used to be American influence in the Middle East, by the Soviets and their surrogates.

As you know, the only thing that stands in the way of the comeback of the Trilateral-Carter gang is the growing power of the political movement led by *EIR* and our founding editor, Lyndon LaRouche. This has been acknowledged by Soviet responses to *EIR*'s "Global Showdown" report: In the wake of a series of well-attended and well-reported press conferences by *EIR* editors in Western Europe, the Soviet KGB weekly *Literaturnaya Gazeta* published an attack on us for asserting that the Kremlin is following a policy that agrees with the imperialistic cult-doctrines of the Russian Orthodox Church—and proceeded in the same article to prove that we are right.

In two key areas of the world, Peru and the Philippines, *EIR* brings you this week the kind of policy-thinking which must come to power in Washington, against the Trilateraloids: The *Feature* and *Economic Model* are based on a combination of first-hand reports and the application of the unique LaRouche method of economic analysis. The *Feature* reflects the insights of Contributing Editor Uwe Parpart-Henke and Paul Goldstein, who have just returned from a visit to the Philippines.

Next week, we will report in depth on the Trilateral Commission's takeover, what their current policies are, whom they have placed in the administration—and how to stop them.

Nora Hamerman

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President Reagan junks free enterprise

by Christopher White

Presidential approval is now pending for proposals which will formally bury the administration's ideological commitment to Adam Smith's free enterprise system. By Sept. 1, the President is to decide whether to adopt the proposals of his Economic Council, headed by James Baker III, now approved by the Cabinet, and impose tariffs on imported footwear.

The U.S. shoe industry, in this case, is to be the precedent-setter. The tariff proposal was put forward, by Baker's Economic Council, as an alternative to the import quotas that had been recommended by the U.S. International Trade Commission. The proposal now before the Cabinet is a muddled attempt by Baker and his friends to "have their cake, and eat it too."

Subverting the President's oft-stated commitment, "no to tax increases," the tariff proposal, unlike the import quota system, is designed to maintain import levels, increase government revenues, at the expense of the U.S. consumer, and not trigger a trade war, or a banking collapse.

The International Trade Commission's import quota proposal would perhaps have triggered both trade war and U.S. banking collapse quite effectively. That body had wanted the U.S. government to auction off the right to import into U.S. markets. For a certain payment, a certain trader could bring goods in to a certain slice of the U.S. market. The ITC proposal had drawn opposition from the entirety of Ibero-America and the Caribbean, and beyond, for it would have drastically affected foreign exchange earnings of the nations hit.

Designed to avoid the pitfalls associated with the quota system, the tariff system will be equally disastrous. Exporters into U.S. markets are already penalized by the over-valuation of the dollar, and have seen international prices for their

products cut by more than half over the last two years. Why should they now accept the U.S. government launching a mafia-style skimming operation, off the top? The measures invite retaliation of precisely the sort feared in the case of the quota system.

The measures, furthermore, as usual, overlook the reality that is shaping U.S. economic policy, contrary to the illusions of policymakers and crooks, like Baker and Regan. The world is in a depression caused by the political dominance of usurious and genocidal financial practices. Unless that reality is addressed, administrative measures, such as the tariffs now proposed, will only make the crisis worse.

The consumer will pay

Shoe imports are now to provide the test case for the *nominal* reversal of Reagan's hitherto standing free-enterprise policy, as the government's revenue collectors dip their hands into consumers' hip pockets, along with the invisible hand of Adam Smith's magical market place. Revenues thus gouged from consumers will be set against increased Federal expenditures for the account of servicing Fed Chairman Paul Volcker's more than \$1 trillion public debt, while the financial interests continue to skim off the difference between external price of purchase and internal sales price to the consumer, again for the account of debt and usury.

Footwear, of all elements of household consumption's market basket, is the area where foreign production has replaced U.S. productive capacity in the greatest degree. The United States is now 80% dependent on imported footwear, primarily from Taiwan, South Korea, Brazil, and Italy. But clothing and apparel, and household appliances are not very far behind, and about 40% of automobile purchases are likewise imported. The slicksters on the Economic Council must

have cottoned on to Walter Wriston's standing policy proposition, that most of the loot available to government taxation, and banks, is located in the consumers' wallets. This form of pernicious indirect taxation can therefore be expected to spread, as long as the policies which brought us the depression remain in effect.

The tariff proposal has been put forward by James Baker III, head of the President's Economic Policy Committee, and Donald Regan, working together with congressional leaders such as Sen. Lloyd Bentsen of Texas, and Congressman Gibbons of Florida, in order to avoid the reduction of especially Third World foreign exchange earnings that would ensue from the implementation of the ITC quota proposals, while circumventing the President's nominal commitment not to increase taxes.

Bentsen and his friends have proposals before the Congress to simply levy a 25% tax on all imports from Japan, Taiwan, South Korea, and Brazil, until such time as the identified countries reduce their trade surpluses with the United States.

The imposition of tariffs on imported elements of household consumption—and it is expected that textiles and appliances, among other elements of household consumption's market basket, will follow shortly—is of course a straightforward tax on household consumption, of the sort that the President has repeatedly promised he would never adopt. James Baker's Treasury Department is now primed to steal from the consumer's hip pocket the revenues for debt-service payment that were not generated by cutting the budget.

Additionally it is thought, among Baker's friends, that prices for U.S. household consumption can thus be increased, through government intervention, without destabilizing the export earning flow on which the debt service of a country such as Brazil depends. Once again the U.S. household is asked to pick up the tab to cover the insane incompetence of administration economic policy, and also, to protect the position of the U.S. commercial banks, like David Rockefeller's Chase Manhattan, and Walter Wriston's Citibank, whose fictitious accounts would have been adversely affected by the imposition of import quotas.

Under that proposal, there would have been a significant reduction in household consumption, combined with a destabilization of indebted Third World countries, and selected advanced-sector countries, like Japan. Under the proposal up for adoption the hope is that enough can be stolen from household consumption's wage and salary earnings, without incurring the parallel destabilization of the bankrupt international credit and financial system.

Jimmy Carter's recipe for disaster

Either way, the Reagan administration, adopting wholeheartedly the policies of the degenerate Jimmy Carter, now finds itself in something like the situation of Richard Nixon, between the bankruptcy of Penn Central and the Aug. 15, 1971 decision to take the dollar off the gold standard. Those

whose memories have not been subverted by soap opera and so on will recall that it was not only George Shultz and Paul Volcker who were part of that treacherous Nixon team.

The tariff proposal is part of a package now being worked on by the international financial circles associated with the International Monetary Fund. Further elements included in the package include lowering the valuation of the dollar another 25% on international exchange markets, while attempting to keep Third World nations such as Brazil within the confines of IMF genocidal conditionalities policies.

However, the kind of thinking on which the tariff proposal is based is the usual muddle-headed collection of nonsense that one has come to expect on these questions from the Reagan administration, and the cultish U.S. business community.

It is argued that especially the over-valuation of the dollar has restricted U.S. industry's access to overseas export markets, while cheapening the cost of importing to the United States for foreign competitors of the United States. Tariffs and related protectionist measures have therefore been demanded from the House of Representatives and Senate in order to supposedly right the balance in favor of U.S. domestic production.

Where was Lloyd Bentsen, one might ask, when Jimmy Carter and Paul Volcker were destroying the productive basis of the U.S. economy with their usurious interest rate policy? Why would those, who have insisted that Third World nations, such as Brazil or Mexico, must solve their debt crisis by exporting to the advanced sector, now seek to impose measures which would dramatically restrict the access of such Third World countries, to exactly those advanced-sector markets?

It is illusory to blame the destruction of U.S. industry on imported goods, made possible by the bloated dollar. One must go back many years to trace the origins of the destruction of the U.S. shoe industry. One must go back not quite as far to find the origins of the destruction of the U.S. steel industry, and the associated industries which depend on the production of that and other metals.

The U.S. population is 80% dependent on imported footwear, and imports almost 600 million pairs of shoes per annum. Compared to this, total domestic production capabilities are negligible. It is similar with other items of apparel. Without imported foreign production, the American consumer would not be clothed, housed or fed, nor would he be able to travel to work.

And he is not as well off as the political bosses of the government's revenue collectors think. The standard of living of U.S. households, measured in terms of household consumption of physical goods, has been cut in half since 1970, with the bulk of the reduction being effected in the period since Volcker became chairman of the Federal Reserve in 1978-79. Joining with Walter Wriston and David Rockefeller to rob the consumer of even more is simply a recipe for further disaster, political and financial.

'We are not subject to foreign strategies'

Argentina's Peronist party, known as the Partido Justicialista, launched a series of initiatives during the month of July addressing the crisis of Argentina's \$50 billion foreign debt and the Alfonsín government's submission to the dictates of the International Monetary Fund. Two recent Peronist documents, one issued by the Peronist-run trade union federation, the CGT, and the other by the Partido Justicialista, attack the IMF's destruction of productive activity and living standards, and call on the population to mobilize for industrialization and economic growth.

The CGT document, entitled "Defend the Nation, and Labor, to Defeat Inflation," calls for a moratorium on debt-service payments, and announces a mass demonstration and regional strikes to be held on Aug. 29, in response to the government's acceptance of IMF policies. "We have witnessed, through the work of earlier monetarists, the planned destruction of our national productive apparatus," the document states. "We don't want to see new monetarists put up the auction sign for what little has survived in our country. We therefore appeal to all of our spiritual, intellectual, economic and political values so that together, we can launch a project to liberate Argentina. . . ." The document was issued on July 30.

"What To Do With an Unpayable Debt?" is the title of the Partido Justicialista document, issued in mid-July, which charges that the IMF is guilty of the "gravest immorality," and identifies its policies as "crimes against humanity." Much of Argentina's existing foreign debt is "illegitimate," the document states, and need not be paid. "The thieves of foreign reserves are responsible for a genocide much more extensive and numerous" than any bloody military dictatorship which has ruled the country in recent years, it asserts.

Excerpts of the documents appear below.

'What to do with an unpayable debt?'

3) Exhort governments not to allow themselves to be seduced by a purely verbal prestige contest in their demands to creditors, since a sober, unified position is more effective

than individual stridencies. Simultaneously, solitary attitudes which tend to break up the negotiating stance of the whole must be unreservedly condemned.

5) Appeal to the highest echelons of the religious creeds upheld by the peoples of Latin America, and especially His Holiness Pope John Paul II, for them to support the just cause of the debtor countries, to condemn the immorality of the usury unleashed upon them, and to promote the solution of the case in the framework of a new international economic order.

6) Promote the immediate articulation of a network amongst debtor countries of Latin America and the Third World, which will guarantee them all, *under whatever course of developments*, access to an indispensable minimum of strategic inputs, with special reference to food, energy and technology, expanding such inputs as necessary to maintain the activity of the productive system.

7) At both the national and international levels, promote analysis of how an international market could function, apart from the creditor countries, and the impact such functioning would have in uplifting the standards of living of the down-trodden peoples of the world, through the long-term planning of various national economic models to be implemented by the concert of nations.

'Defend the nation'

We workers have always maintained, and we energetically repeat, *that the only legitimate and true means of fighting inflation is by producing more*, because the diminution of production maintains the fundamental cause of the problem, which is insufficient supply. . . .

The new measures adopted [by the government] have perfected the perverse nature of the adjustment, *which not only takes wages as its variable, but transfers the primary rigor of same to mass unemployment*, as a deliberate result of the profoundly monetarist plans put into effect by the government.

These policies, explicitly assumed by the government, are an aggression against the national interest, which is no different from sectors of labor and production, and subject the people, who are defenseless in the face of arbitrary economic action, to inhuman living conditions.

The acute symptoms of the looming crisis in the international power centers, which is making the international economic future most uncertain, demands that we strengthen our economy through independent plans which do not expose us to crude conditions, with no possibility of defense; foresight is required today, so that we will not be sorry tomorrow.

We believe that the only option for a country, like a family, to emerge from crisis is to produce to the maximum; we believe that work, the Argentine project, not subject to foreign strategies, and credit converted in the motor of growth, are the only efficient factors for national reactivation. . . .

Will we contain the AIDS epidemic?

by John Grauerholz, M.D.

As media everywhere are reporting, the AIDS epidemic is raging still unchecked, although there are various treatment approaches which look promising. One clue to the rapidity with which the disease is spreading may have been found.

Researchers at the Harvard School of Public Health have discovered a clue to the virus's ability to rapidly overcome the body's immune defenses. In a paper in the July issue of the magazine *Cell*, they describe a set of genes in the AIDS virus which produce a protein which binds to certain other genes in the virus, causing a 1,000-fold increase in the reproductive rate of the virus. This protein binds to genes adjacent to those which normally control the rate of reproduction, and amplifies the activity of these genes.

While such an increase in reproductive rate, in a virus, is a cause for serious concern from the point of view of disease control, the implications of this development can have extremely interesting implications for agricultural research, and perhaps provide insights into life processes in general.

French scientists, studying cases of AIDS which occur concomitantly with hepatitis-B infection, have found evidence of integration of hepatitis-B virus genetic material into the genetic material of T-cells. This material was present even in cases with no evidence of hepatitis-B virus by normal antibody studies. This indicates that, in addition to simply being an associated infection, hepatitis-B virus may act as a co-factor along with HTLV-III virus, in producing AIDS.

Doubling every year

In the United States, as of July 26, there have been a total of 12,067 AIDS cases and 6,079 deaths reported to the Atlanta Center for Disease Control. In Los Angeles County in California, 84 new cases were reported in June, bringing the total of confirmed victims in the county to 933. County authorities are also investigating 102 suspected cases. The county had averaged about 45 new cases monthly since 1981. Dr. Betty Agee of the county's Communicable Disease Division, said that the abrupt increase may mean that the two- to five-year incubation period has ended for a whole new wave of victims.

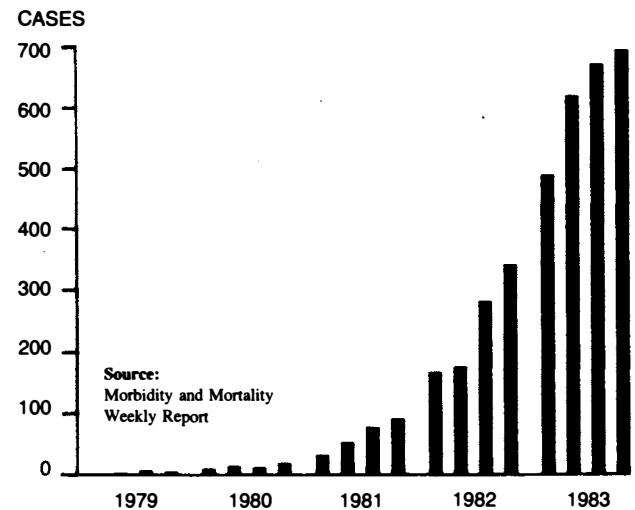
A growing incidence of AIDS is also visiting Western Europe, as conditions of economic collapse spread through these countries. During the first three months of this year,

175 new cases from 17 new countries were reported, bringing the total number of European cases to 940. The number doubled every six months from 1981 to 1983, and since then has been doubling every year. The 178 new cases reported in the first three months of 1985 represent a 23% increase over the 762 cases as of the end of 1984.

The disease is commonest in Denmark, with a reported incidence of 8.0 cases/1 million people; followed by Switzerland (7.9), and then France (5.6). These rates approximate those in the United States in the 1981-82 period, and can be expected to rise to the present U.S. rate of 40.9 cases/1 million population.

Support for this projection comes from studies in countries such as Britain, where a recent report by the govern-

Acquired Immunodeficiency Syndrome (AIDS) — Reported cases, by quarter of diagnosis, United States, 1979-83



ment's chief medical officer, Dr. Donald Acheson, indicates that 10,000 people, mostly men, have been infected with the AIDS virus. This has led to announcements by the Swiss Federal Health Office, and related agencies in Britain and France, that blood donors will undergo mandatory testing for AIDS within the year.

New Zealand recently reported its first locally contracted case in a homosexual man. Previous New Zealand cases had been acquired outside the country or transmitted by contaminated blood from other countries, such as Australia, which recently reported four cases of AIDS in women who were infected by semen from the nation's sperm bank. AIDS has killed over 40 Australians, including several babies, since first detected in Sydney in 1983.

New York City health officials think they have found a

link between the increase in tuberculosis in New York City from 1981 to 1984 and the AIDS epidemic. A report compiled by the Department of Health, and published by the New York Lung Association, states that black and Hispanic males from 25 to 44 years of age had shown the highest increase in incidence of tuberculosis and that they were demographically similar to the intravenous drug users at risk for AIDS. As the number of AIDS cases rose, there was a parallel increase in the number of AIDS-associated tuberculosis cases; the increase was most profound among black and Hispanic males. For the fourth consecutive year, the incidence of TB has increased in the city, with 1,651 cases reported last year, up 57 over the previous year, for a TB rate of 23.4 per 100,000 population, more than twice the national average. Currently, new TB cases in New York City are running over 20% above last year, indicating a phase shift toward an outright epidemic.

In Florida, where CDC studies show AIDS to be increasing more rapidly than anywhere else in the United States, Dr. Mark Whiteside of the Palm Beach Health Department says that he believes that environmental factors, such as squalid living conditions and mosquito- and rat-infested houses, are responsible for the outbreak of AIDS in Belle Glade, which has the highest incidence in the country, greater than one case per 1,000 people. He and Dr. Carolyn McLeod fear that the CDC will ignore that aspect of the outbreak in that community, where 19% of AIDS victims don't fall into the high-risk categories.

The implications of the Belle Glade cases were drawn in a recent *Life* magazine article, which pointed out that Florida farm workers migrate with crop harvests in the Eastern United States, and Belle Glade prostitutes are patronized by long-distance truckers. As conditions in more and more of the United States approach those of Belle Glade, visiting viruses will find receptive hosts.

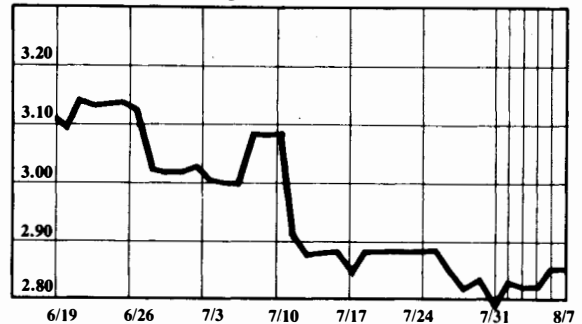
While the availability of a blood test for exposure to the virus should reduce the risk of transfusion-transmitted AIDS, the most common type in non-homosexuals and non-drug users, the long incubation period ensures that more cases will occur over the coming years. This, and the activation of disease in other already infected individuals, would continue to produce an increasing number of cases, which will constitute a growing reservoir of the disease, which could expand rapidly under the present conditions of collapsing health infrastructure in the United States and Western Europe.

The irony of this is that, even with present knowledge, the disease could be significantly contained by vigorous public health measures, as tuberculosis was, even before a definitive cure is found. Behind the present hysteria is a simple question of whether Western civilization is willing to take the action necessary to survive. AIDS is merely the biological correlate of the present economic and military threats to the survival of human civilization. All of these are susceptible to being dealt with by vigorous and decisive action. All of them will only grow rapidly worse if such action is not taken.

Currency Rates

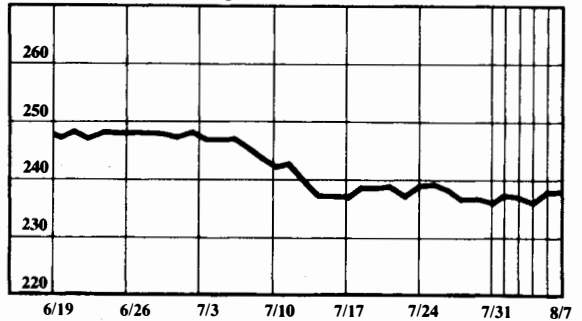
The dollar in deutschemarks

New York late afternoon fixing



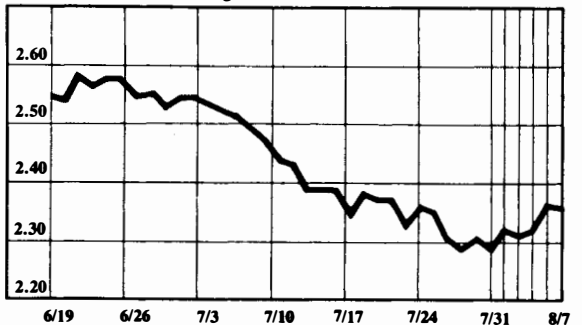
The dollar in yen

New York late afternoon fixing



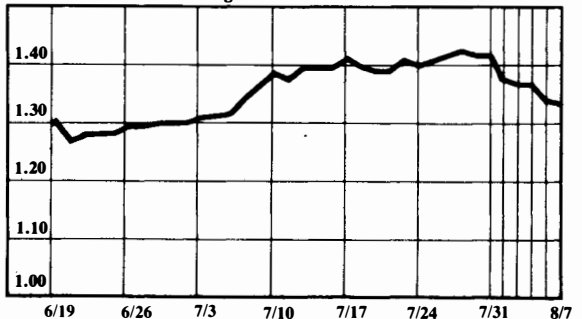
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Will the Bank topple the government?

Premier Craxi's presumption to dare oppose the illegal powers of the Bank of Italy has provoked violent reactions.

A government crisis steered by the Aspen Institute and the Bank of Italy now looms over Rome. It is not the usual "government crisis every fifteen days," as some political circles in the United States view such things in general. The government of Socialist Premier Bettino Craxi has lasted some two years now, and will reach a post-war-record 833 days at the end of August—unless the Bank of Italy decides otherwise.

It all began on July 19, when the lira had its "Black Friday," falling to a level of 2,200 to the dollar, an unprecedented devaluation. The government had actually planned a devaluation, but it was supposed to be "a perfect operation, without burning any currency reserves." The opposite happened, and it turned into a "comic opera," in the words of London's *Financial Times*, which rejoiced over the fact that the Bank of Italy acted on its own, without informing the government of what was going on.

One of the directors of the Aspen Institute in Italy, the president of the state-run ENI, Franco Reviglio, decided all of a sudden to sell lire to obtain \$125 million to meet a foreign obligation—on the very July 19 that the lira devaluation was to take place. The Bank of Italy, despite contrary advice of some bank officials who proposed that ENI postpone its dollar purchase to another, less destabilizing day, agreed to sell its dollar reserves, and at the end of the day, the dollar had climbed to levels "ridiculing Italy

all over the world," as the weekly *Espresso* put it.

It took almost 10 days for Premier Craxi to realize what was going on, but on July 31, during a speech before the Senate on the state of the government, Craxi provoked an uproar by attacking the Bank of Italy: "From what I have heard, learned, and tried to figure out, it remains disconcerting and inexplicable that a state industry buys currency at an absurd price and absolutely out of the market, and a state bank sells this currency to the industry at an absurd price and out of the market." What happened on July 19, Craxi continued, "is unjustified and unacceptable."

A few hours later, the head of the Bank of Italy, Carlo Azeglio Ciampi, and Treasury Minister Giovanni Goria stormed the Senate to present Craxi with their letters of resignation. What really upset them was his reference to the Bank as a "state bank," overlooking its supposed "autonomy." Like the utterly unconstitutional Federal Reserve System in the United States, so in Italy, the central bank has acquired special powers which allow it to have the highest interest rates in the Western world, despite the government's open invitations to reduce them. The Bank has also prevented the magistracy from investigating the accounts of mafiosi and dirty-money launderers.

That is why some circles in the Christian Democracy, as well as Craxi's Socialist Party, would like to "nationalize" the Bank as a first step

toward a clean-up of the economy. Obviously, Ciampi and Goria perceived Craxi's attack in the Senate, and the words "state bank," as a signal in this direction, and decided to provoke a crisis on the issue with their resignations.

There were other violent reactions. The Christian Democracy, the majority party in Craxi's five-party coalition, demanded that he retract his words and "clarify whether the Bank has or has not the trust of the government." They threatened to leave the coalition.

The republican party, the main proponents of the disastrous austerity policy provided to the government by the IMF and the Bank of Italy, reminded Craxi: "Everybody should respect the absolute autonomy of the Bank of Italy. It is a question of principle on which we will not accept uncertainties."

In order to avoid an immediate government crisis, Craxi backed down, as he had when he accepted the lira devaluation, rejecting Ciampi's and Goria's resignations and reaffirming his "trust" in the Bank of Italy.

On August 9, Treasury Minister Goria will present the government with a "dossier" on the devaluation which is supposed to clarify matters, and then the Premier will decide whether to continue his battle against the illegal powers of the central bank, or to again affirm his "trust" in it, in order to remain Premier long enough to make the *Guinness Book of World Records*.

The majority faction inside the Christian Democracy, led by Moscow-leaning Foreign Minister Giulio Andreotti and General Secretary Ciriaco De Mita, according to well informed circles in Rome, is planning to exploit the crisis to take over the premiership in September-October, forming a new government with the support of the Communist Party.

TFP moves to stir up rural violence

The TFP and Moon cult are on the right, and Liberation Theology on the left, of a plot to block land reform in Brazil.

The Gnostic sect Tradition Family and Property (TFP), the armed branch of the Portuguese royal family Bragança e Orléans, in cahoots with the Catholic "liberationists" and the radicals of the Workers Party (PT), is on a war footing to conduct a dangerous right-left scenario to overturn President José Sarney's government. The goal is to torpedo his Agrarian Reform Plan, an effort to change the feudal agricultural structure of Brazil. The only interests that would be hit by this are the landholding families whose power is linked to the European oligarchy.

It turns out that those preparing this violent scenario are the same integralist-synarchist networks that backed Portuguese dictator Salazar in the 1930s and admired Benito Mussolini. Formed in their ranks was the man who later set up TFP, Plínio Correa de Oliveira; as well as liberation theologian Helder Camara, then an activist in the paramilitary Green-shirts, which attempted a coup against the government of Getulio Vargas, and today backs the proscribed Catholic liberation theologian, Leonardo Boff.

In mid-June, Sarney announced he would apply the 1964 Land Statute. Shivers went through the London banking community. The weekly *The Economist* on July 13 noted that when José Sarney talks about agrarian reform, "he means it."

The Plan proposes to gradually distribute 130 million hectares of now-idle land, based on an as-yet modest program of agricultural infrastructure.

To give an idea of what this means, Brazil has 850 million hectares; private rural property amounts to 567 million hectares, of which 409 million are big latifundias, and half produce nothing—except ground rent.

On May 29, the minister of Agrarian Reform, Néelson Ribeiro, anticipating the pressures which would come up against the Plan, said, "We have more than 1,000 cases of agrarian conflicts today, and they are getting more violent by the day. . . . What we want to do is a capitalist reform."

Pope John Paul II, in a commentary to Brazilian bishops, gave his blessing to the land redistribution by saying, "How is it possible that such a big country has land problems?"

On June 22, TFP published a big ad in the daily *Folha de São Paulo* stating that the Agrarian Reform is "communist" from "Moscow's *Pravda*." Since then, TFP's paramilitary groups have fanned out into the potential conflict zones, organizing against the Agrarian Reform and offering aid to the latifundists, who also have begun to arm. On June 16, the Federation of Farm Workers of Rio Grande do Sul charged that the big landowners in the state's north were buying arms to defend their property.

In Porto Alegre, a workers association said that TFP militants were passing out huge numbers of leaflets calling the Sarney government communist. A democratic parliamentarian, Algir Lorenzon, charged: "Before, they were merely arrogant with their medieval standards in the streets,

but today they clandestinely spend their time visiting landholders, asking for donations to agitate against the agrarian reform."

The pretext for the alleged communist threat against which TFP agitates is given by anarchist and provocative actions of radical groups such as the PT of labor leader Luis Inácio Lula da Silva. The actions carry the blessing of the liberation theologians led by Leonardo Boff and his mentors, Helder Camara and Cardinal Evaristo Arns, who is unruffled by the fact that his priests celebrate mass in TFP chapels.

As part of these provocations, on Aug. 6, the rural affairs secretary of the CUT (Unified Center of Workers), José Gómez Novaes, stated that Center is roundly opposed to the Agrarian Reform, and instead pushes land invasions; he added that the Center is making a map of the lands to be targeted for such actions.

The oligarchical project which the TFP serves, was well expressed by Pedro de Bragança, pretender to the throne of the non-existent Brazilian empire. On June 27 he told the daily *O Globo* he will come back to Brazil in November to take part in the mayoral elections, and added, I "would like" Brazil's new Constitution "to be monarchist."

TFP already has plans for intense political activity at the coming Constituent Assembly. It is even weaving alliances. On July 7 Causa Internacional, the Reverend Moon cult, held an international conference in São Paulo. Moon is considering moving his headquarters there. After the meeting, there were discussions to seal a TFP-Moon alliance that would elect its own men to the Constituent Assembly. The Moonies are also seeking support from top military figures; Prof. Jorge Boaventura of the Superior War College is among their sympathizers.

The danger of dairy contamination

A dairy expert describes how the economic crisis has created the conditions for deadly food contamination.

In July, the U.S. Food and Drug Administration announced a national program to randomly test retail samples of soft cheese for possible contamination by disease-causing bacteria. This move was taken after dozens of deaths this year from tainted dairy foods, including a salmonella outbreak in Chicago and listeriosis transmitted by dairy products from California.

What is causing this widespread contamination of dairy products? I interviewed my brother, Richard W. Merry, a 23-year dairy production engineer based in Pittsburgh.

EIR: There have been disease outbreaks and deaths in recent years from tainted dairy products. How do you describe the situation?

Merry: Proper processing and pasteurization kills all the harmful bacteria normally present. The economic problems in the dairy industry today—from the farms through to the processors—are probably the cause of the recent problems, the large salmonella outbreak, and the listeria bacteria in cheese. Unless the economic situation improves, we're liable to see much more of this problem in the near future.

EIR: What is the real story behind the "killer cheese"?

Merry: Let's take it from the cow to the store. The listeria bacteria live in the intestines of the cow, and can be carried in the cow's white blood cells.

Contamination on the farm can be found during milking. At that time

there is always the possibility of outside matter coming in contact with raw milk—hairs, straw, cell debris from the udder, and so forth. Also airborne contaminants.

If the cow has mastitis or some form of infection which has not been diagnosed by the farmer or milkhand, it is very easy for contaminants—including white blood cells that can carry listeria bacteria—to get into the raw product and be shipped on to the processor.

On arrival at the processor, if improper clarification of the milk is done, or no clarification takes place—meaning the process of separating a high percentage of foreign matter from the milk itself (by using the centrifuge principle) then listeria bacteria can be carried along with the milk. If the listeria bacteria are carried along in large, dense concentrations, they may not be killed by normal pasteurization. Clarification can eliminate many of these concentrations, and break down the others into small amounts, which will be killed in proper pasteurization, just as salmonella bacteria will be killed by proper pasteurization.

The problem is that cheese plants are not using clarification. In the past, clarification has always been the standard of good dairy practices. And the quality of raw milk supply has vastly improved through the years. But due to the economic burdens on the farmers and processors in recent years, quality can deteriorate at times.

For example, a farmer, who depends for income on the monthly milk check, may be hesitant to remove a

cow from the herd due to possible sickness, and the farmer may put a cow back into the milking herd too rapidly after medication has been used.

In dairy processing, a manufacturer may be more willing, because of economic pressure, to bypass a broken piece of equipment until it is repaired, instead of being able to afford a spare piece, to be kept on hand.

The average people involved in the dairy industry, from farms to processing plants, are not bacteriologists and sanitarians. They do not realize the consequences of every step of handling the milk and dairy product throughout the whole process.

For example, salmonella is commonly found in the environment, and in dairy products, and other foods, and is normally dealt with without anyone realizing it is there. There has to be a breakdown in standard dairy practices for there to be an outbreak at epidemic levels. Unfortunately, this will happen if the economic decline continues.

EIR: What about special national health measures?

Merry: Each state has its own health regulations, but they are not bound by U.S. public health regulations unless the dairy products are shipped interstate. For example, at the present time, the clarification process is not commonly required. It should be, especially under the current conditions of economic decline for the farmer and the industry.

EIR: What about the government giving tax or other advantages for the installation of equipment necessary for public health?

Merry: Look at the clarifier. It can cost \$10-100,000 depending on the capacity needed for the operations. Proper tax breaks would be an incentive for this and other equipment to be installed and used.

Scum rises to the top

But this is a symptom, not the cause, of the insolvency of the U.S. banking system.

The U.S. banking system is effectively bankrupt, but no one in any position of responsibility will admit it. Before 1981, an average of six banks failed each year in the United States, and the problem list hovered around the 200-level year after year. But since 1982, some 221 banks have collapsed, and 1,000 problem banks are being monitored by the FDIC, the federal insurer of commercial bank deposits.

The situation is even worse among the thrift institutions. In recent testimony before the Senate Banking Committee, it was suggested that fully one-third are in difficulty and may not survive. A study by the Federal Savings and Loan Insurance Corp. shows that at least 14%, or 434, of all S&Ls have negative net worth, and that if these institutions alone were to close, \$15.8 billion in deposits would have to be covered by a federal insurance fund that now only contains \$5.6 billion.

Every authority agrees that the single most important factor that has changed the industry was the record high interest rates of Paul A. Volcker. The same treatment that wrecked the farm sector, wrecked the banks. According to a top staffer at the FDIC, even in the commercial area, we are seeing a record rate of failures for the post-depression era: 100 banks are expected to fail this year, and 100 more are expected to do so next year.

On the trouble list are several of the nation's largest banks, although he was not at liberty to name them.

Nevertheless, Bank of America, the nation's second largest, and the world's largest lender to the agricultural sector, is almost certainly among them. Others include Continental Illinois, First Chicago, Bankers Trust, and Crocker. According to this same source, "The high interest rates had a major effect, even producing disinflation in some sectors: agriculture, energy, real estate in California and Texas." Other than referring to depressed sectors as experiencing "disinflation," this is a fairly honest appraisal.

Thrifts, as they are known, were the backbone of the nation's savings institutions. They were hit hardest by the Volcker measures. In 1982, to "save" the industry, deregulation was introduced that permitted these hitherto conservative institutions to compete with commercial banks for deposits by offering flexible interest rates, and to enter into lending activity such as construction loans which had hitherto been closed to them. Overnight, the S&Ls, famous for their long-term solidity, jumped into that "go, go banking" which had already destroyed the solvency of the commercial banks.

A number of operators moved into this situation, such as Jeffrey Levitt at Old Court in Baltimore, and of course, one of the biggest players at this sort of game, Marvin Warner of Ohio's Homestate. But the greenest pasture for this new-style banking is Florida, because of the ready availability of drug money. It was here that ESM securities was set up and largely funded by Warner through funds drained from

Homestate. Through his son-in-law, Steven Arky, Warner received almost \$2 million in a personal account with ESM. Arky also enjoyed such an account, and on the very day this was exposed, he committed suicide. Warner at one time was a partner in American Savings and Loan, having been introduced into Florida banking by one Hugh Culverhouse. Culverhouse and Warner were one-time partners in the ownership of the Tampa Bay Buccaneers football team. The third partner was Vicente Perez Sandoval, the son-in-law of Oswaldo Cisneros, the notorious drug banker of Venezuela.

The latest scandal of this kind to hit Florida is the collapse of Sunrise Savings. This bank went from \$4.5 million in assets when it was founded five years ago, to \$1.8 billion in 1984, and collapsed in 1985. Robert C. Jacoby, the chairman of Sunrise, went after retirees' pension funds: "Anywhere there are retirees, it'll be like shooting ducks," he was recently quoted as saying.

Sunrise was very likely in the drug-money-laundering business. It received large off-shore deposits, ostensibly from German investors in Florida real estate. These funds were to be invested in such enterprises as the Monte Carlo Country Club, or the Monte Carlo Polo Club, by an off-shore outfit called Ambassador World Enterprises. The bank is now under the management of Amerifirst of Miami, another expansion-minded bank; a federal grand jury has been convened, and Sunrise is now heading for an early eclipse.

The criminality of management in such cases is a symptom, not a cause, for the rising rate of bankruptcies. As the banking business becomes more and more openly a branch of Dope, Inc., it is inevitable that more and more crooks rise to the top.

L. T. Patterson's treasonous game

First of a series exposing the "gnomes of Zurich" among the newsletters.

The Swiss-Soviet conspiracy to depress the gold price has, for some months, afforded me quiet on the markets, and thus ample time to ferret out the background to their plot. As I watch, from above, the Russians and the Swiss force gold down, I can see how their puppets below, dance on the Swiss strings.

Among the most immoral Swiss assets are those "hard money newsletters" that prey cynically upon U.S. patriots who support the gold standard. Beginning with L. T. Patterson's "Monthly Lesson in Criminal Politics," I here expose them, in a series, as traitors.

The hallmark of a Swiss agent in newsletters is to frighten American citizens into *pulling their money out of the United States*, to organize mass capital flight out of America, which would destroy our nation. Some newsletters are discreet and propose no particular alternative, only advising citizens to "invest abroad" or "buy gold."

Lawrence (L. T.) Patterson, however, is the most blatant. "Learn of the 'Swiss System of Financial Planning' taught by Lawrence Patterson to thousands of investors," his August 1984 newsletter stated in a seminar advertisement. "The first priority of this seminar will be to explain the availability of Certificates of Deposit in a *super-secure \$50 billion Swiss institution!*" (emphasis in original). *Swiss Real Estate and How to Retire in Switzerland*, is one book advertised.

On the cover of Patterson's letter may be seen etchings of the Matterhorn and the Swiss Red Cross.

Who would purchase such trash? No one would, if they realized, as is obvious, that Mr. Patterson is merely a CD salesman for the Swiss banks! The purpose of this series, however, is to warn my readers that *almost all such newsletters are Swiss*.

Incidentally, these letters have lost gold investors millions of dollars in the last two years, by panicking people into buying gold while the Swiss depress the price.

I have been exposing the deliberate—and continuing—Swiss and Soviet suppression of gold since 1982. Truth is truth, and the price has been below \$350 since 1982. Patterson knows this, since he works for the Swiss. Yet, time and again Patterson has "put out the word" that gold is about to soar from the \$300 range to \$1,000—and foolish patriots have speculated and lost their shirts.

On the American side, *EIR's* Editor Lyndon H. LaRouche, Jr., was in fact the first to warn, since 1971, of the collapse of the U.S. banking system. *EIR's* recent *Quarterly Economic Report* (June 1985) documents that over \$2 trillion of the nation's \$3 trillion in bank loans are bankrupt. In February of this year, *EIR* predicted the collapse of local banks, which occurred in March in Ohio and in May in Maryland. We believe more are to come in Maryland, Pennsylvania, Texas, Massachusetts, and California.

We say this not to panic, but to show the urgency of LaRouche's solutions, such as those in the recent "National Banking Emergency" pamphlet. LaRouche is calling on the

President to peg the dollar to gold, shut the Federal Reserve, protect all deposits, and execute a presidential banking reorganization, under American control.

Under LaRouche's plan, citizens could securely keep their money home.

It is by telling *part of the truth* about the bank crisis, plagiarizing LaRouche, and then twisting it, that the Swiss newsletters catch fish. Led by Patterson, most Swiss "hard money" newsletters have copied LaRouche's banking analysis, which appeared years before any of their own, and publish it to sow fear.

Five years after LaRouche first exposed the Trilateral Commission upon its 1973 founding, Patterson subscribed to *EIR*, and began vehement attacks on the Trilaterals. For example, Patterson's Feb. 28, 1985 edition is entitled "The President Has Retired!" "Reagan forced out—Bush in control!" scream the headlines, "Trilaterals *still* in control. . . . There will be no need for a 1988 presidential campaign for George Bush, he has already assumed the responsibility of President! His vice-presidential running mate will be James A. Baker III. . . . The Banker Party is still in control!"

Patterson lies that the Trilaterals are omnipotent, solely to frighten patriots into "deserting the sinking ship" and pulling out of America. He also lies that the Trilaterals are *American*, so: Flee America. Patterson suppresses the fact that the British and Swiss oligarchies control worms like David Rockefeller completely.

In every case, the victim is caught by a double hook. First, he is terrified with the obvious facts about the imminent collapse of the American banking system. Then, he is given no patriotic solution. Instead, he is urged to place personal greed above country, and told to "watch out for me first."

Business Briefs

International Credit

Tunisian calls for unity against foreign creditors

Tunisian Prime Minister Mohammed M'zali has called on the Tunisian people to unite "to fight those international financial institutions which are trying to strangle Tunisia." M'zali denounced "those international blocs which are trying to enslave the developing countries."

The speech was made in a July 31 financial debate in the parliament, and comes at a time when Tunisia's main trade union, the UGTT, has called for strikes against the government. The UGTT is under the influence of the Socialist International, and a leading member of the union recently concluded a tour of the East bloc.

The Tunisian daily *Al Amal*, organ of the ruling Ad Dastour party, on Aug. 2 published the press release of the July 15-17 conference of the Trade Union Commission of the Schiller Institute in Mexico. The conference's manifesto called for a collective moratorium by debtor nations to reorganize the world monetary system for real development, citing *EIR* founder Lyndon LaRouche's *Operation Juárez* program.

The Tunisian media has also been giving significant coverage to the inaugural speech and policy measures of Peruvian President Alan García, including García's six-month debt moratorium, limitation of debt payments to 10% of foreign exchange, and refusal to undertake any further consultations with the International Monetary Fund.

Unemployment

British jobless rate bares economic woes

Almost half a million Britons have been unemployed continuously for three years or more, a report released July 31 by the British Manpower Services Commission revealed. Total official unemployment in Britain is 3.25 million persons—13%—and 1.3 mil-

lion of these people have been out of work for one year.

Twenty-six percent of 18- to 19-year-olds are out of work, and the unemployment rate for the overall 18- to 24-year-old group is now 22%.

Chancellor of the Exchequer Nigel Lawson released a letter Aug. 1 to Tory Members of Parliament claiming that the economy was "in good shape" and that Britain had emerged from "a painful period of transition." He predicted a 3.5% growth rate—the highest in the European Community—and boasted that Britain's growth rate would probably be bigger than the U.S. rate—which he called "a performance without precedent."

The number of those unemployed over three years was up 37% since last year. Among 25 to 44 year olds, the rate of those unemployed over three years is up 41%, by 184,000, and for those 45 and over, the rate of those unemployed over three years was up some 33%.

The ranks of the "self-employed" increased by 200,000 since last year, bolstering the rate of increase in the employed labor force over 1983. Most of these self-employed are young people starting their own businesses with government subsidies—the businesses most vulnerable to bankruptcy within the first year.

The only institution benefiting from the British economic collapse is the Manpower Services Commission, which will take on another 1,000 employees to cope with its increased work-load.

Invisible Hand

Castro defends drug-runner Vesco

At an Aug. 4 press conference in Havana, Cuban dictator Fidel Castro confessed that he was sheltering "fugitive financier" Robert Vesco, whom Colombian drug kingpin and Hitler-lover Carlos Lehder had identified as his employer. "He came here to ask for medical care. . . . And if he wants to live here, let him live here. . . . We don't

care what he did in the United States. We're not interested in the money he has. We don't care."

Castro pounded his fists on the table as he described exactly how an NBC crew filmed Vesco: "Is it fair to pursue a human being in such a way? What they want to do is pluck his eyes out, strangle him, make mincemeat of him."

EIR's recent Spanish-language publication, *Narcotráfico, SA (Dope, Inc.)* has a chapter entitled, "Vesco and the Cuban Connection."

On the day of Castro's press conference, held during his so-called conference on debt issues, another spokesman for drug traffickers, former Colombian President Alfonso López Michelsen, defended the International Monetary Fund in a speech to the conference. According to the Aug. 5 issue of the German daily *Frankfurter Rundschau*, Michelsen advised against a debtors' cartel. He said that a case-to-case approach was more helpful, and that the IMF should not be dismantled, but "multilateralized" in order to allow more say for the debtor countries. To top it all off, Michelson demanded that the IMF's role be extended: "The U.S.A. should be subjected to the same policies the IMF recommends for the developing nations."

The Budget

Grace rants at Congress for not gutting budget

J. Peter Grace, chairman of W.R. Grace and Co. and head of the President's Commission on Waste, unleashed a torrent of abuse at the U.S. Congress for refusing to slash the federal budget deficit. Grace told the International Platform Association on Aug. 6 that members of Congress act as "nerds," "yellow-bellies," and said that their failure to deal with the deficit was "pickin' pampers, child abuse, institutional rape."

"If we don't get control [of the deficit], we are going into national bankruptcy," Grace railed. "Congress is like a hog. You have to take a stick and hit him in the snout."

Briefly

Grace, whose family had deep ties to the Nazis, demanded that Americans "work like the Japanese work." Asked by *EIR*'s Ronald Kokinda if he thought the U.S. needed a British parliamentary model of government where budgets would be imposed upon the Congress, he replied: "We'd be better off if we did, but first let's get the President the line-item veto."

Technology

Nuclear construction at lowest in decades

Construction of nuclear plants in 1984 reached its lowest level since 1968, according to a report of the Vienna-based International Atomic Energy Agency. Only 14 new plants were begun during the year, said the report.

The IAEA blames the slowdown on "excess" generating capacity, lower rates of growth in demand for electricity, and financial constraints on utilities and some governments.

Orders for 10 nuclear units were cancelled in the United States, and construction suspended indefinitely on nine others—four in the United States and five in Spain.

Thirty-four new plants, however, with a capacity of 32 gigawatts, did come on line in 1984, constituting a 17% addition to total world nuclear capacity, which now stands at 220 gigawatts.

The Debt Bomb

Will Kissinger visit Peru's García?

Who would now seem to be threatening Alan García, the new President of Peru who has just declared a six-month debt moratorium, but the thuggish Henry Kissinger.

The Lima daily *Caretas* of Aug. 1 carried a "leak" that Peruvian Industry Minister Cesar Atala, a former World Bank adviser,

has invited Kissinger to visit the country, without seeking permission of the Peruvian Foreign Ministry. The newspaper, owned by Rockefeller-linked Manuel Ulloa, noted that Kissinger was mentioned as favoring a "political solution" to the debt problem in the *Declaration of Lima*, the communiqué jointly issued by Ibero-American Presidents in attendance at García's inauguration.

"After the visit of the ex-Secretary of State, who will come in the first half of September, García will go to speak at the U.N. General Assembly. In this climate, it is hard to think that he will not have a big impact. He is already having one."

Industry Minister Atala, however, denies that he has invited Kissinger, and some observers believe that the report itself is a falsification, part of an attempt to divide and destabilize the new government.

International Trade

Italian economic ties to Libya growing

Italian Foreign Minister Giulio Andreotti hailed the work of the Italian-Libyan Economic Commission which concluded a round of consultations in Rome on Aug. 6. In his statement, he declared that commercial and economic relations between Italy and the Soviet client-state had grown significantly, and should continue to do so.

Italian imports from Libya now exceed 4,800 billion lire, while Libya imports 3,000 billion lire from Italy.

Andreotti, however, called for government-level intervention to remedy an ever-increasing trade imbalance, so as to ensure "ever more harmonious relations in the future based on mutual and permanent understanding."

The commission, he said, laid the groundwork for "the revival of bilateral economic cooperation on the basis of better balance." Discussed were a long-term cooperation agreement and the creation of mixed companies for operations in a range of economic sectors. Contracts have been signed in the fields of fishing and fertilizers.

● **SOUTH AFRICA** is an economic partner on which the United States and Western Europe depend for their industrial survival, reports the current issue of the French weekly *L'Express*. A decrease by 30% in South Africa's exports of chrome, would cost the jobs of 2.5 million workers in Germany, it states. Europe's dependence on South Africa is as follows: 48% for chrome; 40% for manganese; 6% for vanadium; 17% for natural uranium; 54% for ferrochrome; and 35% for ferromanganese.

● **BRITISH** rates of illegitimate births have gone up 11% since last year, the Office of Population Censuses and Surveys reported on July 30. There are now some 110,500 illegitimate births, and the proportion has almost doubled since 1974—to 17.3% in 1984. The most drastic rise was of some 134% of births to women 20-24, the primary childbearing years. Meanwhile, overall births remain far below population replacement levels.

● **CASTRO'S SUMMIT** on Ibero-American foreign debt is "symbolic for the ideological and agitational debate in Latin America," said West German government spokesman F. Ost on Aug. 5. In the same breath that he legitimized Castro, he endorsed the International Monetary Fund. "Our government thinks that without or against the IMF, the World Bank, and the Club of Paris, no solution to the debt is possible."

● **FIDEL VELAZQUEZ** the powerful Mexican trade confederation leader, was asked about foreign bankers' threats to collect Mexico's debt by attaching Mexican accounts abroad, in the event of a debt moratorium. Velazquez responded: "I hope they do that, so that those Mexicans [who have accounts abroad] receive a lesson in what hurts them most."

The LaRouche-Riemann model applied to Peru: development or despair

by Sylvia Brewda

Peru's newly elected President Alan García has taken the bold step of refusing to starve Peru into extinction to service foreign debt, as demanded by the International Monetary Fund. While this action has received much attention from the creditor nations—and threatens to be repeated by other developing nations—the issue remains: how to put the country on a solid footing for development.

In the spring of 1984, a group of policy makers in Peru, confronted with the natural disasters of the previous year and increasing pressure from the IMF for more austerity, invited a team from the Fusion Energy Foundation and Executive Intelligence Review to create a development plan for Peru based on the LaRouche-Riemann economic model. The project was undertaken at the request of the Institute of Social and Economic Studies of the National Industrial Society of Peru, and has been widely distributed and studied by some of President García's closest advisors. The following report on the 1984 study is reprinted by permission from the October 1984 issue of Fusion Asia magazine.

The challenge of Peru

In Peru, the challenge was to determine the best possible course for an economy already sunk deep into a quagmire of austerity and self-cannibalization.

By all measures, Peru is one of the poorest and least developed of the major nations of South America. In terms of energy use per capita, life expectancy, and percentage of the workforce engaged outside agriculture, Peru ranks below Argentina, Brazil, Colombia, Venezuela, and even Chile, although above Ecuador and Bolivia (Table 1). Although the

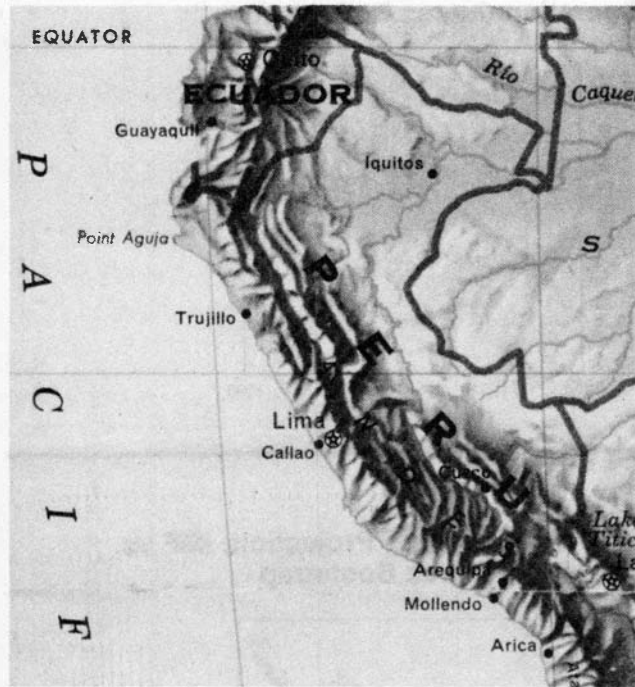
Table 1
Peru's economic status compared to other South American countries

	Energy Per Capita	Animal Protein Intake	Life Expectancy
	(kg coal equiv.)	(g/person/day)	(years)
Peru	807	19	57
Argentina	2,161	74	70
Bolivia	452	17	50
Brazil	1,101	23	63
Chile	1,137	27	67
Colombia	970	24	63
Ecuador	692	24	61
Mexico	1,684	24	65
Venezuela	3,039	37	67

country's physical conditions cannot be assigned all the blame for this lack of development, they do present significant obstacles.

Peru is separated into three major regions, the coast, the Andes, and the jungle (Figure 1). The coast, where the majority of the population and almost all the cities are located, is in the rain shadow of the Andes, and thus is practically a desert. Although the ocean moderates the temperature to some extent, rainfall is almost nonexistent, and agriculture depends completely on irrigation. The jungle, which makes up more than half the area of Peru and contains less than 10%

FIGURE 1
Peru: the physical parameters



Peru's geographical problems are daunting. The desertlike coastal area is separated from the tropical jungle area by the high Andean Mountain range. Immediate tasks in addition to modernizing and developing coastal agriculture will be the construction of roads across the Andes to link the mountain and trans-Andean regions and to prepare for the development of the Amazon basin on the east side of the Andes.

of the population, is still undeveloped, thanks to lack of transportation and infrastructure, as well as the heat, high rainfall, and poor drainage characteristic of the Amazon basin. Between the coast and the jungle lie the Andes, a broad band of extremely high mountain chains, divided by high valleys that generally run North-South.

The 1983 natural disasters mentioned above were the result of a southward shift of the warm current known as El Niño, which drenched the northern coastal region with rain and parched the southern mountain area with drought. In the desert areas of the north, where farming is totally based on irrigation, floods and landslides also destroyed roads and washed away houses.

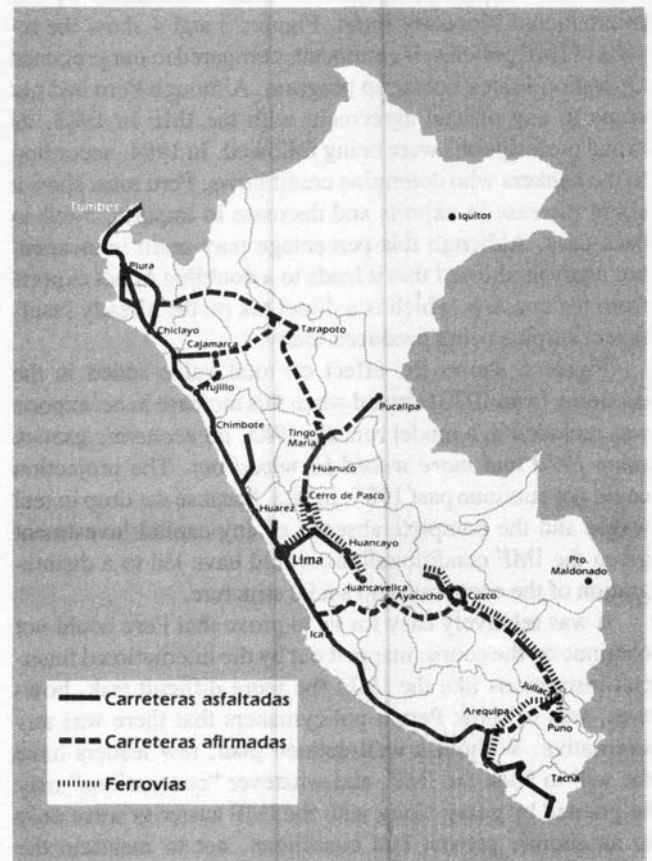
At present, the transportation links between the coast and the interior consist of two corridors with paved roads and rail lines, and a few graded dirt roads (Figure 2). The rail lines, developed primarily for the mining industry, have little connection to the other economic activities of the country. However, even the paved roads are very limited links. The "Car-

retera Central," which runs inland from Lima, is usually closed for a few weeks every spring because of landslides. In July, when I took a drive into the interior, the section more than 100 km from Lima was so poorly maintained that traffic was limited to 15 mph by the surface condition alone.

The Andes region contains a large portion of the Peruvian population. Predominantly rural, these people live under conditions of such isolation that in much of the area no Spanish is spoken, the only language being the Indian Quechua. It is here that coca leaves, a narcotic when chewed, have been traditionally used as a stimulant and painkiller, a condition that has been tolerated for years by all as a necessary accompaniment to the severe hunger and manual labor in the area.

These circumstances have provided fertile conditions for a group of anthropologists associated with Jacques Soustelle

FIGURE 2
Highways and railways in Peru



The construction of three or four major east-west highways in Peru through the best passes in the mountains will tax the engineering skill of international contractors, but will truly unite the country for the first time in its history.

in France to manufacture and now control the terrorist group Shining Path, *Sendero Luminoso*, which is based in the remote areas of southern Peru. Purporting to defend the indigenous Indian culture, the Shining Path's explicit belief-structure is a hatred of industrialization, urbanization, or anything that might connect the stupefied highlander with the "outside" world. In the few weeks I spent in Peru, I had a vivid sense of how this belief structure translates into terror. One day, the Shining Path "liberated" a town by burning the houses of all those connected with the authorities, because they were unable to find and execute the people concerned. Another day a series of bomb attacks on the electric grid left the capital city of Lima without power for 24 hours. A few days later, the papers reported the discovery of the bodies of an entire group of peasants, massacred because they had not accepted the terrorists' commands.

The IMF-Malthusian factor

The Peru project set out to determine the course of events if current economic policies continued, particularly the austerity and "improved balance of trade" demanded by the International Monetary Fund. Figures 3 and 4 show the results of IMF policies, if continued, compared to our proposed Operation Juarez bootstrap program. Although Peru had not come to any official agreement with the IMF in 1983, its brutal prescriptions were being followed. In 1984, according to the bankers who determine credit flows, Peru must show a slight increase in exports and decrease in imports, 5-6% in each case. Although this percentage may seem innocuous, our analysis showed that it leads to a doubling of net exports from the country, which is a direct tax on the already insufficient surplus being produced today.

Figure 5 shows the effect on total value-added in the economy from 1970 forward when this increase in net exports was included in a model run: *By 1985, all economic growth since 1970 and more would be wiped out.* The projection could not continue past 1985, in fact, because the drop in real wages and the complete absence of any capital investment given the IMF conditionalities would have led to a disintegration of the economic and social structure.

It was relatively easy for us to prove that Peru could not continue on the course mapped out by the international financial institutions like the IMF; the more difficult task, however, was to show Peru's policymakers that there was any alternative. Without a well-defined plan, few leaders have the will to buck the IMF, and whatever "concessions" may be granted by going along with the IMF austerity serve only to ameliorate present bad conditions, not to maintain the possibilities of development for the future.

What we were able to provide for Peru was an alternative: We developed a plan that would not erase the damage of the past few years, but would create and maintain the conditions for future development. Our investigations showed that even without outside help, Peru *can* reverse the existing slide

FIGURE 3
GNP Agriculture Projection: IMF vs. Operation Juarez Bootstrap

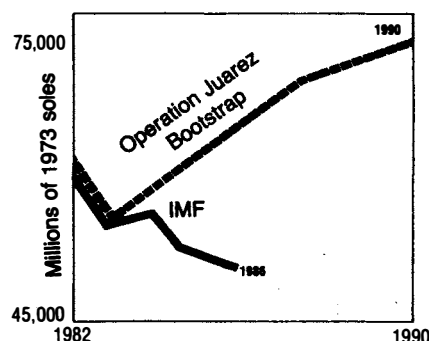


FIGURE 4
GNP Manufactures Projection: IMF vs. Operation Juarez Bootstrap

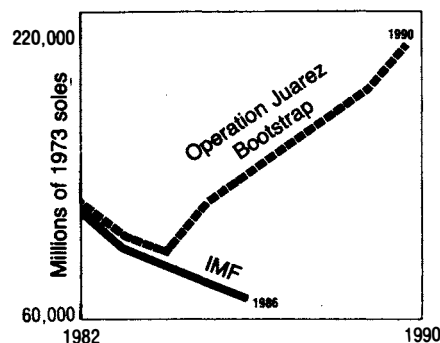
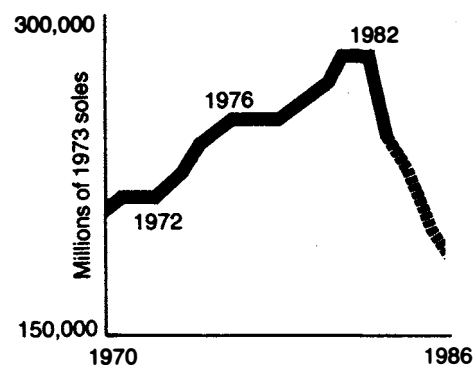


FIGURE 5
Projected impact of IMF program on gross domestic product of productive sectors



toward disaster and improve the internal situation, if some difficult decisions are made now. Given this improvement, even a small amount of external assistance would propel the country onto a trajectory of full-scale, self-supporting growth.

A new look at the past

The first step in producing a plan for Peru's future was to examine the past economic history of the country, to assess the economic potential that had been created or diminished over the past 20 years. As a result of this historical analysis of Peru's economy, we could determine areas of strength and weakness in the existing economy, and indicate some of the causal mechanisms. Figure 6 shows the course of value-added during 1960-83 in all the productive sectors of the economy, in constant 1973 soles, the Peruvian currency. This type of analysis is the closest to reality that conventional economics can come, because it eliminates the effects of inflation over time and it controls for the effects of the non-productive areas of the economy. As Figure 7 shows, the economy was growing rather well before the natural disasters of 1983. In looking at this figure alone, in fact, one might be surprised at the weakness exhibited in the face of the agricultural problems in 1983.

One clue to this weakness can be seen in Figure 5. In Peru, as in any developing economy, the relative strength of the manufacturing sector is crucial, since it supplies much of the free energy or available surplus for reinvestment. Since 1980, the figure shows, the production of this key component had been shrinking in relation to the total output of the economy. However, although a worrisome and perhaps dangerous trend, this alone would not have been expected to create the drastic weakness of 1983, or the continuation of that collapse observed in 1984.

The most serious deficiency in manufacturing, as our analysis showed, was the lack of a policy to build up the capital goods sector of manufacturing. Even during the periods when the manufacturing sector as a whole was growing, the production of capital goods stagnated, and net new investment in this area was practically zero from 1970 on (Figures 8 and 9). In contrast, tremendous investments in the intermediate goods sector (mainly nonferrous metal refining) during the mid-1970s increased both production and productivity.

Agriculture represented another ongoing problem. Before 1968, the pattern of land distribution in Peru was the most feudal in South America and needed radical change. However, the agrarian reform of 1969-74 replaced the feudal estates with a collective/cooperative structure that drove away the most competent farmers and abandoned commercial agriculture to inefficient and impersonal collectives. According to the data, net new investment in agriculture has been low or negative except for a spike in 1975. Total V (the tangible goods portion of wages) had risen until 1975, but then declined, indicating a severe drop in per capita real income. By

FIGURE 6
Historical analysis, 1960-82: value-added in the total economy

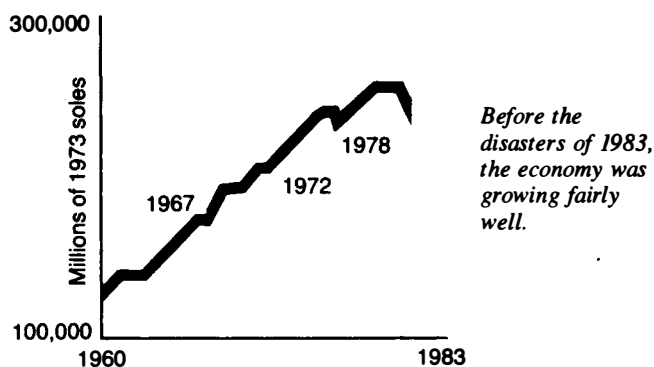


FIGURE 7
Historical analysis, 1960-82: manufacturing sector as a percentage of economic output

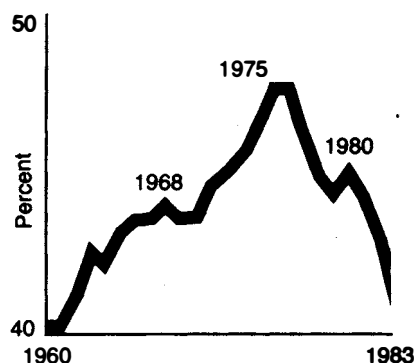
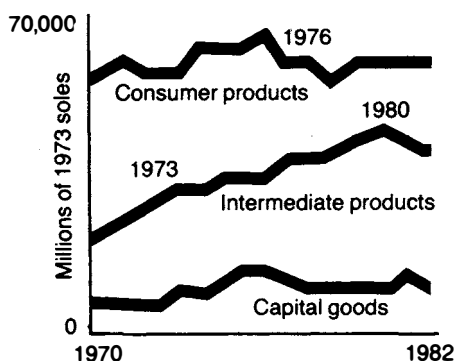


FIGURE 8
Historical analysis, 1960-82: value added in manufacturing



1980, the average agricultural worker produced less than one-tenth as much as the average industrial operative.

The result of this decline is startling when measured in terms of the average Peruvian diet. As shown in Table 2, the calorie and protein intakes of both the lower and middle class have dropped severely during a period when food imports

FIGURE 9
Historical analysis, 1960-82: net investment in manufacturing

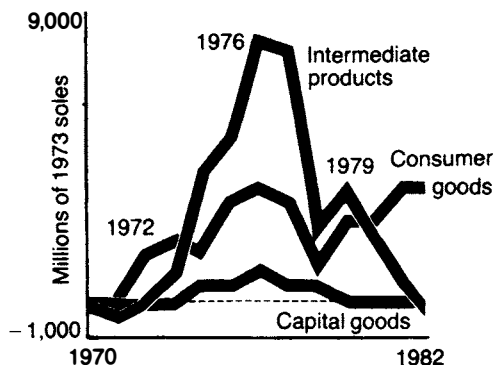


FIGURE 10
Historical analysis, 1960-82: rate of net reinvestment for the total economy $S'/(C + V)$

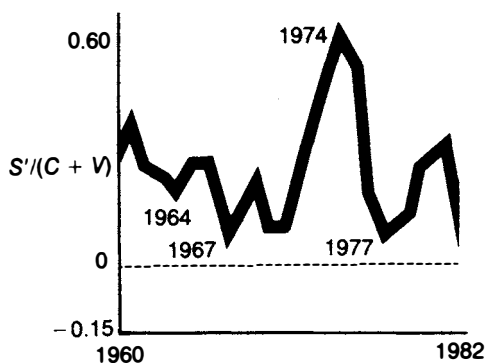


Table 2
Nutritional levels, 1972-79

	1972	1976	1979	Requirement
Caloric Intake				
Low income	1934	1645	1486	2492
Medium income	2150	1700	1595	2492
Protein Intake				
Low income	52.7	47.6	41.3	56.2
Medium income	65.6	55.6	48.4	56.2

have continued to make up a significant portion of the total import cost.

The most sensitive of the measures used by the La-Rouche-Riemann model for historical analysis is the rate of net reinvestment, $S'/(C + V)$, which provides a precise picture of the overall condition of the economy. As shown in Figure 10, the trend of the rate of net reinvestment was decidedly downward throughout the 1960s and 1970s, except for the spike in refining investment in 1975. Without investment in the expansion of productive capacity, any economy will not only become vulnerable, but will slide downhill at an accelerating rate.

How we modeled a development path

After the historical analysis was completed, we determined a hypothetical development trajectory for Peru. In other words, we answered the question, how would we make the economy grow? We chose to do this from the starting point of 1982, a year in which the underlying weaknesses of the economy were all present, but their effects had not yet been felt. From this point, we would determine a feasible path of development, and only then examine whether, and at what cost, it could be regained after the catastrophes of 1983 and the failure, during 1984, to take decisive action to reverse them.

Our development target was the year 2000, and the first characteristic we looked at was demographic. The population of Peru, 17,295,000 in 1980, must continue to grow. The current population density, less than 13 inhabitants per square kilometer, is scarcely half that of the United States and less than one-tenth that of mountainous Switzerland. The highest estimates for population in 2000 gave a total of 30 million. Of this, we assumed the potential workforce to consist of the age group from 20 to 64, to allow both retirement and the required level of education for technological advancement. Within this, 95% of the men and 45% of the women were considered to belong to the economically active population, for an active workforce of 9.5 million.

The size of the workforce provided one boundary condition for the economy in 2000. Other boundary conditions were determined by the maximum possible rates of growth of particular sectors, for example, capital goods and construction.

Capital goods. No modern economy can survive without the capacity to replicate its own productive capacity, its capital goods. While Peru might remain dependent on imports for certain large items, even in the best case, the rapid growth of the capital goods sector is a prerequisite for continuing and accelerating development. Yearly increases of 6% in productivity and 11% in the size of the workforce were projected for this sector, leading to an 17-fold growth in output over the entire period.

Construction. The construction sector represented another type of emphasis. It combined the requirement of providing productive and necessary jobs for large numbers of people

who should not remain involved in subsistence agriculture, with the necessary task of providing the infrastructure that would allow the development of the trans-Andes region. It was estimated that the sector could absorb an increase of more than 8% per year in the labor force, and that this could be coupled with a yearly 3% increase in per capita productivity.

As part of the emphasis on construction, new cities should be built, both coastal and inland. These would relieve some of the pressure on Lima's overburdened infrastructure, and also serve to bring the reality of development to areas away from the coast. The only truly effective weapons against the coca chewing and the terrorists of Peru's interior will be the creation there of roads, schools, and factories—in other words, progress.

Growth rates in other sectors were determined as secondary results of the growth required by the population itself and in relation to the two key areas described above.

Agriculture. In agriculture, 6 million hectares of new land was brought under cultivation, tripling the current arable

land. Most of this was to be developed in the edges of the jungle areas, where provision of transportation, energy, and modern farm inputs would allow rapid establishment of successful farming. At the same time, an absolute decrease in the number of workers was planned, to begin to reverse the current structure of agriculture, in which the average farm operative works 1.5 hectares, and produces a total value added less than two thirds of a living wage for an urban worker. Under these assumptions, total farm output produced for each member of the population increased by 50%.

Transportation. Transportation grew significantly as the overall economy improved and areas outside Lima, including in the interior, became increasingly important as manufacturing centers.

Electricity. Electrical power growth was defined by the requirements of growth in the productive economy. Experiences throughout the advanced sector and in the "miracle economies" like Korea prove that a modern industrial economy cannot develop without a concomitant, and more rapid, growth in electricity availability.

Peru: where the numbers come from

In order to apply the LaRouche-Riemann model to an economy, values for the variables S , V , C , CN , and S' must be calculated. For Peru, as for most economies, we used a value-added national accounting system as the basis for our calculations.

To derive values for V , the tangible goods going to pay the productive workforce in a particular sector, we started with the total wage bill paid in a sector and added a certain amount for independent operators in sectors such as transportation, where an independent operative would actually be performing productive work. All wage packets, without distinction by sector, were adjusted for inflation using the consumer price index, and for the ratio between producer and consumer prices by a value estimated by the Institute. The final adjustment, to eliminate the portion of income that was not spent on tangible goods, was based on studies of the disposition of personal income at various times.

The variable C , the cost of maintaining the physical productive capacity at equipotential, can be considered as analogous to depreciation. However, the depreciation values reported by most governments are primarily reflections of tax policy, and therefore can be very misleading. Instead, we used the same method for Peru that we have used in most countries, basing both C and CN , net new

capital investment, on the total capital spending, or gross capital investment (GCI). If the amount of spending required to maintain equipotential is known or estimated for one year, and if the rate of physical depreciation N can be determined, the values of both C and CN can be derived:

$$CN(t) = GCI(t) - C(t)$$

$$C(t + 1) = C(t) + [CN(t) - N].$$

We used this method in Peru, aided by the intimate knowledge of various members of the Institute to help in determining years in which the productive capacity was maintained, shrank, or grew.

The surplus, S , produced by each sector was calculated directly from the value-added statistics for the sector, less the operating costs (in terms of tangible goods) V and C . The LaRouche-Riemann model also requires information on the net reinvested surplus, S' . There is no way to calculate the amount of S' produced by a sector, since the allocation of the total surplus between reinvestment and overhead is a characteristic of the total economy. However, the amount of S' invested in a sector must be reflected in either a change in the tangible wage bill, V , or in net capital investment, CN . Therefore, the level of S' invested in each sector was calculated:

$$S'(t) = [V(t + 1) - V(t)] + CN(t + 1).$$

The total S' invested in the economy, which is necessarily equal to the total S' generated, was then simply calculated as the sum of the sectoral S' . Apart from net imports or exports, the amount of S not used in reinvestment is the amount spent on overhead, D . Any net exports decrease the amount of S available for overhead spending, while net imports add to the amount available.

The rates of investment necessary to produce and sustain this accelerating growth in electricity, to support an expanded transportation grid and to develop and mechanize the farmland described above, were included in the model run. When all of these were combined, necessary growth rates were estimated and the overall economic picture checked for anomalies, requirements that could not be met using currently known and available technologies. For the model run that used the starting point of 1982, no such constraints were encountered. For the hypothetical run, sufficient reinvestable surplus was generated to carry out the goals of developing the trans-Andes region, maintaining an accelerating tempo of industrial development, and providing productive employment to a rapidly growing population moving away from the destructive dependence on subsistence agriculture. Even net exports grew steadily, though slowly, from the moderate levels of 1982.

The crucial question remaining was the effect of the intervening two years, 1983 and 1984. The hypothetical run had performed its intended function of defining, in a relatively less constrained set of conditions, the definition of a reasonable pathway of development for Peru. The last and most difficult phase of the work was to see whether this pathway of development could be reached from Peru's actual current economic condition, which had collapsed during the agricultural reverses of 1983.

Where could the free energy to reverse the current situation be found? To accord with the current realities of the world financial situation, in this step of the model we did not allow any net imports, and imposed, after two years, a slow but growing schedule of net exports to maintain foreign exchange availability. It was our view that for the plan to be believed, it would have to rely on internal resources alone.

In considering the historical record, it was clear that the agricultural situation was considerably worse, even in 1982, than it had been in earlier years. Yields had generally fallen, land under cultivation had decreased, and relatively large government investments in irrigation projects had shown little return. Agriculture, therefore, appeared to be an area in which a limited, concentrated effort could rapidly produce a certain amount of surplus production to fulfill the most immediate needs of the economy.

A detailed analysis showed that food production could be increased to the level where most imports would be replaced (except those products like wheat, which are difficult to grow in Peru for climatic reasons) and a large increase in salable crops, particularly cotton, could be produced at the same time. The replacement of food imports could be accomplished in three years, and would save an estimated \$276 million each year from that point on. Increases in exports of cotton and other commodities would be yielding more than \$500 million by that time, and this level could continue to grow. This increase in agricultural productivity could not be accomplished without cost, but the costs incurred—for mechanization, irrigation, improved farm wages, and the

FIGURE 11
Hypothetical model run vs. 'bootstrap' run, 1982-2000: gross domestic product, agriculture

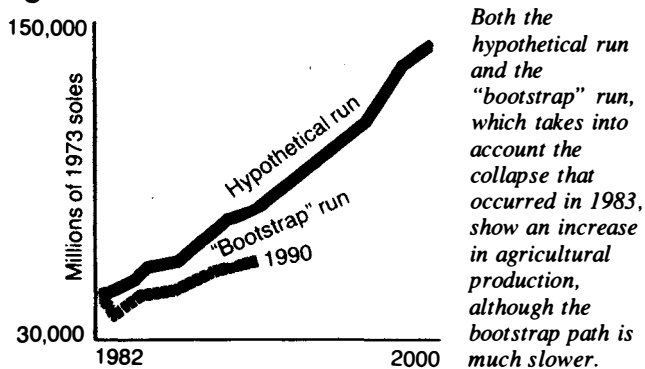
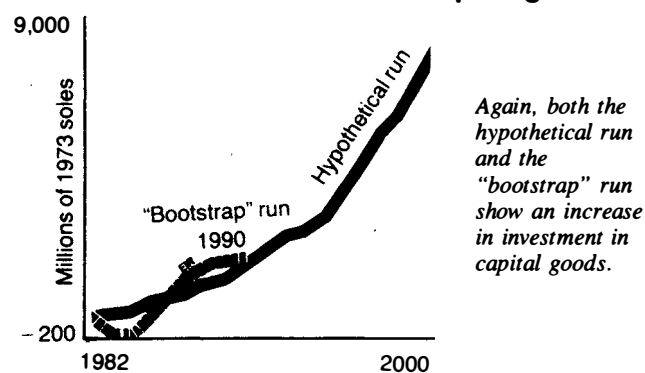


FIGURE 12
Hypothetical model run vs. 'bootstrap' run, 1982-2000: net investment in capital goods



like—are those that would be desirable in any case.

The other "bootstrap" mechanism we identified was an increase in domestic procurement of capital goods. Although the capital goods industry of Peru had never been well developed, the attempt to avoid charges of "protectionism," coupled with a wide range of petty corruptions, had led to a significant fall in the use of Peruvian-made capital goods since 1980. A tariff policy of high duties on goods that could be produced competently within Peru, coupled with extremely low tariffs on any items these industries required that could not be domestically produced, could result in savings of up to 23% of the current yearly import bill for capital goods. Although this would not be of concern under present policies, which are moving toward a total cutoff of imports to "save foreign exchange for debt repayment," it is a requirement if development is to occur. In our outlook, foreign exchange should indeed be saved, in order to pay for the required items such as large generators, numerically controlled machine

tools, and so forth, which Peru itself will not be able to produce in the near future.

The "bootstrap" run, using the available surplus generated by the means described, produced results that are both theoretically interesting and vitally important to the citizens of Peru (Figures 11 and 12). We showed that *the conditions under which growth would be possible can be reached again*, but under extremely strict assumptions. These assumptions include no increase in wages for most of the workforce, small wage cuts for some of the highest-paid sectors, and a policy of telling the consumer goods and intermediate goods sectors of manufacturing to "get along" on their existing capital investment.

Electricity investment can be maintained, as it must be. Food supplies can increase, and a few modern fishing boats can double the per capita fish intake and thus improve protein consumption, which has dropped so disastrously. Agricultural wages in the areas of increased crop production do rise, although not as rapidly as in the hypothetical run, and agricultural workers drop as a percentage of the total workforce, although not in absolute terms.

The role of outside investment

These results, however, are achieved at the expense of the development plans for the trans-Andes area, and also at the untenable expense of maintaining a large portion of the rural population on the same tiny plots that now average just

over 1.5 hectares per worker, with the same brutally low incomes, now estimated at less than \$700 per year.

To make the immediate requirements for recovery and future development less harsh will require collaboration with other governments concerned with developing the Andean area. Those governments that do not wish to see a seedbed of human misery and terrorist recruitment continue, must work together to devise the specific investment program that would overcome the limitations imposed by the last few years and return the country to a condition in which full-scale development can occur. The results of the Peru model also indicate what can and must be done to maintain the potential of development until such agreement can be achieved.

The LaRouche-Riemann model is not a magic wand by which the effects of centuries of poverty or years of capitulation to the brutal demands of the international financial system can be reversed by changing one's point of view. In the case of Peru, the damage that has been done will continue to affect the lives of millions, unless effective international action changes the limits that we describe for development without any outside investment. Nevertheless, contrary to those who throw up their hands and say the situation is hopeless, there is a possibility for Peru to survive as a functioning national economy, maintaining the potential for growth and development. It means some difficult decisions, and in the best case, some immediate economic collaboration in the region.

The LaRouche-Riemann analysis: a glossary

The LaRouche-Riemann model analyzes the following categories and ratios of economic output:

V: Variable capital, or the wage costs of households economically engaged in the production of tangible wealth, measured in terms of their consumption of tangible goods.

C1: Raw materials costs of capital inputs.

C2: Replacement costs of plant and equipment in terms of the physical volume of capital goods required to make such replacements.

CN: Net capital investment, or investment of capital goods in excess of replacement costs.

S: Tangible profit (surplus), or output of tangible goods in excess of the production costs of tangible goods during a given production cycle (production costs equal tangible wage costs plus raw materials costs plus replacement costs).

S': Reinvested tangible profit, or the component of surplus that is returned to production of tangible goods; the components of the reinvested profit are net capital investment and the margin of expansion of the tangible wage bill and of raw materials inputs.

S - S': Overhead costs, or the component of surplus that is diverted from production of tangible goods to meet the requirements of private and government services.

S/V: Labor productivity, or production of surplus per unit of tangible wage input.

S/(C1 + C2 + V): Total economic or thermodynamic productivity, or production of surplus per unit of labor plus capital inputs. It should be noted that this is both a productivity and a productivity-growth measure. This form of analysis weighs current output from the standpoint of its contribution to future growth, and its measure of productivity, therefore, is the extent to which current inputs of tangible wealth into the production process contribute to the economy's capacity for growth.

S'/(C1 + C2 + V): The rate of reinvested surplus, or the reinvestment of surplus relative to the production costs of the total tangible output of the economy.

Shultz torpedos American defense in the Philippines

by Linda de Hoyos

The Philippines today, militarily, economically, and politically, is in the direst crisis that nation has faced since the Japanese invasion of the islands during World War II. Given the Philippines' strategic location as the "gateway to the Pacific" and the presence of the United States' most crucial Pacific bases on the island of Luzon, whether the Philippines survives the crisis or whether it goes the way of Iran, is an issue of vital national security for the United States and its allies.

Nevertheless, the deliberate policy of the U.S. State Department, even before the August 1983 assassination of opposition leader Benigno Aquino, has been to collapse the Philippines economically and politically. For the last year and a half, the State Department has deployed to destabilize the government of President Ferdinand Marcos, using economic blackmail from the International Monetary Fund and by building up an opposition to Marcos, which makes no bones about its animosity toward the United States or the U.S. bases. The policy, as one congressional visitor threatened Marcos in April of this year, has been to "apply the screws" on the Philippines government.

As of this writing, the overthrow of Marcos is the agreed-upon policy being carried out by the State Department under the leadership of Undersecretary of State and former ambassador to the Philippines Michael Armacost, the Pentagon under the direction of Assistant Defense Secretary Richard Armitage, the National Security Council under Robert McFarlane, and sections of the Central Intelligence Agency.

In the U.S. Congress, the State Department is coordinating this effort with New York Congressman Stephen Solarz, chairman of the House Foreign Relations Subcommittee on Asian and Pacific Affairs. In June, Solarz's committee provoked a full-scale crisis in the relations between the Philippines and the United States by unilaterally abrogating the 1981 U.S.-Filipino pact for the presence of U.S. bases at Clark Field and Subic Bay. Under Solarz's bidding, the House slashed \$110 million in U.S. military aid—that is, rent for the bases—to \$25 million. The reduction was designed to be a loud message of withdrawal of U.S. support from Marcos. For even pro-American Filipinos, the House move was considered, as



NSIPS

Who's out to topple the Philippines government of President Ferdinand Marcos? The rogues' gallery includes (l. to r.) Henry Kissinger, George Shultz, and Rep. Stephen Solarz. (Do not be deceived by Shultz's typically inscrutable expression; his State Department is running the operation to deliver the Pacific to Soviet military domination.)

one Manila columnist put it, "a near declaration of war."

The publicly stated motivation for the U.S. campaign against the Philippines is that Marcos, the alleged "repressive and corrupt dictator," is the obstacle to stabilizing the Philippines and dealing with the growing Soviet-backed New People's Army. Therefore, if Marcos goes, the Philippines can allegedly be saved for the United States.

This policy overlooks several crucial points. First, the single greatest factor destabilizing the Philippines is the International Monetary Fund, which, as we show below, has decimated the Filipino productive economy. The Philippines, once a newly industrialized country (NIC), is now a collapsed economy, with large sections of its population suffering unemployment and now, malnutrition and a 50% increase in disease.

In the Philippines, the name of the IMF is synonymous with the United States. The first step in the stabilization of the Philippines is to force the United States to break with the IMF, which functions as the economic battering ram for the Soviet Union throughout the underdeveloped sector.

Secondly, there is no viable alternative to the Marcos government. The opposition is composed of fragmented factions with no economic program for the country. Bringing down the 20-year Marcos government destroys the only institution at this time capable of holding the country together. As in Iran, any moderate regime—either civilian or military—installed after the demise of the Marcos government will be short-lived, swept away by the rising tide of anti-U.S. violent reaction fueled by the Soviet-backed New People's Army.

To be fair, most people in Washington policy-making circles are too stupid to comprehend this reality. But it should not be surprising to find that one of the people working the hardest to overthrow Marcos is William Sullivan, former ambassador to the Philippines and the ambassador to Teheran who did the same job to the Shah of Iran that Ambassador Stephen Bosworth is doing to Marcos in Manila right now.

The 'New Yalta'

Behind the stupidity and the blinders, U.S. policy toward the Philippines is not designed in the interests of the United States, or its allies. The State Department is carrying out the policy formulated by Henry Kissinger, Zbigniew Brzezinski, Averell Harriman, and NATO Secretary General Lord Peter Carrington for a New Yalta deal with the Soviet Union. Under the New Yalta, the United States is to withdraw from Western Europe, Africa, and Asia, and recede to maintaining gunboat hegemony over the Western Hemisphere. For Asia, this policy has been in effect since the 1969 Guam Doctrine of Henry Kissinger, which signaled the strategic withdrawal of the United States from the Pacific. At the same time, since 1975, the Soviet Union in turn has systematically built up its own military presence in the region.

The downfall of the Marcos government and the consequent removal of the U.S. bases at Clark Field and Subic Bay will hand the Soviets full hegemony over the Pacific. The United States will be regarded everywhere, including in Japan, as not merely a worthless ally, but an enemy. These are the consequences of the State Department's policy toward the nation of the Philippines.

Plotting the fall of an American ally

by Linda de Hoyos

The on-the-ground operations for the overthrow of President Marcos are being directed out of the U.S. embassy in Manila under Ambassador Stephen Bosworth, who was trained by Henry Kissinger's National Security Council. The timing for the final move against Marcos is projected in 8 to 9 months, or will be timed with Marcos's promised reinstatement of Chief of Staff of the Philippine Armed Forces Fabian Ver, upon his expected acquittal on charges for complicity in the assassination of Benigno Aquino. "If Ver returns as chief of staff, that would be the kiss of death," says one State Department operative.

Bosworth now meets up to two hours every day with Acting Chief of Staff Lt.-Gen. Fidel Ramos, a West Point graduate whom the United States is attempting to groom as a leader of a new civilian-military junta despite his loyalty to President Marcos. According to State Department plans, Ramos would come to power with a young officers' reform movement, called "We Belong," as his power base in the military. "We Belong" is composed largely of post-1971 Philippine Military Academy graduates, as opposed to the ROTC graduate component of the officer corps around Ver.

"We are providing the public support" for the young officers' group, says State Department desk officer John Maisto. "We deal with them, but it is not that we're going out slapping a U.S. label on them, because that's the last thing they need." However, it is known that along with Bosworth, William Sullivan, now head of the patrician American Assembly operating out of Columbia University, is working directly with the young officers' movement to create a coup potential against Marcos. Since at least 1983, Sullivan has been pushing for a total halt to all U.S. military aid to the Philippines. Sullivan says that his greatest fear is not the Soviet-backed New People's Army (NPA), which he does "not think all that important," but a civil war arising out of the split in the Army. Yet, that is exactly what he and the embassy are promoting.

The State Department has hardened the lines of a long-standing difference between Ramos and Ver on how to best deal with the NPA. The formation of "We Belong" and the developing fissure in the military fostered by the State De-

partment, can only weaken the Army precisely at a point when morale, due to depletion of materiel and equipment, is low and when the Army has yet to deal effectively with the growing NPA. Sullivan is hastening the very result he claims he fears.

The precedent for this operation is the deployment of NATO Gen. Robert Huyser to Iran in late 1978. Huyser worked to neutralize the Iranian Army precisely at the point that their resolute action was required against the forces out to bring down the Shah.

In addition to daily meetings with General Ramos, four more political officers have been brought into the embassy in the recent period to coordinate operations with the anti-Marcos opposition. Since Aquino's assassination, the State Department has been grooming the opposition to the Marcos government. According to desk officer Maisto, "One-third of the parliament, the opposition, is taking a very active, very positive role. They're keeping the government on its toes. They're making life miserable for them. They're not, well, uh, they're making life *difficult* for the government."

The signal that the State Department was actively working for Marcos's removal was the October 1983 decision barring President Reagan's scheduled trip to Thailand, Indonesia, and the Philippines. Instead of the President going to Manila, Cardinal Jaime Sin was brought to Washington. Philippines opposition leader Salvador Laurel was also brought to the United States, where he was hosted on Capitol Hill and at the State Department. The Laurels are one of the old oligarchical families of the Philippines, the oligarchy Marcos took on when he came to power in 1965. Laurel is promoted as a pro-U.S. moderate, but his trip to New York in March 1984 was sponsored by Ramsey Clark's Fund for New Priorities, which along with Iran veteran, Princeton University professor Richard Falk, built the Anti-Bases Coalition faction in the opposition.

In July of this year, Laurel called for a referendum on the bases, saying that he is against the bases because "they diminish national sovereignty." In July of this year, Laurel conferred with Richard Armitage at the Pentagon.

When Sin came again to Washington in June 1985, he held meetings with Reagan, Vice-President George Bush, and State Department officials. Sin publishes the violently anti-Marcos daily *Veritas* and is the hero of the Catholic-dominated National Democratic Front, the electoral arm of the NPA. More than any other figure, it is Sin, a Chinese Jesuit, who has given credibility to the opposition.

The kind of process the State Department is attempting to set loose in the Philippines is demonstrated by the case of opposition leader Jovito Salonga. In January, the State Department sent Salonga and 15 other opposition leaders back to Manila from self-imposed exile. The State Department issued dire warnings to the Marcos government that their safety must be guaranteed. No sooner had Salonga arrived in Manila than he began attacking the United States. In a speech

on Feb. 24 in Manila, Salonga hit at the presence of the bases and declared that U.S. military aid only acted to increase "repression and abuses." "It is the irony of ironies that the very Filipinos who fully embraced the American concepts of freedom will be the ones who will be cut down by American weapons supplied on credit to a dictator. . . . All the weapons the Marcos regime is acquiring will be used against Filipino freedom fighters [the NPA—ed.] struggling against the dictatorship."

The shortest route to the State Department's favor, it would appear, is to be as violently anti-American as possible. On Aug. 2, the State Department took this policy to an extreme, when it met in Washington with Dimas Pundato, chairman of the executive council of the Muslim separatist Moro Liberation Front. A State Department spokesman explained to the press that "we maintain an open door policy. We will talk to anyone with a responsible point of view." Pundato emerged from the meeting to issue threats that if Marcos did not grant Moro demands for autonomy, his group would take up arms alongside the NPA. When not in Washington, Pundato resides in Tripoli, Libya, where his movement is funded by Soviet-backed terrorist-dictator Muammar Qaddafi.

The economic screws

In an interview on July 11, President Marcos gave his assessment that "in the long term, the political situation will undoubtedly depend on the economic situation. Because we must combat the rebellion with two weapons—the military grip and economic development." Through the IMF and the World Bank, the State Department has taken the opposite track: dismantling the country's productive economy. Even aside from the austerity dictates of the World Bank and the Fund, the United States has acted unilaterally to dry up the Philippines economic supply line.

In the summer of 1984, then U.S. Treasury Secretary Don Regan blocked a \$150 million World Bank agricultural loan to the Philippines because, according to desk officer Maisto, "there was not sufficient conditionality in the loan." The United States insisted that before any money was dispatched to the Marcos government, the monopolies over the sugar and coconut industries would first have to be taken apart to make way for a "free enterprise economy." "The Bank didn't specify sufficiently well-defined reform," said Maisto. "We're trying to target our economic assistance, so that it helps break down the vested structures of the economic system. It helps the Filipinos dismantle the monopoly capitalist system that they have. . . . The International Monetary Fund and the World Bank are targeting their assistance, and we have an awful lot of input into the IMF and the World Bank to deal with the agricultural monopolies of sugar and coconut."

Direct food war has also been applied against the Philippines. On July 16, Sen. John Melcher reported that the State

Department had interfered to stop United States grain sales to the Philippines. State was claiming, the senator noted, that the Philippines was unfairly receiving favored credit terms and lower prices. The U.S. also demanded that Marcos change wheat milling and flour distribution procedures, but even when these were effected, the State Department balked, demanding that the Filipino government have no involvement in the deals (59 out of 60 countries purchase U.S. wheat through government agencies). At this point, Marcos finally registered his complaints against this policy, and in that, in combination with complaints from the United Wheatgrowers Association, forced the sale through.

The State Department has targeted military assistance to the Philippines in the same manner. In April 1985, Peter MacPherson, head of the Agency for International Development, Sen. Thomas Kerry of the Senate Foreign Relations Committee, along with Ambassador Bosworth, delivered ultimatums to Malacanang Palace. Kerry told Marcos: Unless you come forward on promises of economic and political reforms, "you're going to see a Congress . . . that is going to be more restive and less willing to be patient." The week before, Rep. Stephen Solarz (D-N.Y.) had been in Manila with the identical line.

On May 14, the Senate passed a non-binding resolution specifying that future aid to the Philippines would depend on whether "Marcos makes sufficient progress in helping to restore democracy."

On July 11, the House passed an aid bill that cut down military aid by 75% and specified that at least 20% of the economic aid to the country would go through the Catholic Church, as per the demands of Cardinal Sin when he was in Washington in June.

The decrease in the military aid represented a direct violation of the 1981 treaty. From Manila, Defense Minister Juan Ponce Enrile charged the United States with "virtual blackmail and blatant interference" into Philippine internal affairs. "The U.S. Congress," he said, "has no business dictating the terms of the agreement or altering it unilaterally." Although the aid was restored to 80% levels by the House-Senate conference, President Marcos immediately formed a commission to review the terms of the bases treaty, a clear warning to the United States.

Both on the ground and from its blackmail conditionalities on money flows into the Philippines, the State Department is carrying out a policy that will force the removal of the bases. This policy was stated explicitly in a *Boston Globe* editorial Aug. 1: "U.S. policy makers should call Marcos's bluff. This is a case in which the hostages [that is, the bases] are expendable. A conspicuous order to the Pentagon to update its plans for relocating the Philippine bases would send a signal to both Marcos and his critics. . . . Clark Field and Subic Bay are undeniably important . . . but they are not irreplaceable. . . . Certainly the Philippine bases are not worth a U.S. war to sustain a discredited regime."

IMF collapses the Philippines' economy

by Gail G. Billington

On Jan. 29, 1985, the correspondent for the Soviet government newspaper *Izvestia*, I. Kovalyov, wrote that the "Philippine leadership is being placed in an untenable position by the harsh economic crisis . . . which has forced the Philippines to accept bondage from the International Monetary Fund and the World Bank." The IMF, Kovalyov said, "is geared to stabilizing the situation in the country in order to protect U.S. military prerogatives from being endangered by the domestic political situation."

The *Izvestia* article exemplifies how the Soviet Union has been able to play the game in the Philippines, thanks to the Reagan administration's back-up for the ruinous economic

policies of the IMF and World Bank. On the one hand, the Soviets are attempting to console the Filipino leadership; on the other, the IMF is servicing Moscow, as the conditions of economic desperation it causes in the population, force peasants and urban slum dwellers to turn to the insurgent forces of the New People's Army (NPA).

The IMF and World Bank, with the 483 commercial bank creditors of the Philippines behind them, have been the key players in the game to "apply the screws" to the Marcos government. The year 1984, when the Philippines was forced to carry out IMF conditionalities to the letter, in order to meet approval for new credit, was the worst year for the Philippines' economy since World War II! Under IMF-World Bank plans, even the best prognosis is that the country will not return to 1983's poor results until well into the 1990s. Even those projects are a fantasy; if the IMF dictatorship continues, the Philippines, as we now know it, will have ceased to exist.

Nary a peso for the Philippines

The first serious rumblings against the Marcos government from the international banking authorities were heard shortly after the 1979 oil shock. Then, following the Mexico debt disaster of 1980-81, the rumblings became threats. In

Case Study: Negros Island

IMF recruits for the NPA guerrillas

The clearest example of International Monetary Fund complicity in fanning the New People's Army insurgency is on Negros Island (see map, page 33), home of the Philippines' sugar industry. Once the producer, by conservative estimate, of 20-25% of the country's foreign exchange earnings, the image of wealth that was Negros in the 1970s has given way in recent months to pictures of starving children, staring hollow-eyed from the covers of Asian news magazines. And while the economy has collapsed, the strength of the New People's Army (NPA) has increased by 50% in the last year alone.

Negros is 90% dependent on sugar production, directly employing 400,000 of the island's 2 million population.

But the sugar industry is bankrupt. Sugar prices on the London commodity markets bottomed out at the end of 1984, reaching a low of 3 cents per pound, well below the estimated Filipino cost of production of 12-14 cents per pound. The collapse coincided with the end of price-support contracts negotiated in 1979 by the Philsucom sugar-marketing monopoly, that gave Filipino sugar a guaranteed average price of 23.5 cents per pound. Drought in 1983, and typhoons in 1984 contributed to further setbacks. Production is down by 30%, to 1.8 million tons estimated this year, from 2.3 million tons in 1984 and 2.5 million tons in 1982-83.

Producers have been caught between the collapse in prices for their sugar, the exorbitant cost of financing outstanding debts while covering current production costs, and the low efficiency rates in both farms and milling. Interest rates on crop loans average 35%, with an additional 6% pegged onto delinquent loans. One parliamentarian reported that 14 out of 15 of his plantation-owning constituents are in debt "up to their longest hair." Planters, where they are unable to diversify into other crops, are simply abandoning their plantations.

There is no bailout on the horizon for the sugar industry. The Filipino sugar and coconut industries, both run

1981, following a national plebiscite, President Marcos was forced to set up an executive committee to choose his presidential successor. The head of the committee was Prime Minister and Finance Minister Cesar Virata, the man in the cabinet considered to be on best terms with the IMF and World Bank. In 1982, as Marcos made his grand tour to the United States, the opposition launched an attack on the agreement with the United States which allows the operation of U.S. military bases in the Philippines, and the NPA insurgency first emerged as a significant, if secondary factor in pressuring Marcos. But until August 1983, Marcos was, to a certain extent, able to keep the IMF and commercial banks at bay.

The bullet that killed opposition leader Sen. Benigno Aquino on Aug. 21, 1983, put an end to Ferdinand Marcos's chicken game with his creditors. Within six weeks, the Philippines' foreign reserves plummeted from \$2 billion to \$600 million, less than enough to cover one month's imports. Marcos was forced to declare a debt moratorium on principal payments, and the 20-month long haul of negotiating began on the terms of debt rescheduling with the IMF, World Bank, and commercial banks.

The biggest swindle of all is the \$9.7 billion IMF and

commercial bank bailout of the Philippines. Delayed for over a year after the assassination of Aquino, the IMF finally signed a letter of intent with the Philippines in November 1984, but Fund disbursements were made contingent on reaching an accord with the 483 creditor commercial banks as well. Another six months passed, until the commercial banks signed with the Marcos government on May 20, 1985. Three months later, Manila is still waiting for funds to be released.

The bailout package is a most remarkable feat of financial sleight-of-hand. It consists of three pieces: a \$925 million new money facility, \$3 billion in trade credits, and \$5.8 billion for debt rescheduling. The entire package is earmarked either for debt rescheduling or, as in the case of the new money financing and trade credits components, to pay off overdue debts and current obligations. The new money facility will go to pay late interest payments, with no direct benefit to private industry. The \$5.8 billion in debt rescheduling will cover \$3.4 billion in short-term loans and \$2.4 billion in medium- and long-term loans that came due between Oct. 17, 1983 and Dec. 31, 1986. In other words, the bailout is little more than a sophisticated con game with Manila being played for the patsy.

by close "cronies" of President Ferdinand Marcos, are special targets of the IMF "stabilization" package. To planter and worker alike, that translates simply into a direct order to starve. Between March and May 1985, alone, 150,000 regular and part-time sugar workers were laid off, bringing unemployment up to approximately 50% of the workforce; the ones still working are paid piecework wages, well below even the minimum daily wage of 32 pesos (\$1.73). Since 1983, there has been a 50% increase in disease, and images of starving Negros children now rival those of the Sahel.

The NPA insurgency

The New People's Army meanwhile is having a field day in Negros. The number of active insurgents has increased 50% in the last year, with reports that units are active in one-third of Negros Occidental's towns and four of six cities. "The insurgency problem is slowly engulfing us," Franklin Fuentebella, head of a planters' association was quoted by the news agency Agence France Presse in late May. Many of the abandoned plantations have been taken over by the NPA, while 150 farms on the island have been "infiltrated by subversives." One sugar planter reported to *EIR* in early May that NPA units regularly collect

protection money from planters who stay behind. But, he added, the NPA is not just in rural areas. "They're barking at the doors of the cities."

Manila's efforts to counter the NPA threat have been hamstrung in part by a 50% decline in the Philippine defense budget in the past two years. At 1.1% of GNP, the Filipino defense allocation is the lowest of any of the ASEAN countries and has resulted in serious logistical breakdowns and materiel shortfalls. *Asiaweek* reported on March 29, 1985 that these cuts "resulted in AFP combat units being short of boots and uniforms, foraging for food during field operations, and using palm oil to lubricate weapons. They have also at times lacked transport and communications equipment, forcing commanders to use runners to transmit orders."

Growers are now asking the government for a moratorium on loan repayments and foreclosures, while restructuring their outstanding obligations on longer terms and at lower interest. Government, meanwhile, has taken steps to provide emergency food aid, and has already distributed 1,500 hectares of repossessed sugar lands to dislocated sugar workers. The watchword for the future of Negros, however, is diversification into other crops. But that, say the experts, will take three to five years.

The most important aspect of the package is not the contents of the package itself, but the agonizing 20 months during which the negotiations were being conducted, and during which the Marcos government was forced time and time again to accept harsh austerity measures in exchange for promises of improved credit rating. Living standards were ravaged, entire agricultural sectors were thrown into bankruptcy, industries were shut down for lack of critical imports and capital, the stock market was collapsed to 50% of its previous activity, and a record number of banks and lending agencies closed their doors.

IMF unleashes economic terrorism

The agreement signed with the IMF in late 1984 set the pace for the international agency's double-edged attack on the Philippines' economy: driving the population to desperation, while undercutting the power base of the Marcos presidency. The agreement called for significant revisions in taxes and lifting of government subsidies on essential food items and subsidies to state-owned and -controlled corporations. "Adjustments" included either lifting or reducing government price supports for staple foods such as sugar, rice, corn, canned milk, eggs, and pork. Tax revisions targeted elimination of a 10% tax on foreign exchange sales by banks, cutting import taxes by 50%, and scrapping tax exemptions to state-owned and -controlled corporations, exemptions totaling \$110 million a year. On top of this, the Philippine peso was devalued by 63.3% from October 1983 to October 1984.

Starting in December 1983, with the ouster of Central Bank head Jaime Laya, the IMF took over direct stewardship of the financial and monetary affairs of the Philippines, from the top down. In particular, the IMF campaign to "soak up excess liquidity" in the system was the license to kill off whole economic sectors, especially those linked to Marcos's "cronies." The IMF dictated a cap on money supply in the economy, and beginning in January 1984, the Central Bank floated debt instruments with annual yields that at one point exceeded 45%, and by late April were still at 32-39%. The impact was devastating. Interest rates across the board averaged 34-37% for the year, while inflation peaked in the fall of 1984 at near 70%.

In the first eight months of 1984, the Central Bank closed 19 banks, mostly smaller retail institutions. Two cases, the January 1985 closing of Banco Filipino and the April 1985 closing of Philippines Military and Veterans Bank, led to head-on confrontations between President Marcos and the IMF authorities, and in both cases Marcos lost, under a shower of allegations of "cronyism." The lending authorities, however, used Marcos's reluctance to enforce the monetary constraints as their excuse for stalling on signing first the letter of understanding, until late 1984, and then an agreement with the commercial banks, until May 1985.

The Makati and Manila stock markets, from first quarter

1984 to first quarter 1985, collapsed by 43% in trade volume, with total value traded down by 39%. Out of the possible 50 stockbrokers registered on either exchange, only half are officially still in operation, and only 20 (10 per exchange) are engaged in any significant business. The ones who are in operation have turned to increasingly short-term, speculative areas, in mining, oil exploration, and real estate.

As of late July 1985, the government was seeking a \$100 million loan from the World Bank to reorganize state-owned banks, allowing them to write off billions in bad peso debts. Among the banks listed in the government's filing are Republic Planters Bank, headed by coconut crony Eduard Cojuangco, the Philippine Export and Foreign Loan Guarantee Corporation, the Social Security System, Government Service Insurance System, Union Bank of the Philippines, and several other banks.

In 1984, the World Bank and Asian Development Bank issued a similar loan to the nationalized Philippine National Oil Co. (PNOC) to improve oil-refinery efficiency on condition that part be spent on a feasibility study for privatizing PNOC. Latest reports are that the Philippine National Bank and the Development Bank of the Philippines, the two biggest government firms holding the largest number of foreclosed private entities, will be pushed into wholesale auctions, in order to keep their own budgets within the constraints agreed to as part of the bailout package.

The latest statistics on the Philippines economy underline the fact that there will be no economic relief, despite the apparent modus vivendi reached with the country's creditors. The biggest component of the recently proposed 1986 budget of 92.9 billion pesos is 23.5 billion for debt service—the rest goes largely to current operating expenses. Growth projections are bleak. In 1984, the economy shrank by 5.5%; in the first three months of 1985, GNP declined a further 3.7%, and economists are predicting an overall fall of 3% for the year.

Unemployment has risen sharply, from 15% in 1982; the latest government figures place unemployment at 35%, while the opposition claims 45%. Interest rates, meanwhile, remain high, at an annual average of 27% for 1984, contributing in part to a 17% drop in industrial output and a 36% decline in investments in durable goods. Agriculture is the only area of the economy that has been targeted for growth, because as the World Bank says, it's cheap.

World Bank projections for the Philippines are grim. The bank's "optimistic" estimate for 1985-90, which assumes total cooperation from Manila, calls for GNP to average 4% growth annually. Per capita income in 1990 will still be 9% lower than in 1983, and employment opportunities simply will not exist for the 700,000 joining the labor force annually. The World Bank's "pessimistic" scenario, i.e., if Manila digs in its heels, allows for average annual GNP growth of only 1.1% from 1985-90, and per capital consumption by 1990 will remain 21% below 1983 levels.

New People's Army: 'Theo-lib' in Asia

by Allen Douglas

In April 1984, at the time of *EIR*'s last cover story on the Philippines, the New People's Army fielded a force of some 5,000 men, and killed an average of 8 people per day nationwide. Sixteen months later, their armed force of 12,000 now kills 14 Filipinos per day, the majority of whom are civilians. Over the last year, 100 local officials, including 60 mayors, have been assassinated. On a typical rampage in March 1984, to celebrate their founding 15 years ago, the Maoist NPA entered a village and gunned down 70, allegedly in retaliation for the villagers' supposed participation in the killing of two NPA terrorists. Crucial parts of the country's infrastructure, particularly electricity grids, have been destroyed—an estimated \$10 million worth in the last year.

Contrary to the media-created images of Maoist Robin Hoods or "freedom fighters," the NPA is of the same species as the Shining Path (*Sendero Luminoso*) of Peru, or the Pol Pot butchers of Kampuchea. Their ideology is a fanatically anti-technology, anti-civilization blend of Maoism and the Marxist-flavored Theology of Liberation. Outlined below is the face of the enemy which could soon be running the Philippines and polluting all of the ASEAN countries, if the State Department-run destabilization of the Philippines succeeds.

Strength: estimated at 12,000 armed regulars of the NPA. The NPA's parent group, the Communist Party of the Philippines (CPP), has control over some 20 trade unions. The mass political arm of the CPP, a coalition of front groups called the National Democratic Front, is an integral part of the "left opposition" to the Marcos government, valued for the ability to turn out mass numbers for anti-government rallies in Manila and elsewhere. The "mainstream" of the left opposition, the Convenors' Group of Lorenzo Tanada and José Diokno, has in its official platform, a call for the legalization of the CPP. In April 1985, the NPA held a press conference on the island of Mindanao in the south (see map, page 33), to announce that an alliance had been struck with the other major terrorist groups—the Qaddafi- and Khomeini-funded Moro National Liberation Front, the People's Liberation Movement (specialists in the assassination of police), and the Sandigan Army of the Social Democrats.

Locations: Operating from strongholds in the Cordillera Mountains of northern Luzon, the central islands of Samar and Panay, and the southernmost island of Mindanao, the NPA is active in 5,400 of the country's 41,615 provinces. In certain areas, like the city of Davao in Mindanao, their estimated active support is 25-30% of the population. In northern Luzon, their estimated active base is 15-20%. Functioning largely in rural areas only a short time ago, they are now, according to Philippine sources, "knocking on the doors of the cities," and fielding assassination squads, called the Armed City Partisans, in Manila.

Financing: Originally financed by the old Filipino oligarchical families such as the Lopezes (a practice which continues to this day), and the Chinese Communist Party (at least in the early period), these sources have been supplemented more recently by the Soviet Union. The NPA is reportedly supplied through Sabah, the northern Borneo province in Malaysia, where the Soviets maintain training grounds. In addition, the Soviets fly in supplies directly to the Philippines from Vietnam. Two Soviet pilots have recently been captured, landing supplies on the jungle airstrips in Mindanao built by the U.S. military near the end of World War II.

Several sources have also confirmed that the NPA derives funds from the multinational corporations that operate particularly in Mindanao. This is alleged protection money, which of course, many of the Filipino planters are unable to pay.

The NPA is also increasing its funds from the vast marijuana plantations maintained under contract with local farmers, 11 of which were discovered by the government last year. Also critical is the vast amount of money pouring in from the National Council of Churches in the United States and the World Council of Churches in Europe, according to sources in the U.S. embassy in Manila.

The left-wing of the IMF

The NPA began in the mid-1960s with a group of radical students, the Students' Cultural Association of the University of the Philippines, around Prof. José Maria Sison. The Sison group joined the Youth Section of the old Partido Komunista ng Pilipinas (PKP), founded in 1930 with Comintern money and personnel. Arguing for armed revolution, Sison and associates pitted themselves against the older leadership of the PKP, mostly veterans of the Huk rebellion of the 1940s and 1950s which had been crushed by the Philippine government and the U.S. Military Assistance Groups of Col. Edward Lansdale.

After being expelled from the PKP for arguing this line, Sison and 11 others formed the nucleus of a new organization, the Communist Party of the Philippines (CPP), in December 1968. In April 1969, they hooked up with a middle-level commander of a Huk unit which never surrendered, Bernabe Buscayno (Commander Dante). The New People's

Army (named after the "People's Liberation Army"—the Huks) was born as the armed forces of the CPP.

By 1972, when the terrorist activities of the NPA and allied groups forced President Marcos to declare martial law, the number of NPA regulars was less than 1,000. The exponential growth began particularly after 1982, as the International Monetary Fund (IMF) began shutting down the major development projects begun by the Marcos government, producing increasing misery in large sections of the population.

The NPA functioned then, as now, as the left wing of the IMF. For instance, the government identified the shortage of electricity by 1980 as a crucial bottleneck of national development and planned the Chico River Dam Project in northern Luzon. This project, which would have been the largest hydropower project in Southeast Asia, providing electricity as well as water for irrigation, was stopped by an alliance of the NPA, radical anthropologists, missionaries, and the Kalinagan tribe. The latter, a tribe of headhunters who lived in the area of the scheduled project, entered an alliance with the "progressive" NPA.

The NPA provided a crucial part of the manpower for a June 1985 riot protesting the construction of a nuclear power plant on Bataan peninsula. For several hours, 7,000 demonstrators barricaded the main highway on the peninsula, requiring the deployment of government tanks and armored personnel carriers. The demonstration, led by Sen. Lorenzo Tanada, the head of the Nuclear Free Philippine Coalition, is typical of the NPA's joint deployments with leading elements of the "left opposition" grouped around NPA-sympathizer José Diokno and Tanada.

The role of the Church

The reports of radical priests such as Conrado Balweg, S.J., joining NPA assassin squads, and the romantic media coverage of the "theology of liberation" movement, has purposely obscured some deeper truths. The Philippines, since its colonization by Spain in the 16th century, has been an overwhelmingly Catholic country (85-90%). Throughout the archipelago, there are two, and only two, mass organizations: the Church and the State. To an ever increasing extent, a major faction of the former is in insurrection against the latter. The NPA, supported by this faction of the Church, is, like Peru's Shining Path and a major faction of Nicaragua's Sandinistas, a product of the theology of liberation, set in motion by the Second Vatican Council of 1962-64, with its "orientation toward the poor" and its "dialogue with Marxism." The insurrectionist Church faction is directed by the Benedictines and the Jesuits, under the theology of liberation banner, and in the Philippines enjoys the protection of the so-called moderate faction of the Church led by Cardinal Sin. Complementing his support for the theo-libbers, Sin is a major opponent of Marcos and a defender of the IMF.

For the Philippines, the Vatican II process, coordinated

by the ancient Venetian oligarchy, and their agent, the former Patriarch of Venice, Pope John XXIII, meant that the Jesuits, for instance, were reoriented from their "anti-communist" profile of the 1950s toward Jacobin revolution. From the Jesuits' elite Ateneo de Manila University, training ground for much of the oligarchical elite, came the theological arguments for insurgency. As a chief Jesuit theoretician (*jesuita*, in its common Spanish usage, is a synonym for "liar"), Vitaliano Gorospe, put it: "It is high time that the Church rethink its previous theories, re-examine its relationship with the keepers of the established power and develop a theology of organized violence in behalf of the poor and oppressed, in keeping with the total message of the Gospel."

Not surprisingly, the central figures in the post-Vatican II "reform" of the Philippines Church, such as those leading the 59-day demonstration outside Manila's San Miguel Cathedral in 1969, such as Fr. Luis Jalandoni and Fr. Ed de la Torre, later became chief apologists and collaborators of the NPA. The head of Ateneo's Loyola School of Theology, Fr. Antonio Lambino, intoned in 1976, "I believe that even the more radical liberation theologians in our midst serve a function and do a service to the Church in the Philippines." This was, and is, an unmistakable endorsement of the Balwegs and others participating in the assassination squads of the NPA.

In keeping with this orientation is the vast infrastructure of insurgency being built through the Church's National Secretariat for Social Action, with its regional units in Mindanao, Luzon, and the other islands. Complementing this, are the various task forces of the Association of Major Religious Superiors on "squatters, laborers, farmers, cultural communities, and political detainees." In urban centers, such as the Tondo slum of Manila, elements of the church have built an extensive infrastructure modeled on the Saul Alinsky "community organizing" methods, the methods which created the black urban gangs in the United States.

One of the most important recruiting vehicles for the NPA is another post-Vatican II development, the "Basic Christian Communities" (BCCs). Set up particularly in isolated rural areas, the BCCs are groups of 30-50 people set up in decentralized groups (as opposed to centralized parishes) run by "lay ministry" appointed by the Jesuits and their allies. Through the process of "conscientization," modeled on "attack therapy" forms of brainwashing used to create cults in the advanced sector, the peasants are made to believe that the government is evil, technology is evil, and progress is evil. The same process has been used extensively to build the radical unions like the National Federation of Sugar Workers. The debate on whether the BCCs are really vehicles for the NPA is a fraud, since as the economic situation worsens, the BCCs necessarily, from the gnostic theology they embody, become part of the expanding mass base of the NPA, precisely as in Nicaragua they fed the Sandinistas.

The strategic importance of Subic Bay and Clark Air Base

by Paul Goldstein

Contrary to the cynical and evil fools directing U.S. strategic political-military policy toward the Philippines, the announcement in July by Philippines Defense Minister Juan Ponce Enrile that his country may be forced to abrogate the U.S.-Philippine Mutual Defense Treaty, is no idle threat aimed at rhetorically countering the provocative pronouncements from the State Department and the Congress. It reflects a qualitative shift in the thinking of Philippine leaders, both in the Marcos government and the moderate centrist opposition.

The announcement manifested complete frustration with the devious manipulations conducted by officials of the State Department and the Congress, led by William Sullivan, the special adviser to State and former ambassador to both Iran and the Philippines, and by Rep. Stephen Solarz (D-N.Y.). In cahoots with Sullivan and Solarz are Undersecretary for Political Affairs Michael Armacost and Assistant Secretary of Defense Richard Armitage.

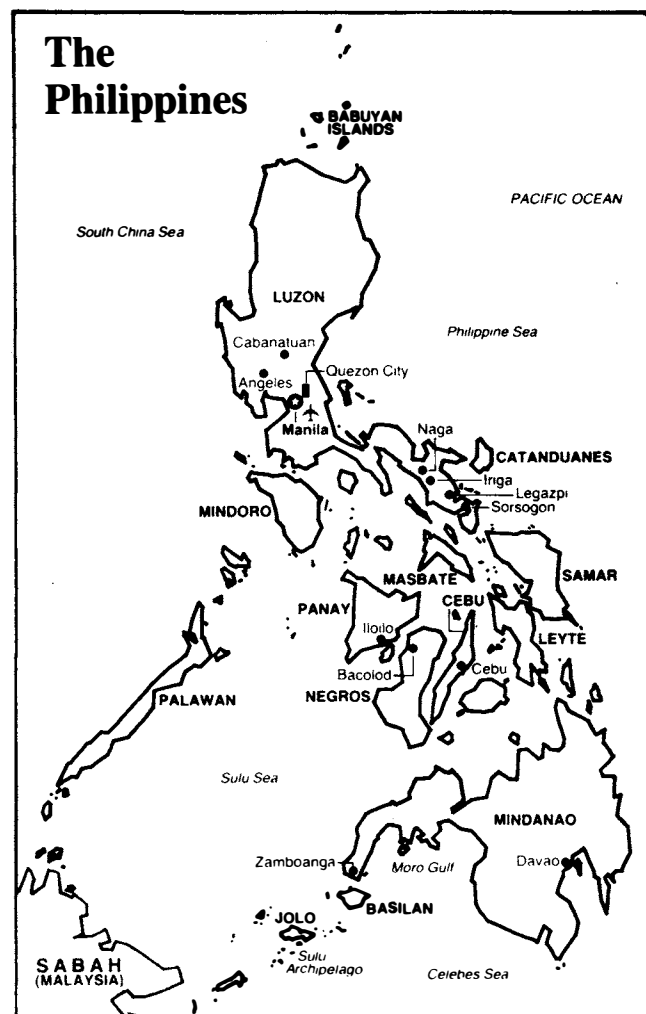
In fact, what is now erupting is a strong Filipino nationalism, which views the present American policy as a near complete betrayal by the United States of its closest Asian ally. Even members of the legitimate Filipino opposition who are trying to portray themselves as alternatives to President Marcos, resent the high-handed arrogance displayed by State Department and Central Intelligence Agency officials' handling of the questions of the Philippines' domestic political situation and the status of the U.S.-leased bases at Subic Bay and Clark Air Field.

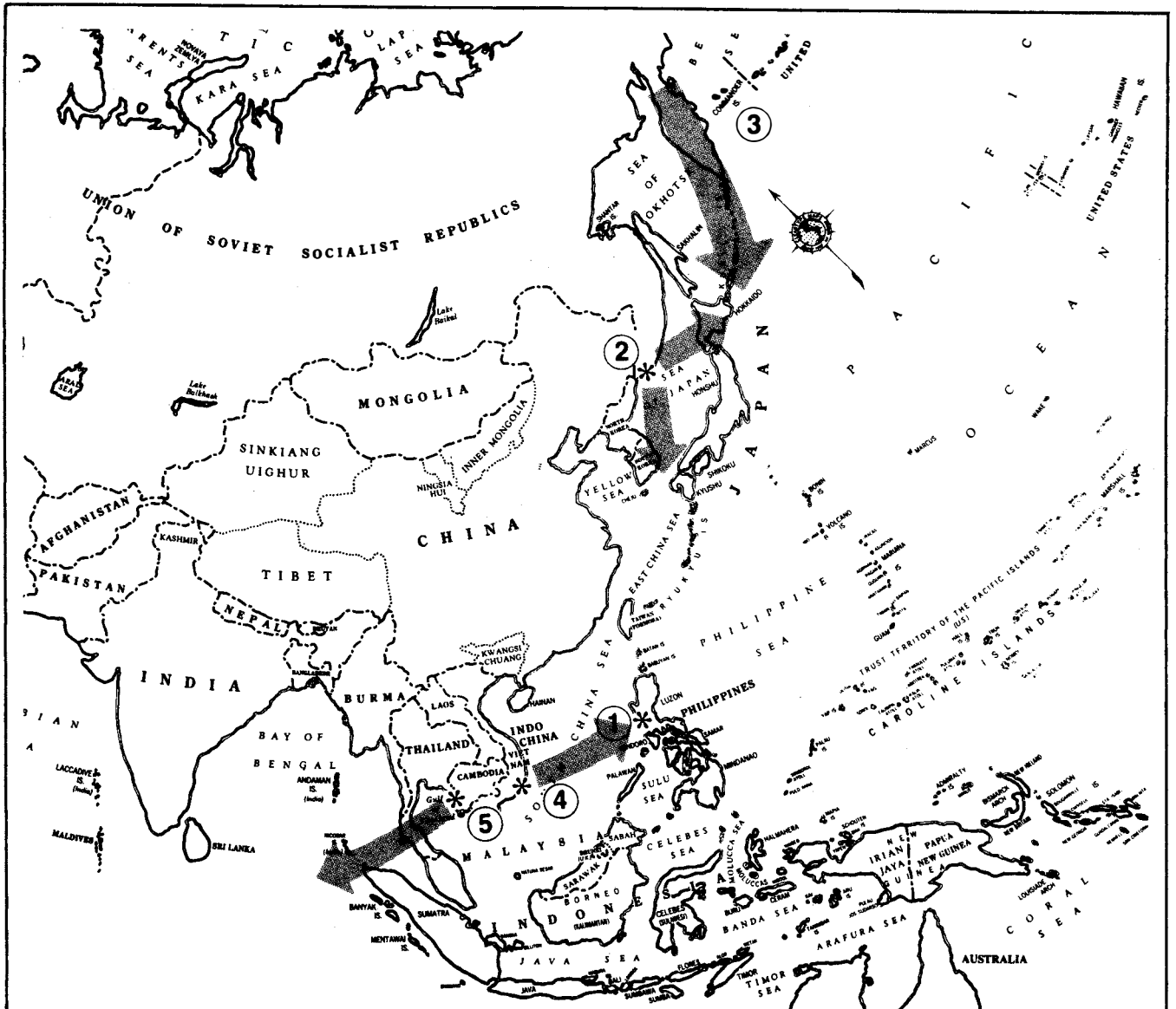
"What are the Americans doing?" the Filipinos ask. "Don't they know what the strategic implications are? Did it ever occur to the Americans that even the opposition doesn't trust them?"

No one in the Philippines is unaware of the implications of the strategic crisis developing in the Pacific rim and the Philippines itself. U.S. military planners are faced with an ever-growing Soviet strategic threat to the entire region. It simply amazes leading Filipinos that one of the major activities of U.S. military planners is drawing up contingency plans for changing bases to another site or digging in to stay, assuming communist domination of the islands—like the situation which prevails at the Guantanamo Bay base in Cuba.

It is a well-known fact that without Subic Naval and Clark Air Base, the United States cannot defend the Pacific Northwest and the rest of Southeast Asia. Any U.S. State or Defense Department official who claims that Australia, Saipan, Guam or any other area could take the place of the Philippines is virtually guaranteeing complete Soviet domination of the area.

The Soviet strategic build-up in the Pacific is centered





1. U.S. military facilities at Clark Air Field and Subic Bay, in the Philippines
 2. Vladivostok
 3. Soviet build-up on Kurile Islands and Sakhalin Island
 4. Soviet air and naval base at Cam Ranh Bay, in Vietnam
 5. Soviet installations now in progress at port of Kompong Som, in Kampuchea
- Arrows show Soviet deployment capabilities.

around the Pacific Northwest and Southeast Asia. The Soviets are concentrating their efforts at intimidating U.S. allies, but also at preparing for the military-strategic defeat of the United States in the Pacific. Admiral Foley, commander-in-chief of the U.S. Pacific Fleet, in an interview with the *Los Angeles Times*, stated that the Russians posed a threat not only in the northern Pacific, but along the entire Pacific rim into the South Pacific and Indian Oceans.

The Soviets are engaged in moves preparatory to occupying the strategic choke-points needed for a naval breakout

from their Pacific base in Vladivostok. Primarily the Russians have engaged their special forces' miniature submarine units in the Straits of Soya, Tsugaru, and Tsushima. Mini-submarine tracks have been identified in these straits, indicating contingency plans for amphibious landings to seize control of those waterways—critical for the naval breakout from Vladivostok.

Moscow's Pacific Fleet now exceeds the U.S. Seventh Fleet. The Soviet naval build-up includes 830 surface and combat ships with 2 mid-size aircraft carriers, 14 cruisers,

30 destroyers, 31 missile submarines, 103 attack submarines, and 2 major amphibious landing ships. Half of the ships are combat vessels.

In addition, 40% of all Soviet ICBMs and submarine-based missiles are positioned in the Far East, along with 30% of Soviet medium-range missiles, the SS-20s. The military build-up continues on the Soviet-occupied Kurile Islands, which historically have been part of Japan, until they were seized by the Russians at the end of World War II.

In terms of land forces, the Russians have 52 divisions on the Sino-Soviet border—about 450,000 men, including two crack airborne units in Mongolia.

Within this strategic context, it is clear why the Subic Bay and Clark military bases are essential for the defense of the Pacific rim. The greatest 20th century military strategist and hero of World War II, Gen. Douglas MacArthur, understood the strategic importance of the Philippines for sustaining a warfighting capability in that theater, without reliance on the mainland of the United States for support. All U.S. strategic planning is based upon those considerations: time in position, scheduled maintenance, and early warning systems that include electronic intelligence and intercept, and anti-submarine warfare.

Subic Bay is perhaps the most defensible natural deep water harbor in the world. It is surrounded by a natural fortification of hills. Saipan and Guam, on the other hand, are simply flat islands which would be finished off with just one or two ICBMs. Australia is too far away to even be considered as a serious alternative.

Pearl Harbor, Hawaii cannot be competently considered as an alternative either. It cannot handle U.S. submarine capabilities, either from an Anti-Submarine Warfare (ASW) or a communications standpoint. Moreover, the repair facilities for U.S. Trident submarines, if Subic Bay were lost, would be pushed all the way back to Bremerton, Washington.

Along with Hokkaido, Japan, Subic Bay functions as a critical choke-point against a Soviet naval breakout from Vladivostok and Cam Ranh Bay, Vietnam. Looking at the map of Southeast Asia, Subic Bay is directly opposite the Soviet naval facility at Cam Ranh Bay, nearly 600 statute miles, or 1½ hours by jet. The Soviet build-up at Cam Ranh Bay and DaNang Air Base, (both former U.S. facilities) represents the first time that the Soviets have managed to acquire this kind of capability.

In effect, if Hokkaido and Subic Bay were taken out of the strategic picture, from a strictly military standpoint, the United States would have no defensible position. Those inane Kissingerites who believe that the People's Republic of China could fulfill a strategic role against the Soviet Union are living out a pipedream. The recent multi-billion-dollar trade agreement signed by Moscow and Beijing takes tremendous pressure off the Soviet Union's transportation problems, by providing the Soviets with needed food supplies for Siberian development. The so-called China Card, when it comes down to strategic military realities, does not exist. It is a historic

irony that Taiwan, the last U.S. strategic ally to have been undercut, although it had committed itself to the defense of the Pacific rim, is for all intents and purposes left out in the cold.

To complete the strategic picture, it is necessary to provide an overview of recent developments within the Philippine military. According to members of both the Armed Forces and of the young officers' reform movement "We Belong," what is presently lacking in the Army is an *esprit de corps* and proper equipment to handle the communist insurgency. However, that program could only work under normal economic conditions, in which transportation and other infrastructure and large-scale projects with Army Corps of Engineer participation were being developed.

The danger in the situation is the manner in which the State Department and U.S. Congress have tied the Filipinos' hands, by supporting the hideous conditionalities of the International Monetary Fund. The simple counterinsurgency techniques of the past cannot work under the present economic circumstances, and the inclination of certain U.S. military circles to see the corruption in the military as the primary problem, is the sure road to making the same mistake the United States made in Vietnam.

The clearest focus of the volatile situation is the case of Gen. Fabian Ver, who is accused of complicity in the assassination of opposition leader Benigno Aquino. In all probability, Ver will be acquitted and Marcos will reinstate him as Chief of Staff of the Armed Forces for a certain period of time. How long remains to be seen. Should this move by Marcos become a *casus belli*, leading certain elements of the "We Belong" reform movement to launch a more vigorous move against Marcos, then the Philippines may be on the verge of civil war. Given the way in which the U.S. State and Defense Departments have mishandled the situation with Acting Chief of Staff, General Ramos (see article, page 26), the situation could become disastrous.

Unless some of the U.S. assistance programs, with essentially no strings attached, are implemented, the situation in the Filipino military will become even more politicized and volatile. Secondly, the International Monetary Fund, the major factor destabilizing the Philippines economy, must be forced out of the country. The United States must adopt a policy of working with both the Philippines and the other ASEAN countries, whose security rests on their economic development, to carry out the development projects that will unleash the great economic potential of the region.

Short of that, social forces are being activated in this Philippines which could lead to an uncontrolled situation like that which developed in Iran, where the United States backed the so-called reformist elements of the military and the moderate politicians collapsed, leading to the destruction of the nation under Ayatollah Khomeini. Allowing the same individuals who overthrew the Shah the same opportunity in the Philippines, could only spell disaster and change the strategic situation decisively in favor of the Soviet imperial gameplan.

Ferdinand Marcos's republican principles

In a speech delivered to the National Defense College on July 18, President Marcos declared that the Philippines would not go the way of Iran and Nicaragua. People who say that, especially Americans, he said, who "do not take into account the fact that the national leadership is composed of men who do not run away . . . do not just take a plane and go off to Miami or run off to another place and give up power. The leadership of your country is not made of such weak stock. We will defend our principles to the death. Our articles of faith are known, and we will defend them to the last breath of life."

In his 1983 book, An Ideology for Filipinos, Marcos enunciated those principles. Here are excerpts from the opening chapters:

Internalization of the democratic revolution starts at the base of the nation—with the common people—inspiring and compelling those in the upper ranks to do likewise, so that a symbiotic relationship, as it were, occurs among the various levels of society, making the task of nation-building truly a national concern. . . .

The egalitarian ideal . . . urges those persons who occupy positions of power and responsibility—in government or the private sector—to treat equally every individual in the society. In short, the egalitarian ideal provides the moral basis for public and private transactions.

Needless to say, the egalitarian ideal has a related presupposition about the nature of man. It assumes that each human being (disallowing individuals with natural or congenital disabilities) has the same potential as another to develop himself, and thus to achieve the full measure of his humanity. What prevents a man from achieving his full potential is precisely an institutional arrangement that denies him, but not others, those opportunities that would enable him to realize himself.

Obviously, the egalitarian ideal cannot stand by itself. It needs additional support, for the principle of equality can be met even without bothering with certain other values that are among the basic entitlements of every human being. For

instance, we can all be equal in degradation and poverty: but such equality is meaningless. This is why the commitment to an egalitarian polity should rest upon the broader ideal of humanism. . . .

To serve the ends of man—that is the ultimate justification of all social institutions.

The Western philosophical tradition locates man's uniqueness in his rationality: It defines man as a rational animal. The idea of man does not necessarily lead to the philosophy of humanism, for the concept of rationality could be construed mechanistically: as a movement of thought that follows a set of inflexible principles. The Cartesian conception of reason is mechanistic in this sense. For it regards thinking as something that can be pursued only in one way: beginning with clear and distinct notions, the mind moves forward, step by step, following only the dictates of logic. What Cartesianism overlooks is that element of creativity so essential to the concept of human rationality. The recognition of man's creativity, or that impulse to create new forms and new modes of coping with the demands of reality, has tremendous implications—not only for a philosophy of man but also for social policy and thus for ideology.

In a sense, we can regard the history of civilization as the history of human creativity. The so-called scientific revolutions represent man's disengagement from traditional modes of thinking. . . .

The humanistic thrust of our ideology precisely takes into account the fact that apart from being rational, in the Cartesian sense of the term, man has a gift of creativity that expresses itself not only in his art but also in his science and social institutions. This creativity is what makes man truly human. In fact, it seems more appropriate to define man *not* as a rational animal but as a creative being.

The humanistic principle directs our egalitarian commitment. We are not seeking to equalize opportunities for our people merely for the sake of abstract equality. We are doing so to unleash the creative potential of every Filipino.

. . . No ideology can serve as a basis of transformation unless it commits itself to the rights of man. It is unfortunate, though perfectly understandable, that in the context of our political experience the concern for human rights has always been a concern for "political" rights: the right to free speech, of assembly, and so on. Observers of our political process will, no doubt, suppose that for our people political rights are primordial. A review of our political history immediately suggests this. . . .

A question that relates to this is whether *in fact* our people are as much concerned with political rights as those who have made it their business to profess them. Is it possible that the question of political rights looms large only in the minds of a small sector of the national community—those who use the issue of political rights for purposes of gaining power—but that for the masses of Filipinos themselves, the primordial concern is the economic right to survive with dignity?"

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To aid Peru's war on drugs: Open the Ulloa file!

by Gretchen Small

In little more than one week in office, Peru's new President, Alan García, has initiated a war on drugs which, with proper international cooperation, can bring down top leaders of that organization of worldwide filth, Dope, Inc.

On Aug. 7, Peru's Congress granted García extraordinary powers to carry out a sweeping reorganization of the country's three police forces within 90 days. Each day, the press reports new details of how, under the last two administrations, the narcotics mafia had seized control over Peru's police forces. Thirty-two of 42 generals in the Peruvian Investigative Police (PIP) are said to be implicated in narcotics trafficking, and four Civil Guard colonels have been named thus far. With more than 16 drug-runners arrested since García's inauguration 10 days ago, and many more on the wanted list, former Interior Minister Luis Percovich, the Prime Minister in the last regime, reportedly fled the country with his family after media revelations of his advisors' links to the cocaine mob.

Other "politicians above suspicion" are beginning to tremble. The name of Javier Alva Orlandini, the presidential candidate for Accion Popular, the party of the last government, has been raised, as he was the political protector of Luis Percovich. Rumors had circulated in the early 1980s that a raid on Alva Orlandini's plantation would discover more than cotton growing. Now, the names of more than one of his political associates, including his aide-de-camp, Col. Luis Rivero Castro, have been mentioned in the drug revelations.

Other big names in Peruvian finance—where international interests and the local drug traders meet—are worried. Press coverage by the media empire of Rockefeller's boy in Peru, Manuel Ulloa, would indicate that Ulloa is eager to join the hue and cry against Alva Orlandini, as long as the

investigation stops there. Some in Peru hope the old tactic of the thief who joins the crowd, yelling, "He went that-a-way," might help the drug war pass them by.

The dollar connection

How García's war on drugs began demonstrates the connection between the worlds of drugs and finance. García inaugurated his presidency with a declaration that under his administration, national sovereignty would be reestablished over Peru's economy. For that, he announced that Peru will only channel 10% of its export earnings to international debt payments, and that his government will not negotiate with the International Monetary Fund; international banks were then advised of a six-month debt moratorium while the government sorts out the country's financial situation. García also announced that "foreign coin" would no longer be legal tender in Peru, but only the national currency, the sol.

That declaration began the war on drugs.

Under the Belaunde administration (1980-85), the sol had gradually been replaced in many day-to-day transactions by the U.S. dollar. In 1984, when the amount of dollars circulating in the country had surpassed the number of sols, the Belaunde government declared the de facto hegemony of the dollar legal, and lifted restrictions on its use.

Because Peru's legal export earnings have plummeted under the succession of IMF programs which have been implemented since 1976, the source of the dollars flooding Peru is easy to trace. The only "growth industry" in nearly 10 years has been the international drug trade; the dollar is the currency of that business.

Certain financial sectors panicked with García's new restrictions on dollar bank accounts. When police raided some 200 money-changing houses on Lima's "Wall Street" on July

30, 100 money-changers were arrested for violating the law. What was found began unraveling the drug connection.

The head of the Homicide Division of the Peruvian Investigative Police (PIP), Col. Leonel Zeballos, was immediately fired. Various of the arrested money-traders had confessed that not only was the money they were handling given them by Zeballos, but that he was a stockholder in various of the money-houses. Uncovered was a whole network within the PIP which had partial ownership of exchange houses. And the operations zones of the PIP officers involved were concentrated in the Peruvian provinces of Huallaga and Tingo Maria—the heart of Peru's coca production and transshipment zone.

The government then uncovered a multimillion-dollar flight-capital operation, as mafia members sought desperately to get their dollars out of the country, or "laundered." The official daily *La Cronica* reported on Aug. 6 that a shortage of sols has occurred in the province of San Martin, a center of coca production and traffic, as coca dealers sell their dollars at 10,000 sols each, in their hurry to "launder" their huge sums of dollars.

The Mexican connection

"Money-laundering" is never distinct from that dirty underworld of production, refining, and trafficking of mind-killing drugs.

In the early hours of July 24, an explosion in one of Lima's "best" neighborhoods blew up a building, killing two of those inside. An elaborate cocaine laboratory located in the basement of the building had exploded. Reports now reaching the press reveal that the site was no minor operation, but a six-year-old drug establishment. Rumor is that the "explosion" was not an accident.

The house was part of an elaborate complex of 11 houses, all internally connected, and equipped with a complex intercom system. The inhabitants lived in luxury: 15 color televisions, 10 Betamax video players, movie projectors, and stereo equipment graced the complex, which had a huge dance room used for "frequent and elegant games and parties," and two swimming pools. Three chauffers and 22 employees serviced the drug-runners and their dozen-plus automobiles.

Owner of the house was one Reynaldo Rodriguez Lopez. Rodriguez Lopez, now hunted throughout Peru, ran a series of businesses, including a tourist agency called Seturin, a tourism training center, a foreign language school called Peru International School, a tax-consultants firm, and a real estate company.

His business was not so "respectable" in the past. Rodriguez had done time in Mexican jails in the early 1970s, after he was caught running illegals across the Mexican-U.S. border in tanker trucks. He was paid, like most such "coyotes," \$1,500 per head.

Upon his return to Peru, Rodriguez continued his traffic

in human beings, this time sending unemployed Peruvians, with or without visas, into the Mexican border towns of Tijuana, Ciudad Juarez, and Matamoros, through his travel agency. Travel was a good business, for it provided the international connections for his other "business." U.S. Drug Enforcement Administration reports have now been published in the Peruvian press which identify Rodriguez as the head of an international organization of drug runners, running dope from Peru to Canada and the United States, through Mexico, for the past eight years. Some 500 kilos of chlorhydrate, a basic ingredient of cocaine, were reportedly handled monthly by the Rodriguez organization.

His major Mexican connection, according to the DEA, is Miguel Felix Gallardo, a Mexican mafia capo believed to have been involved in the assassination of U.S. DEA agent Enrique Camarena earlier this year.

Ah, but Rodriguez had friends in high places. In 1983, Rodriguez listed as one of his telephone numbers, the number of an Advisory Office of the Interior Ministry, which controls the PIP. A picture of Rodriguez was run in the newspaper *Hoy* in the first week of August—showing him with a smiling PIP official, General Ipinze.

Found parked in the driveway of Rodriguez' house after the explosion, was an official car assigned to the Interior Ministry. Its owner was one Luis Lopez, the top personal advisor to former Prime Minister Luis Percovich.

The Trilateral connection

At the top, the drug mob is but one with high finance, however. By investigating the financial interests who oversaw the transformation of Peru into a drug economy, all the pieces of the narcotics puzzle fall into place.

Inside Peru, one man heads the list of such "citizens above suspicion" to be investigated, the darling of David Rockefeller's Trilateral Commission, Manuel Ulloa.

Outgoing President Fernando Belaunde Terry has ruled Peru twice as President (during the 1960s, and again 1980-85), both regimes marked by corruption, and both shaped significantly by Manuel Ulloa. Belaunde's second administration, in fact, could well be called an "Ulloa administration." Serving first as Economics Minister and Prime Minister, and then leading Accion Popular's faction in the Senate, Ulloa was the brains and the financial power behind the administration.

The "Ulloa team," as he and his cronies were known, implemented two fundamental policy commitments while in office: the enforcement of IMF policies which wrecked the nation's industrial and productive apparatus, and the freeing of the financial sector from government restrictions, thus favoring the easy laundering of the narco-dollars entering the economy.

The result was a boom in the coca industry during the Ulloa years. Coca "keeps the whole vast region of the country east of the Andes relatively quiet politically, according to

former Prime Minister Manuel Ulloa," noted London's *Latin America Weekly Report* in March 1984.

Ulloa even openly advocated legalizing the coca trade so that it could replace the productive economy he had wrecked. "From the time of Unanue, the development of all the medical and hygienic potential of this unique plant (coca), has been discussed. . . . The economic implications are also diverse and significant," Ulloa told *Debate 24* magazine in December 1983. "It begins with the economy of the peasants, and ends, in imprecise ways, in our balance of payments. . . . This perspective opens unimagined horizons, and would permit the channeling of the majority of clandestine coca production to a legal market."

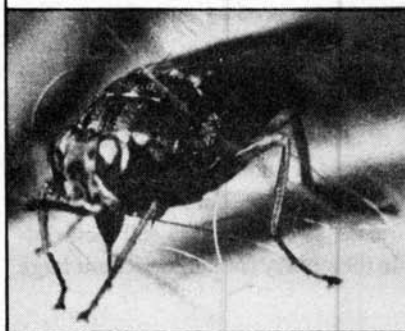
Ulloa derives his power inside Peru more from his international "business" connections into the Trilateral Commission crowd, than local interests. Ulloa began his career in the late 1940s, working for W. R. Grace and Co., whose large agricultural, chemical, and shipping empire inside Peru gave the company power similar to that maintained by the United Fruit Company in Central America. By the mid-1950s, Ulloa was director of all Grace operations in Ibero-America. His steps up the company ladder were not only vertical; Ulloa married the daughter of one of the vice-presidents of the company, but soon divorced her to marry J. Peter Grace's own personal secretary.

Those contacts served Ulloa well. By the 1960s, he had become part and parcel of the Rockefeller empire in Ibero-America, including directing Rockefeller's Deltec Banking Corporation.

Wives continued to play a major role in Ulloa's career advancement. Business investments in Argentina picked up after he married his third wife, an Argentine woman who was an intimate friend of the Paul Volcker of those days in Argentina, World Bank agent Krieger Vasena. His fourth wife, a Spaniard, aided business expansion into that country. According to *Acierto* magazine in Peru, his marriage to Isabel Zorraquin in the 1970s gained Ulloa the position as manager of the Vicuna family fortune, including their interests in the infamous "Mau-Mau Discoteque." Zorraquin was arrested in New York a few years ago, according to *Acierto*, in possession of three kilos of cocaine. Ulloa's friends managed to hush up the affair.

That the arrest was not the reason Ulloa divorced her seems clear from the woman with whom his latest nuptials have been signed. He celebrated his fifth marriage in . . . Managua, Nicaragua, during celebrations of the sixth anniversary of the July 19, 1979 victory of the Sandinistas. Pallais Debayle Checa may come from a family related to that of late dictator Somoza, but she has thrown her lot in with the cause of the Sandinistas. What business investments Ulloa might hope to gain from the Sandinistas is not yet known, but the fact that they and the Cubans are associates of the Cuba-based Robert Vesco in the Caribbean cocaine traffic may be one indication.

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Expose Carter-era gun-running to Ayatollah Khomeini's hordes

by Edward Spannaus

A series of indictments and arrests in recent weeks and months, involving illegal exports of arms and spare parts to Iran, signals the breaking up of a widespread arms-smuggling ring which developed under the protection of the Carter administration. A determined effort, centered in the Treasury Department's Customs Service, and in the office of Attorney-General Edwin Meese, is now under way to root out this network, and could ultimately result in the unraveling of an official cover-up which dates back to the Khomeini coup in Iran and even before.

The recent round of prosecutions, initiated by a task force which is composed of the U.S. Customs Service, the FBI, and the Treasury's Bureau of Alcohol, Tobacco, and Firearms (ATF), include the following:

- On June 27, Customs agents arrested Kazem Zamani, described as "an Iranian businessman," at his home in Gaithersburg, Maryland. Zamani is charged with shipping military radar and navigation equipment to Iran.

- On July 15, five Filipino immigrants, including a U.S. sailor, were arrested in San Diego, and an Iranian national was simultaneously arrested in London, as part of a ring charged with shipping spare parts for F-14 fighter jets to Iran. Authorities said that there are as many as 20 suspects in the ring, many of whom are U.S. military personnel. Parts had been diverted from the Kitty Hawk and other aircraft carriers.

- On August 1, six more individuals were arrested and charged with conspiring to ship sophisticated anti-tank missiles to Iran. This ring was based in Orlando, Florida, and included Lt.-Col. Wayne G. Gillespie, a West Point graduate who is assigned to the Army Materiel Command at the Pentagon.

- Additional arrests were also made in Chicago last October, and in Los Angeles last April, in other cases involving military equipment smuggling to Iran. More charges are expected to be brought later this month in Los Angeles in yet another case.

The first major attack on Iranian arms smuggling came with the indictments of the Hashemi brothers—Cyrus, Reza, and Jamshid Hashemi—in the summer of 1984, along with Capt. Cyrus Davari, former Iranian procurement officer in London, and two U.S. businessmen. Named as an unindicted co-conspirator in the Hashemi cases was J. Stanley Pottinger, a former assistant attorney-general in the Justice Department

in the mid-1970s. Pottinger was about to be indicted along with the Hashemi brothers, until the FBI "lost" the tapes on which Pottinger had been overheard by the FBI, advising the Hashemis on how to disguise shipments of military equipment to circumvent the U.S. arms embargo against Iran during 1980-81.

Secret accord

According to U.S. intelligence community sources, the arms smuggling network now being unravelled involves a secret arrangement with the Israeli Mossad faction linked to Ariel Sharon which has allowed the Mossad to conduct extensive penetration of U.S. military agencies. Secret accords negotiated as part of the Camp David agreement allowed the Israelis to sell arms to countries which had been cut off by the U.S. government, such as Argentina or those in Central America (often at a 300% markup). With the imposition of the arms embargo against Iran during the hostage crisis, Israeli networks continued to ship arms to the revolutionary Khomeini regime. According to some sources, the secret deal went so far as to allow the Israelis unrestricted access to certain port facilities in the United States, in which warehouse facilities were treated as sovereign Israeli territory!

The Khomeini connection

It is well known that the Israelis have been among the principal arms suppliers to the Khomeini regime. On March 8, 1982, the *New York Times* reported that documents showed that "\$100 to \$200 million in arms, spare parts, and ammunition were delivered from Western Europe in the last 18 months. . . . Intelligence sources said the documents indicated that about half of this was being supplied or arranged by Israel, and the rest by freelance arms merchants, some of whom may also have connections with Israeli intelligence."

The Khomeini regime created its current arms-procurement network following the outbreak of the Iran-Iraq war in September 1980. One of the principals of this network was Sadegh Tabatabai, a close friend of West German Interior Minister Hans-Dietrich Genscher, who was arrested for opium smuggling in Dusseldorf, West Germany in 1983, but was quickly handed "diplomatic immunity" by Genscher. To set up the arms network, Tabatabai worked closely with Israeli arms dealers who had previously been involved in

arms sales to the Shah. A key figure was Jacob Nimrodi, the former Israeli military attaché in Teheran under the Shah. An Israeli couple, Andre and Jamie Frydel, have also been cited as major suppliers to Iran, working through their key contact in the Israeli defense ministry, Zvi Reuter, and front companies in Liberia and the Caribbean.

U.S. cover-up

The U.S. side of this network developed as a product of the Carter administration's support for the Islamic fundamentalist coup which overthrew the Shah in 1979. Based in Cyrus Vance's State Department, Zbigniew Brzezinski's National Security Council, and in sections of Admiral Turner's CIA, these pro-Khomeini Carterites were fully committed to support for the Islamic fundamentalist upsurge being created by British intelligence circles. Brzezinski justified such support as creating a "bulwark against communism"—a pitiful contention, in light of the growing Soviet hegemony over the Middle East, while the United States has been all but driven out.

Cyrus Hashemi was the key U.S. figure in supplying arms for the Khomeini insurgency. His controller in the U.S. was Stanley Pottinger, who, according to some sources, channeled nearly \$4.5 million through Hashemi and his brother Reza. When war broke out between Iran and Iraq in September 1980, Pottinger picked up the thread again, advising the Hashemis on how to use dummy corporations in Panama and elsewhere to ship badly needed spare parts and military equipment to Iran.

The Hashemis and Pottinger quickly came under investigation, including FBI electronic surveillance, in late 1980. The FBI's role in asserting jurisdiction over the investigation was for purposes of squeezing out other agencies and keeping lid on. Federal grand juries were examining the Hashemi brothers, Andre and Jamie Frydel, and their string of front companies from 1980 on, but it was not until 1984 that indictments were finally issued—at the initiation of the Customs Bureau, not the FBI. The FBI then "lost" the tapes on which Pottinger had been overheard, preventing his indictment.

Not only arms smuggling, but drug-smuggling and murder have been the hallmarks of this operation.

George Perry, a U.S. businessman linked to this network, was the middleman between his Brazilian gun-running employer, "Still, Inc." and Sadeqh Tabatabai. Another Still official, Milan Jedlicka, was convicted of cocaine smuggling in New York in the summer of 1982 along with one John Henehan. Henehan, suspected of being an informant, was soon thereafter murdered with bullets through the eyes; two weeks later, the prime suspect in Henehan's murder was also killed. In January 1983, Tabatabai was arrested for drug smuggling in Dusseldorf; a few days later, Perry disappeared from his New York hotel room, to be fished out of a lake north of New York City three months later. Sources in Europe linked Tabatabai to the killing.

Casablanca summit:

by Thierry Lalevée

The failure of Saudi Arabia's King Fahd to attend the Arab Summit in Casablanca on Aug. 7, was the death knell of the conference, even before it started. As later came out, Fahd had agreed to this extraordinary summit called by King Hassan of Morocco, but canceled his trip after a long telephone conversation with Syria's Hafez al Assad on Aug. 5. Instead, he decided to be represented by Saudi Crown Prince Abdullah, who was in Casablanca on holiday, and is known as the leader of the "pro-Syrian" party in Saudi Arabia, if only for his close marital ties to the Assads.

The conference's failure will have widespread consequences, many of which are not expected by those countries which, for varying reasons, decided either not to attend at all, or to send low-level delegations. The only heads of state present were Jordan's King Hussein, PLO chairman Yasser Arafat, the Emirates' Sheikh Zayyed, and Morocco's King Hassan.

Hassan had called for the summit in June to review the Lebanese/Palestinian situation. In mid-July the project was resurrected, and chances of success seemed good. Most Arab countries not directly associated with Syria agreed to support it, and agreed that the Jordan-Palestinian peace initiative should be the main agenda item.

Then Iraq's Saddam Hussein decided that the Gulf war was too preoccupying for him to leave Baghdad; Kuwait's Sheikh Jaber thought that the last three terrorist operations of the Iranian "al Jihad al Islami" didn't allow him to leave his emirate; Tunisia would be represented only by a high-level ministerial delegation, and was visibly displeased that Morocco had taken such an initiative without consulting it; so was the Arab League delegation of Chadli Klibi. Algeria, meanwhile, decided that the tension between Rabat and Algiers prohibited its President from meeting with King Hassan, and warned that the summit might "deepen Palestinian disunity."

The Syrian boycott was no surprise. Syrian President Assad declared that he saw "nothing which requires discussion within the framework of an Arab summit." Syria's satrap, Lebanon, was ordered to stay home; and South Yemen, facing a leadership crisis, has no desire to antagonize Damascus and Moscow right now. Libya, bound by a "Treaty of Unity" with Morocco, sent a pro-forma delegation to the foreign ministers meeting on Aug. 5. Avoiding the issue of

a Syrian victory

the peace initiative, in which Libya might clash with its "unity" partner, Morocco, the Libyans instead attacked Jordan for having broken the 1979 Baghdad resolution on the boycott of Egypt, and then used this as a pretext to storm out when they were isolated in the foreign ministers council. That set the tone, and the Moroccan foreign minister decided to focus his speech on the 1982 Fez Resolution voted up at the last Arab summit!

Morocco, Jordan, and the PLO had wanted the summit to be a show of moderation and strength against Syria and its allies. Morocco, whose relations with Washington have been strained since last summer, when it signed its treaty with Libya, clearly wanted to use the conference to demonstrate to the United States that it could still represent and deliver moderate Arab countries, despite its unholy alliance with Qaddafi. Perhaps other Arab leaders decided not to do Morocco this favor. This certainly applies to Algeria.

However, such petty politics should not have clouded over the basic fact that a major Arab peace initiative was needed now, and not in November when the "regular" Arab summit is to convene in Riyadh—if it does. Whatever the Arab leaders intended, they have voted with their feet, and not for the first time. The Jordan-Palestinian peace initiative is *not* their major concern right now, and they are not prepared to fight for its realization.

'New Yalta' means balkanization

In so deciding, they have underestimated what Syria and Israel are doing, and refused to acknowledge the most precise warning ever given by Yasser Arafat.

According to the July 25 issue of Cairo's *Al Ahram*, Arafat warned that "unless a minimum of Arab solidarity and Arab agreement is reached [on the peace initiative], there will no place for the Arab in the new Yalta!" He elaborated: Such a "new Yalta, means the balkanization of the Middle East, and the partition of Lebanon between Israel and Syria." He reported that the Middle East part of this new Yalta was discussed last February between the U.S. State Department's Richard Murphy and Vladimir Polyakov of the Soviet foreign ministry, then between Gromyko and Shultz, and is expected to be finalized at the November Reagan/Gorbachov meeting.

Although many may think that a direct deal with Moscow will give them a privileged niche in the new Yalta frame-

work, the failure of Casablanca proved that Moscow doesn't need them; Syria is the region's Arab master, and can dispose of them at will. This has opened many countries, including Saudi Arabia, to Syrian blackmail.

Indeed, while Arab leaders were considering whether or not to go to Morocco to talk about Lebanon, Syria was moving ahead with its annexation of Lebanon. From Aug. 5 to Aug. 7, Damascus sponsored a "Muslim/Christian reconciliation" in Chtaura which gathered Lebanese Druze leader Walid Jumblatt, Nabih Berri (the Shi'ite leader of the Amal militia and controller of the recent TWA hostage taking incident), and pro-Syrian Christian leader Suleyman Franjeh. Concluding with the creation of a new "national front," they immediately called for the resignation of President Amin Gemayel, a step which may be only weeks away and will pave the way for a constitutional change in which Lebanon's next President may not be a Christian.

Israel-Syria alliance

A few days earlier, Syrian Foreign Minister al Sharah warned that whoever attended Casablanca would be considered a "traitor. The Arab Nation knows how to deal with traitors!" This death threat against primarily Hussein, Arafat, and Hassan, is to be taken seriously: Israel's operational capabilities are now on Damascus's side.

A striking example was given on Aug. 5 when, after a clash in southern Lebanon between the Israeli army and the Shi'ite Amal militia, an Israeli spokesman made a point of stressing that the fighting was "an exception," as Amal policy is not now to attack Israeli forces. The spokesman, quoted on Radio Jerusalem, stated that the clash had happened "by accident." He seemed on the verge of blaming the Israeli soldiers for provoking the Shi'ites into killing them!

Indeed: By agreement with the Israeli Mossad and Syrian intelligence, the Amal is now too busy attacking the Palestinians of Yasser Arafat to clash with Israelis.

Whatever reservations Israel's weak Prime Minister Shimon Peres might have, Jordan and the PLO headquarters in Amman have become Israel's main military target. Calls by Minister of Trade and Industry Ariel Sharon for preemptive military action against PLO bases in Jordan, have been supported by Foreign Minister Yitzhak Shamir, as well as by Kissinger's best friend in Israel, Defense Minister Yitzhak Rabin. The July 28 cabinet meeting saw a bitter clash between Sharon and Peres. After Sharon apologized, Shamir picked up Sharon's argument against Peres! Backing up Shamir and Sharon's argument, was a press campaign, linking violence on the West Bank to the fact that all West Bank political leaders are known "to have visited Amman, to meet with Arafat and his number-two Khalil al Wazir (Abu Jihad)."

Also at stake is Israel's democratic future. The star of Ariel Sharon is rising fast again, and an Israel led by him, and a consolidated Assad regime in Damascus, could be the price the Arabs pay for the Casablanca failure.

Syria is out to partition Lebanon

Excerpts of an interview with Palestine Liberation Organization Executive Committee Chairman Yasser Arafat, by Chief Editor Ibrahim Nafi in Amman, Jordan, appearing in Al-Ahram International Edition, July 25, 1985 (translated from the Arabic by the Foreign Broadcasting Information Service):

Nafi: I would like to begin by talking about the recent political situation and to ask you what cards you hold in your hands and how able you are to move at the Arab and Palestinian levels?

Arafat: There is no doubt that the most important thing that we should take note of at present is the united stand of our people both inside and outside the occupied territories and their rallying around the PLO. All the attempts to shake this stand have failed; on the contrary, our people have always proved that they are the protective shield of their revolution and the leader of their struggle, the PLO.

The attempts to liquidate the PLO began with the Israeli invasion of Lebanon in 1982 and the siege of Beirut, whose aim was to strike at the PLO infrastructure and liquidate it politically and militarily in order to liquidate the Palestine problem and remove once and for all the Palestinian element from the Middle East equation.

I would say that it is not easy, indeed it is impossible, to achieve our objectives without changing the Arab balances of power. . . .

The first of these constants is that Egypt should reassume its natural and leading position in the Arab world; the Iraq-Iran war should be ended; the sectarian cancer that is ravaging Lebanon and invading the body of our Arab nation should be halted; and a state of solidarity should be achieved in North Africa.

. . . [W]e are approaching the most dangerous stage, that is the day when the two superpowers come together now that Nov. 2 of this year has been fixed as the date when the meeting between President Reagan and CPSU General Secretary Gorbachov will take place.

I must tell our Arab nation that unless we can reach at least a minimum agreement and minimum Arab solidarity we will have no place in the "new Yalta."

Nafi: What do you think of the claim that the Arab regimes are remaining silent over the Syrian regime's actions because it is capable of imposing a solution in Lebanon?

Arafat: It has been established that Syria has one single solution for Lebanon, that is the sectarian solution and sectarian partitioning as well as striking presence. I must remind the Arab nation that it was the Palestinian presence that prevented the sectarian ghoul from sinking its teeth into Lebanon's body. If this cancer can penetrate our nation's body in Lebanon it means that it will penetrate the whole of our Arab nation's body. . . .

I have the right to tell those who make such claims that it was the Palestinian presence that prevented this crime from taking place, while the Syrian presence is the one now implementing it.

I ask why the U.S. administration ignores Kissinger's conditions and his no's when it needs us and regards these conditions as sacrosanct when it does not?

Nafi: Will the Syrians actually be able to reach a solution as some of the Western countries say?

Arafat: If some European countries say so then they are involved in planning partition. The partitioning plan is a U.S.-Israeli plan in which Syria is involved.

Nafi: Still some people believe that the cards are in Syria's hands. Do you agree with this view?

Arafat: I would like to recall what the Syrian foreign minister said at the recent Arab foreign ministers meeting in Tunis: We are not able to find a solution.

But this does not prevent the Syrians from imposing a solution in their own way, which is not a solution. The Syrians want to distribute Lebanon like an inheritance. Did we as an Arab nation agree that Lebanon is finished?

I have the right to ask the Syrian regime at any future summit: Where is the unity of Lebanon now and where is your pledge to preserve the resistance and the PLO? In any case, just as we reject the Israeli solution to partition Lebanon we reject the Syrian solution to partition it. We are against this solution as an Arab nation and as strugglers; we are against it as nationalists, as Muslims, and as Christians.

Nafi: Let us once again go back to Jordanian-Palestinian relations and their position within the Arab perspective. There has been talk about amendments to and acceptance or non-acceptance of the Palestinian-Jordanian agreement.

Arafat: Whatever is said, what matters is that we have agreed. And because we are serious about these relations, we agree on certain points and disagree on others. This is because we do not look at this as a secondary matter but as a matter of strategic importance to us. I would like to make it clear that the agreement represents a Palestinian will which was endorsed by our PNC in Algiers.

Nafi: During our meeting with King Hussein a short while ago he said that agreement has almost been reached on the names of the Palestinians who will participate in the joint delegation and that a date will be fixed for the meeting with Murphy.

Arafat: . . . The purpose of the agreement is not to meet with Murphy but to reach a Palestinian-Jordanian formula that would contribute to the liberation of the occupied territories and create a mechanism for the Fez resolutions and at the same time become a common ground that would generate Arab support for the achievement of these objectives.

. . . Our objective is an international conference to be attended by the parties concerned, including the PLO, and the Security Council permanent member states on the basis of two principles: the Arab legitimacy which was endorsed at the Fez summit and the international legitimacy endorsed by the United Nations.

Nafi: How do you visualize the first Jordanian-Palestinian-U.S. dialogue?

Arafat: Several and frequent Palestinian-U.S. dialogues have taken place in the past. But the U.S. administration does what it likes; sometimes it inclines toward this dialogue and other times it inclines against it. Sometimes it needs Kissinger and other times it ignores him.

In 1974 there was official contact between a Palestinian delegation and a U.S. delegation. At that time the United States was represented by its present U.N. representative, namely General Walters. I have met with a number of U.S. officials and twice I met in Cairo with foreign relations committee chairmen. Talks were also held during the evacuation of U.S. citizens from Beirut, and Palestinian-U.S. cooperation took place over several long weeks during the evacuation of these citizens, once by sea and once by air.

More important still, discussions were held between high-level U.S. officials and Palestinian officials for the release of the U.S. hostages in Iran. The first 13 hostages were released through Palestinian efforts. Official and close contacts between the two sides on this subject continued. There were also discussions between Andrew Young and Zuhdi al-Tarazi [PLO U.N. representative]. There was also the agreement between Philip Habib and myself in 1981, and later I had open talks with Philip Habib in his capacity as U.S. presidential envoy during the siege of Beirut. The talks resulted in the signing of an agreement which exists at the U.S. State Department. A U.S. force then came within the multinational

force in order to implement this agreement. . . . I therefore have the right to ask why the U.S. administration ignores Kissinger's conditions and his no's when it needs us and regards these conditions as sacrosanct when it does not?

Nafi: Regarding your recent statements to the *Washington Post* concerning Resolution 242 and the subsequent improvement in the U.S. reaction and the toning down of this reaction by Shultz—is there anything new on this level?

Arafat: Our stand is clear. The 12th PNC in Cairo said we will have nothing to do with Resolution 242 because it deals with our Palestinian people not as a people with a problem but as refugees.

We are not against the resolution as such but against its Palestinian context, which deals with our people as refugees. . . . What negated 242 as far as the Palestinians are concerned was the second U.S.-Israeli working paper which was signed on Oct. 1 and which immediately followed the U.S.-Soviet agreement between Vance and Gromyko—the agreement which Dayan described as the 6-hour agreement on the grounds that it was a triumph [for Israel], thereby reminding the world that he was the hero of the 6-day war. The U.S.-Israeli paper even went as far as interpreting the clause on refugees as meaning the Arab and Jewish refugees and not just the Palestinian refugees.

Nafi: How do you view your demand for an international conference, to which the United States is opposed, and how do you view the Soviet attitude to the problem prior to the coming U.S.-U.S.S.R. summit meeting?

Arafat: Recently the United States accepted the principle of an international conference but did not approve of the formula we proposed. I believe—and as the Americans said—that this has become a U.S.-U.S.S.R. issue and not just a problem of the Middle East. This was one of the fundamental points raised between Shultz and Gromyko and Poliyakov and Murphy; it will also be brought up between Reagan and Gorbachov.

Nafi: But is the convening of an international conference still possible?

Arafat: At least there is agreement on an international conference by the two parties although there are differences over its formula. For the first time there is an agreement in principle.

Nafi: What is your purpose behind convening an Arab summit to discuss the Palestine problem?

Arafat: Our objective is not to discuss the Palestine problem in particular but to try to stop the camps war and the attempts to evict half a million Palestinians from Lebanon as part of the plan we are now witnessing, the conspiracy to divide the country on a sectarian and communal basis. This is our purpose behind convening an Arab summit.

Soviet Navy given new wartime command

by Konstantin George

Prior to the massive naval exercises by the Soviet Fleet in the North Atlantic in July, the Soviet Navy underwent a wartime command reorganization embracing three of the four fleets in that navy.

The exercises that followed were massive, involving more than 100 warships, submarines, and supply vessels, making these the largest naval exercises in Soviet history. They provoked correspondingly massive surveillance by NATO, whose officials expressed themselves "astounded" at the Soviets' degree of readiness. And yet, the mere size of the maneuvers may not have been their most important feature. Also involved was the exercise of a new, wartime naval command.

A unified command

The three Soviet fleets covered by the command reorganization are the Northern Fleet, based in Murmansk, the Baltic Fleet, and the Black Sea Fleet. Each of the three fleets received a new commander-in-chief. These are the three fleets (the fourth fleet in the Soviet Navy is the Pacific Fleet) which, in time of general war, would engage in combined Atlantic, Baltic, and Mediterranean-Black Sea operations against the United States and NATO. In the event of more limited Soviet warfighting in the European Theater, they would be deployed in either the "Western Strategic Direction" facing Europe, or the "Southwestern Strategic Direction," facing the Balkans and Turkey.

The new commander-in-chief of the Soviets' Northern Fleet, which includes most of the modern Typhoon and Delta III class nuclear missile submarines, the nuclear-powered battle cruiser Kirov, and many modern warships and nuclear attack submarines, is Adm. I. M. Kapitanets, who replaces Adm. A. P. Mikhailovskii in that post. Kapitanets was until recently the commander-in-chief of the Baltic Fleet. Kapitanets's successor in the Baltic Fleet is his former chief of staff, Adm. K. V. Makarov.

In effect, therefore, the command changes place the Northern Fleet and the Baltic Fleet under the unified wartime command of Admiral Kapitanets.

Kapitanets takes over a Northern Fleet that is expanding at an alarming rate. Until very recently, the Northern Fleet had no anti-submarine warfare (ASW) aircraft carriers. By the end of 1985, it will have two.

In June, the carrier Kiev arrived in Murmansk after a two-year re-outfitting in a Black Sea shipyard. The last carrier of

the Kiev Class, the Kharkov, is now undergoing sea trials in the Black Sea. Then, it, too, will be brought up to the North to join Kapitanets' fleet.

The new head of the Black Sea Fleet is Vice-Admiral M. Khronopulo, former first deputy commander of the fleet, who was named to replace Adm. A. M. Kalinin during the last week of June.

This new wartime unified command of all the Soviets' naval forces facing westward was rehearsed during the recent North Atlantic maneuvers, where a single exercise was conducted by units from the Northern Fleet, the Baltic Fleet, and the Black Sea Fleet, under the overall command of Admiral Kapitanets, the Northern Fleet commander. The Baltic Fleet, commanded by Admiral Makarov, participated in the exercises with a task force led by the flagship Grozny, a Kynda Class missile cruiser.

Ground Forces command shifts

The command reorganization of the Soviet navies facing the United States and NATO, follows a year of extensive and still ongoing command restructuring of the Soviet Ground Forces. To date, the commanders of the Soviet Groups of Forces stationed in East Germany, Poland, and Czechoslovakia have been changed, as have nearly all the commanders of military districts in the western Soviet Union. Taken together, these Ground Forces' command shifts embrace the first and second echelons of Soviet invasion forces facing Western Europe.

At the same time, both the Soviet naval maneuvers and recent land maneuvers have revealed a new pattern of training designed to quickly upgrade combat capabilities throughout the Red Army. The new approach involves deployment of elite units from one district (or fleet) to another district, so as to produce a "shock effect" on training programs in the latter.

Soviet military media coverage of July's big land maneuvers in the Transcaucasian Military District—code-named *Kavkaz 85*—indicated that units from the Byelorussian Military District may have participated in these exercises, even though that was never officially announced.

The Byelorussian Military District is the headquarters of the Soviet "High Command West," and during this past winter, it was the test district for radical changes in training overseen by Marshal Nikolai Ogarkov personally. Oarkov at the time was the commander in chief of the High Command West. The units brought over to the Caucasus from Byelorussia were presumably the products of Ogarkov's new methods.

In the July naval maneuvers, a similar pattern was followed under Admiral Kapitanets. An elite task force of landing ships and naval infantry (marines) from the Baltic Fleet practiced an assault landing on the shores of the Kola Peninsula—the home territory of the Northern Fleet's own marine brigade, the 63rd ("Kirkenes") Naval Infantry Brigade. The Kirkenes' assigned war-time task is the seizure of northernmost Norway, at the very outset of war.

On patrons and patriots

The State Department policy is to subvert, demoralize, and destabilize America's friends; Greece is no exception.

Robert Kealey, the new U.S. Ambassador to Greece, was confirmed by the Senate on the basis of testimony in which he repudiated a 30-year-long Greek-American friendship, which he characterized as an era of "patron-client" relations, an era of Greek "dependency" on the United States which should never again return.

Robert Kealey, a friend of Socialist Prime Minister Andreas Papan-dreou and admirer of his anti-American propaganda, affords us a new and unusual glimpse of the new diplomacy inaugurated by George Shultz's State Department since the May 13-15, 1985 Vienna meeting between Shultz and then Soviet Foreign Minister Andrei Gromyko: the new breed of American ambassadors abroad has been assigned to play the role of senior spokesmen of anti-Americanism in the various world capitals where they are posted.

When Richard Burt assumes his office as ambassador to West Germany later this month, he will commence a campaign similar to Robert Kealey's, to demoralize and subvert those political circles and layers in host countries, which, in the years after the Second World War, had built strong ties of friendship and cooperation with the United States of America. The State Department has adopted a wholesale strategy of subverting, demoralizing, destabilizing and disorganizing all the "Friends of the United States" around the world.

In the past, especially during the Kissinger years, we saw this policy applied only on a limited, piecemeal basis. Later, under Brzezinski's stew-

ardship during the Carter administration, this policy of undermining the "Friends of the United States" reached a new quality of drama with the destruction of the Iranian state by the U.S. State Department and National Security Council.

Now, this policy, refined and augmented, is being applied wholesale throughout Europe as a whole, throughout the Middle East, Africa, and Asia. Daily activities of American diplomats in Taiwan, Japan, Thailand, the Philippines, Egypt, Jordan, Saudi Arabia, and so forth, leave no doubt that the American Foreign Service, has gone beyond the "Ugly American" syndrome, and is methodically and centrally deployed to undermine and destroy every social layer in foreign countries who view themselves as "Friends of the United States."

Robert Kealey's testimony in the Senate the previous week, and a subsequent State Department statement in its defense, signal that this policy has now been adopted for Western Europe as well.

The tens of millions of people around the world who call themselves "Friends of the United States," and these peoples' institutions and parties, are not either minor or accidental political phenomena of the modern era. In all longitudes and latitudes of this Earth, these pro-U.S.A. political phenomena evolved and matured over the last two centuries on the basis of a certain simple but deep-going idea, that of nation-building and nationalism. Political leaders, parties, and factions everywhere in the world who

aspired and endeavored to construct modern, sovereign nation-states, invariably associated their domestic nationalist endeavors with sentiments of affection and friendship for the United States. And this is how this country functioned, as it had been designed by its founders, as a "temple of liberty and a beacon of hope," for the whole world.

These "Friends of the United States" in Greece, when they heard the new U.S. ambassador to their country characterize their friendship as a "patron-client" relation and as "dependency," became bewildered and disoriented. The reason for this bewilderment is a misestimation on their part of what has been happening in the United States in recent years. For all the years during which these friends anchored their domestic political fortunes and their nationalist aspirations on support from the United States, they failed to notice that the United States itself was relentlessly under attack from within by the same forces opposing the idea of the sovereign republican nation-state which these foreign Friends of the United States were combatting in their homes.

When this country, the United States, finds itself in a situation where its major citadels of power, such as the State Department, among others, have fallen into enemy hands, do her friends abroad have the right to stop fighting for that same common cause upon which the original friendship was founded?

Concretely, for the Greek patriots who were offended when the traitor Kealey called them mere clients of American patrons, do these Greek patriots pick up the fight alone and by themselves with the hope that their eventual, possible success will succor their old friend in need, or do they abandon friendship and nation and let both die?

García attracts Social Democrats

The Peruvian President's stand on debt has provoked healthy economic debate in the SPD for the first time in years.

The news of Peruvian President García's stand on the debt issue, along with the news of Castro's rival position, reached this city in the middle of the summer parliamentary recess. Nevertheless, lots of activity was provoked.

García's moves are now being watched with much more sympathy than Castro's activities, even by left-wing Social Democrats and trade unionists. "Well, García is a Social Democrat," one might say; true, but he is not acting in very Social Democratic fashion, especially given the general trend of the Social Democrats toward the Soviet camp.

It would not be surprising if the German Social Democratic Party (SPD) came out in favor of Castro. There is much more emphasis on "solidarity with Nicaragua" in the SPD's diplomacy in Ibero-America, for example, than on solidarity with the traditional Socialist or Social-Democratic parties on that continent. Recently, several of these parties in Central America split from the Socialist International because of President Willy Brandt's pro-Nicaraguan policy.

Why, then, should the German Social Democrats be backing García?

There are two reasons. First, the Schiller Institute Labor Commission conference in Mexico City (July 15-16) left an impression on the German unions, both positive and negative, but an impression nonetheless.

Due to SPD Chairman Brandt's sympathy for the World Bank's and Henry Kissinger's recommendations on the debt problem, the Social Democrats have largely abstained from

taking any public position.

But the Christian Democratic government in Bonn has taken a public position—in favor of the IMF, the World Bank, and the creditors. Bonn's Third World Affairs Minister, Jürgen Warnke, attended García's inauguration and had a half-hour discussion with the new Peruvian President. He then made an official statement: "Without, or even against the IMF, the World Bank, and the [creditors'] Club of Paris, a solution to the debt problem is not possible." At his press briefing here on Aug. 2, he characterized "current Latin American discussion on the debt problem" as "largely ideological."

Meanwhile, the Schiller Institute in Germany began to generate telegrams of support to García, including many signed by Social Democrats and trade union members.

In short, the peculiar silence on the part of the "official" SPD obviously left many party members with the impression that a political flank against the conservative government was not being exploited. According to sources inside the SPD, some 15 Social Democratic deputies sent a telegram to Alan García, assuring him of their support for his policy.

In individual discussions, *EIR* has found Social Democrats acutely aware of García's proposals. Mrs. Ingrid Matthaeus-Maier, a member of the financial affairs committee of the parliament, said she was a quite angry at the German media for publicizing Castro's views, while not reporting her own call for a change in the handling of Third World debt. In a second press

statement on Aug. 6, she stated her support for García's "10% formula"—no more than 10% of foreign exchange to go for debt service—and issued a call for an "international conference on Latin American debt."

The SPD's economic policy spokesman, Deputy Wolfgang Roth, said in a private discussion: "García's policy of imposing a 10% ceiling on all debt repayments" could serve as a "model for other countries."

For several years, the official discussion of economics in the SPD has been confined to debates on environmentalism or job-creation schemes based on redistributing the nation's labor force. There has been no debate on exports, nor on world debt and the IMF's role, nor on the call for a new world economic order. Since García's call for political support has reached Germany, this is beginning to change. SPD members are beginning to talk about world economic issues again, and because they control two-thirds of the organized labor movement in Germany, this may also have beneficial effects in the trade unions, which are now preparing "autumn actions against unemployment."

The solution to the economic recession, after all, is not to be found in national make-work programs, but in the establishment of a new world economic order.

As for Brandt, who has given himself the profile of "Mr. North-South," the man who ostensibly cares about the Third World, many Social Democrats have begun to ask why he has abstained from any public statement on García for almost two weeks after the Peruvian President's now famous inauguration address. He actually works for the creditors, of course, but can't be open about that. Brandt must therefore contain the debate, or, sooner or later, stand exposed

Mitterrand's flight forward

French Socialists are dismantling the country's anti-terrorism apparatus, so as not to alienate the Soviets.

The French Socialist government of François Mitterrand chose the summer holidays to take several steps which are worrying not only the domestic republican opposition but also France's traditional neighbors and allies. Mitterrand has appointed Eric Rouleau, the former Middle East Editor of *Le Monde*, France's ambassador to strategically sensitive Tunisia. But perhaps even more important, was the July 31 announcement that Yves Bonnet, the director of France's main counterintelligence agency, the DST, has been put out to pasture.

Minister of the Interior Pierre Joxe did not give his reasons for his appointment of Yves Bonnet as prefect of the city of Quimper, in Brittany; but the signal was so obvious, he hardly needed to do so. For the last two years, Bonnet had been very successfully using the DST as a weapon against international terrorism and Soviet penetration of France. Working from an investigation begun under former president Giscard d'Estaing, in 1983 Bonnet managed to force the expulsion from France of no less than 40 Soviet diplomats, who were involved in a huge and well-ensconced spy ring. Bonnet's move tremendously displeased the Quai d'Orsay, then led by leading appeaser Claude Cheysson.

The expulsion of Soviet diplomats became an issue again in March 1985, when several French media celebrated the operation by providing hitherto unavailable details on the extent of Soviet penetration. This time, it was

the Minister of Industrial Redeployment, Edith Cresson, who became irked: The revelations came out only 24 hours before a meeting of the Franco-Soviet economic commission.

But the underlying reason behind the purge of Bonnet, as well as other members of the DST, is their so-called "American connection." True to his marxist past, Interior Minister Joxe is reported by the weekly *Le Point* to have been enraged over the continuous collaboration between the DST and American counterintelligence agencies in the fight against international terrorism, within the framework of the Anti-Terror Liaison Committee (CLAT), a special committee linking all police and counterintelligence agencies. With the CLAT's assistance, the DST had been able to systematically dismantle most of the Islamic and Iranian terror networks deployed into France—from the expulsion of Ahmed Ben Bella in January 1983, to the arrest in the winter of 1984 of the leaders of the "Lebanese Armed Revolutionary Fractions."

As the new head of the DST, the Socialists have installed Remy Pautrat. With no intelligence background, Pautrat's main qualification is having been on Foreign Minister Claude Cheysson's staff. According to intelligence sources, Pautrat's major task over the coming months may be to arrange the "disappearance" of some files that the Socialists would not like to see in the wrong hands, as well as to oversee current Socialist personnel and operations.

Meanwhile, orders have already come down that most of the DST's major operations against Moscow and its terrorists are to be curtailed, as a gesture of good will by the Socialists, who are involved in delicate anti-American negotiations with Moscow and its satraps.

Eric Rouleau's appointment as ambassador to Tunisia is coherent with this domestic shuffle. Rouleau (whose real name is Elie Rafall), was a founding member of the Egyptian Communist Party after the war, and became a mainstay of one of the Soviet KGB's essential operations from the 1950s up through 1978, the so-called "Solidarity" network founded by Egyptian Communist Henri Curiel.

Though direct connections between Rouleau and the Soviet KGB have never been confirmed, many consider him a "fellow-traveller." As such, he is barred from visiting some of the more sensitive official archives in the United States. His appointment has been sharply criticized in France and in Tunisia.

The Tunisian government, short of risking a major diplomatic crisis with Paris, had no choice but to accept Rouleau's installation. But it let it be known that this new ambassador "will be watched carefully."

Rouleau is also known for his close connections with Khomeini's Iran and Libya's Qaddafi. While a journalist, he mediated the summit between Qaddafi and Mitterrand in November 1984, with the support of Cheysson and Mitterrand's personal lawyer, the present Foreign Minister, Roland Dumas. Rouleau and Dumas have been friends since 1952.

Tunisia was already a major focus of discussions last year between Mitterrand and Qaddafi. At that time, both expressed their concern over the pro-American turn of Algeria and Tunisia.

Neutrality as cowardice

A former Swedish trade union leader debunks the myth of neutrality, and calls for Sweden to join the West.

In an interview to the June 1985 issue of *Das Reichsbanner*, the magazine of the German resistance fighters' organization, the former chairman of the Swedish Transport Workers' Union, Hans Ericson, attacked the notion of Swedish neutrality as cowardice.

Interviewer Franz Hron, a member of the national executive of the Reichsbanner organization, asked Ericson why Sweden closed its borders to many of Hitler's fleeing enemies in 1938, after the Nazi occupation of Czechoslovakia. Was it because the spirit of solidarity with the victims of the Hitler regime had not yet been awakened?

"No, I don't think that it was a question of solidarity," Ericson replied. "The Social Democratic Party of Sweden at the time worked above all against the communists. There was a very clear campaign against the communists, but none against the fascists. Vis-à-vis Hitler and the Nazis they restrained themselves, and I can see a parallel in reverse to the situation today, in which Palme won't support the Polish opposition. . . . He is afraid, because he doesn't want to get into trouble with the Soviets. That is connected to the question of neutrality, which in Sweden also has come to be known as cowardice. People don't take a clear stand, and at that time they didn't want to have Hitler as an enemy. I also think that they didn't want to jeopardize the economic relations to the Hitler regime."

Ericson stressed that "Sweden and the Social Democratic coalition gov-

ernment had gone really far in cooperating with Hitler. German troops, for example, could pass through Sweden from Norway to Germany. When that became known, there was a lot of resistance. In 1943, after Stalingrad, the whole direction in Sweden changed. Now people were against Hitler, and after 1943 there were no longer lots of active Nazis. Many, who were known as Nazis, suddenly didn't want to hear anything about it anymore.

"Nobody had really analyzed the situation. It was never realized, for instance, that there was cooperation of the Nazis with the communists. The Swedes really wanted neither the Soviets nor the Nazis as enemies. Later, in 1945, the government even sent refugees from the Baltic states back to the Russians. That was a heavy moral burden to carry for the Swedish Social Democracy."

Pointing out that the more committed people were to national socialism or communism, the more fanatically anti-American they are, Hron asked "when the process started in Sweden that swung Olof Palme into the anti-American camp?"

"Until 1968, it was quite clear that the Social Democrats were against communism," Ericson said. "But from the time of the student revolts all over Europe, the intellectual circles above all believed in the socialized society, that everything should be nationalized, and that communism and socialism would be better than capitalism. At that time, Palme took part in demonstrations against the U.S. and the

Vietnam war. That was the start of the problems between Sweden and the United States."

Asked about the prospects for the Swedish elections, and the danger that a people so burdened by heavy taxation could be manipulated by some political swindler or demagogue, Ericson admitted that "the Swedes would like a strong leader. We are now in an election campaign. In September, there will be elections, and it is going to be a hard fight. Palme needs all the votes he can get. He has himself admitted, that Sweden is likely to vote for the non-socialist opposition. At the same time, Palme has said, that if the conservative opposition wins, there will be strikes and demonstrations."

The Reichsbanner leader's last question took up the issue of whether it will be possible to make people in Sweden understand, that no country left alone can survive today, and that an alliance like NATO is needed to defend the Free World.

Ericson noted that "for 175 years, Sweden could stay out of any and all wars, and therefore all political parties want Sweden to remain neutral. But if you advocate such a policy of neutrality, then you need at the same time a very, very strong defense capability. The Social Democrats and the government, however, in recent years have destroyed our defenses.

"The Soviet Union is exploiting this situation, and is trying, with a lot of pressure, to turn Sweden into a new Finland. That's the problem. That is no neutrality. The taxes in Sweden are already so high, that you cannot simply say: Let's get even more funds, through taxation, for defense. Therefore, there is only one alternative, and that is signing a treaty with NATO. Because if something were to happen now, then it is clear, that NATO would not help us."

Good news! Banzer defeated in Bolivia

The dope mob's setback gives Bolivia a respite, but the new President seems to have already sold out to the IMF.

The good news is that Gen. Hugo Banzer was defeated in Bolivia's presidential contest. The bad news is that Víctor Paz Estenssoro was the victor. The long-suffering Bolivian nation deserves better.

When neither Banzer nor Paz were able to win an absolute majority in the popular election of July 14, the final decision went to the Bolivian Congress. After a marathon horsetrading session on Aug. 3, Congressional factions joined forces behind Paz Estenssoro. As one Congressman from the party of outgoing President Siles Zuazo put it, it was a case of the lesser evil: "Nothing united us to Paz Estenssoro, but everything separated us from Banzer."

The Congress's choice of the 77-year old, three-time President Paz Estenssoro was universally recognized as an anti-Banzer vote. General Banzer's 1971-78 dictatorship was not only infamous for its open alliance with Nazis like "Butcher of Lyons" Klaus Barbie, but also for opening the country up to the international dope mob, which then proceeded to take over the government outright in the 1980 "cocaine coup."

Banzer's ties to the continent's cocaine traffickers are not merely political and economic, but familial as well. He himself, as well as members of his immediate family—daughter and son-in-law, cousin, and wife—have all been directly implicated in drug trafficking operations. Son-in-law Jorge Arroyo is currently on trial in Houston, Texas, facing nine counts for cocaine trafficking.

Banzer is also the man who, in a bloody military coup in 1971, overthrew nationalist Gen. Juan José Torres and proceeded to slaughter the nation's trade union and opposition forces. Barbie and other Nazis were hired by Banzer to serve as his "security consultants" in the government's notorious torture chambers.

Banzer's candidacy this time around received the unabashed support of the Kissingerians in the Republican Party and U.S. State Department. The Republicans invited Banzer to attend their annual convention in Dallas last year as an "honored guest," along with fellow drug pusher and fascist José Angel Conchello of the Mexican PAN party. In fact, so certain of Banzer's victory were the Kissingerians that representatives of Bolivia's future economics team were fêted at Republican barbecues in Washington.

However, with all the economic devastation that Bolivia has undergone, the country's legislators were equally certain that a second Banzer/Dope, Inc. government would seal the doom of Bolivia as a nation. Many of the smaller centrist and center-left parties which agreed to back Paz against Banzer did so in the hope that the new government could be pressured into taking a more nationalist posture than Paz's own inclinations promised. The example of President Alan García in next-door Peru is there to show the way.

Thus far, however, the newly inaugurated Paz Estenssoro is following a path which will prove not only dis-

astrous for Bolivia as a country, but suicidal for his own administration as well. On his first day in office, Paz announced plans to implement a drastic austerity program as part of his intended rapprochement with the International Monetary Fund and renewal of debt payments.

The program will include, among other measures, a maxi-devaluation of the already worthless Bolivian peso to "stimulate" mineral exports, ending subsidies on basic food items like wheat, sugar, and rice, and raising the price of gasoline and other fuels. The end of food subsidies will spell genocide for a population barely surviving at subsistence levels now.

In addition, Paz's campaign pledge to seek a refinancing of the country's \$5 billion foreign debt can only mean embracing the already flourishing drug trade as a source of revenue for servicing the debt.

The Bolivian military, which has repeatedly staged coup d'états over the past decade, has for the moment apparently accepted the congressional consensus behind Paz as a guarantee of at least minimal stability in the new government. Armed Forces commander-in-chief Gen. Simon Sejas greeted the inauguration of Paz with a reaffirmation of the military's respect for the constitution, pledging that the armed forces would serve as "the firmest pillar of support that guarantees democratic liberties."

Nonetheless, if Paz pursues the IMF austerity regimen he is promising, he is more than likely to destroy the delicate congressional alliance which placed him in power. In that event, the Banzer forces—already predicting that "Paz won't last four years"—could more easily pull off a coup d'état against the new government, which they threatened during the days before the congressional vote.

International Intelligence

Genscher hails new age of détente

West German Foreign Minister Hans-Dietrich Genscher thinks the "special European identity" has now been strengthened, and Europe is on the verge of "a new phase of détente policy" with the Russians, according to an interview appearing in the German weekly *Der Spiegel* on Aug. 5. The interview was issued after last week's gathering of 35 foreign ministers in Helsinki, for the 10th anniversary of the Conference on Security and Cooperation in Europe (CSCE).

In Helsinki, Genscher met on Aug. 1 with his new Soviet colleague, Foreign Minister Eduard Shevardnadze, and came away professing himself convinced that Moscow, too, wants this "new détente." Upon returning to Bonn on Aug. 2, Genscher met with Henry Kissinger.

In the interview, Genscher reiterated his opposition to the U.S. Strategic Defense Initiative, lying that "even an SDI functioning at 100% efficiency" would not protect Germany against Soviet short-range missiles. He then proposed a "security partnership with the Soviets"—known in other quarters as slavery. "There is one alternative to the arms race, one option, which is called cooperation."

Appearing on West German national television on Aug. 4, Bavarian state governor Franz Josef Strauss, challenged Genscher's "new détente" as an "empty shell." Said Strauss, "Today, one will receive flowers in Moscow only by distancing oneself from the Americans and by condemning Reagan's policy."

On the same day, Willy Wimmer, a parliamentarian from Chancellor Helmut Kohl's Christian Democratic Union (CDU), attacked the concept of "security partnership" with the Soviet Union as "fatally misleading." The Soviets, he said, stand "armed to the teeth" at the German border and are threatening Germany with their missiles.

Chancellor Kohl also issued a veiled warning to Genscher, ordering the official

government spokesman to announce that the position of foreign minister will be decided anew after the elections in 1987.

Soviets aim to 'terrorize' Germans

The former U.S. Ambassador to France, Evan G. Galbraith, warned in a speech on Aug. 6 in Washington, D.C. that "the fundamental effort of the Soviet Union today is to intimidate and terrorize West Germany . . . which would lead to neutralism on the part of West Germany and demilitarization—pulling out of NATO, which would set the stage for the Soviet Union to dominate Western Europe without firing a shot."

In a direct attack on the State Department and the policies associated with the newly appointed U.S. Ambassador to West Germany, Richard Burt, Galbraith also attacked the growing exchanges and assistance that both the SPD and the FDP are providing to East Germany. "This is sort of what I call back-door détente, and I think this sort of policy has been encouraged in the State Department and I think it is a major mistake," he said.

EIR report on Soviet unconventional warfare

On Aug. 15, *Executive Intelligence Review* will release a 96-page *Special Report*, "Soviet Unconventional Warfare in Ibero-America: The Case of Guatemala."

Presented in its pages is a danger U.S. intelligence has failed to identify, that has been blacked out from the American population: Within the next six months, Guatemala could fall into the hands of a Soviet-backed narco-terrorist insurgency, if appropriate measures and aid are not provided.

Guatemalan officials are requesting urgent U.S. assistance to stop the plans of the international drug mafia to consolidate Guatemala as a new base of operations. Poppy

cultivation has now been introduced; marijuana plantations have expanded greatly; hundreds of landing strips in the Pacific coastal plain now serve as refueling stops for small planes on their way from South America to the United States.

The marriage of the drug mafia with Guatemala's terrorists, carrying out scorched-earth policies as brutal as the Peruvian Sendero Luminoso (Shining Path), has produced an insurgency which is increasingly better-armed than the Guatemalan military, equipped with the modern equipment drug-dollars can buy.

Yet, the U.S. State Department and Congress still maintain the military embargo begun against Guatemala by the Carter administration, on "human rights" grounds.

Written as a war manual for defeating narco-terrorism, keyed to a strategic map of the insurgency, the report situates the threat to Guatemala as part of the narco-terrorist threat to the continent as a whole, with information vital to carrying out the War on Drugs to which President Reagan has committed the United States.

An accompanying public-education videotape, suitable for broadcast use and including interviews with leading Guatemalan officials, has also been produced, as has a slide-show kit on the same material.

Sudan stays out of maneuvers

The four-month-old military junta in Sudan has refused to participate in scheduled U.S. military exercises in the Mediterranean with Egypt and Somalia. The State Department, however, says, "We have no indication that there was Libyan influence" in Sudan's decision.

Sudan recently signed a cooperation treaty with Qaddafi's Libya, and has received financial aid from the terrorist dictator.

Egyptian and U.S. military forces began the air, sea, and land maneuvers known as "Bright Star" in Egypt's western desert and

as "Bright Star 85" along the Mediterranean coast, in the first week of August. The exercises include a landing by Marines on the Mediterranean shore west of Alexandria. This is the third such exercise since 1980.

"These maneuvers are in the interest of the Egyptian Armed Forces because they afford them the opportunity to acquaint themselves with the latest military technology," Prime Minister Kamal Hassan Ali said in an interview on Aug. 3.

London's Economist backs American SDI

The Aug. 9 issue of London's *Economist* magazine has endorsed the Strategic Defense Initiative, in a cover-story feature entitled, "The Case For Star Wars." It argues:

"There are obvious attractions in reintroducing the idea of defense into a world where it has seemed that murderous attack can be met only by murderous counterattack. These attractions justify the spending of large sums of money on anti-missile research. They may even justify carrying the venture into space, if the patrolling of empty space seems likely to make the inhabited Earth safer."

The article, published by one of Europe's leading advocates of a "New Yalta" understanding with the Soviet Union, and whose editor, Andrew Knight, heads the Anglo-Soviet Roundtable, comes only one week after a feature analysis of the recent Soviet naval maneuvers off the Norwegian Sea. That analysis contained an uncharacteristically accurate assessment of the role of Marshal Nikolai Ogarkov, Soviet wartime commander for the Western Theater.

The *Economist* called for "negotiating a roughly simultaneous Russian and American deployment of these weapons . . . by Russia and America agreeing to amend the 1972 ABM Treaty so that in the future new anti-missile systems cannot be deployed with less than, say, three or four years' notice."

The piece takes up various arguments against the deployment of SDI defense, dis-

missing each, adding: "If Marshal Nikolai Ogarkov really has been restored to favour in Moscow, that almost certainly means that Russia too is a convert to Star Wars." They add that, following the initial skepticism, attitudes regarding the desirability of the SDI have changed because, "since 1983 a lot of people have come to see the idea as more workable and less immoral than they had first thought."

Thai vasectomist under heavy fire

Mechai, the Thai vasectomist who suffered international embarrassment thanks to a Club of Life exposé of his methods of getting men to agree to a vasectomy as part of his "population control" campaigns, is behaving most strangely these days. According to the Thai press, Mechai has sent boxes of condoms to all living former presidents of the United States—Nixon, Ford, and Carter.

Mechai was humiliated when a much publicized vasectomy of one Tek Kor, a proud father of 23, failed to come off. Tek Kor refused the operation, in front of an international press corps, because he said he had been promised tens of thousands of dollars by Mechai, who had then reneged. Mechai had withdrawn the offer only one hour before, when a representative of the Club of Life, an international organization founded by Helga Zepp-LaRouche, challenged him on the bribery.

The most influential gossip columnist in Bangkok reported in the *Thai Rat* daily paper that Mechai gets \$20 a head for every man he vasectomizes. The money comes from "foreign places." Soon, this columnist suggests, Thais will have long noses—implying that Mechai is in the service of Anglo-Saxons vasectomizing Thai men in order to destroy the race.

Mechai's mother, this columnist points out, is Scottish, and according to one reliable source, she nearly had a heart attack when she heard that Tek Kor would not go ahead with his planned July 4 vasectomy.

Briefly

● **BISHOP TUTU**, the Nobel Peace Prize winner and moderate leader of South African blacks, openly defied a government ban on any preaching that mentions political issues at funerals Aug. 5. Citing the Apostle Peter's dictum that the law of God must be served when the law of man contradicts it, the Bishop interposed himself between black mourners and white security forces, preventing a violent confrontation.

● **BAGHWAN SHREE** Raineesh, who runs a drug-running cult with bases in Oregon and West Germany, told an interviewer for the Aug. 5 *Der Spiegel* magazine of his feelings for Adolf Hitler: "I love this man. He was crazy. But I am even more crazy. . . . He never listened to any of his generals—yet, he only won in five years of war." Further: "Hitler was, essentially, a Hindu, even more so than Gandhi. He was a sacred man." Confessing that he wants "to take over the whole world," Baghwan said that "Jesus Christ knew nothing about religion. He was a psychiatric case, because he believed he was God's son and the savior of the whole world."

● **EIR'S GLOBAL SHOW-DOWN** report ("The Russian Imperial War Plan for 1988") was the subject of a broadcast beamed into into Czechoslovakia the evening of Aug. 5 by the Slovak-language Radio Liberty/Radio Free Europe. The broadcast was based on an interview with two of the report's authors, Konstantin George and Clifford Gaddy.

● **SOUTH PACIFIC** nations will sign a treaty declaring the area a "nuclear-free zone" very soon, according to New Zealand Prime Minister David Lange on Aug. 6, after the opening of a South Pacific Forum meeting. Member nations will not manufacture, deploy, or test nuclear weapons, or permit dumping of radioactive waste.

Brzezinski-Shultz alliance to sell out Western Europe

by Kathleen Klenetsky

The Trilateral Commission, the private think-tank bankrolled by David Rockefeller in 1973 to propagate the Western oligarchy's "New Yalta" appeasement policy toward the Soviet Union, is mounting a major effort to seize control of the Reagan administration.

Operating primarily through Secretary of State George Shultz and White House Chief of Staff Don Regan, the Trilateraloids are attempting to turn the second Reagan administration into a Republican version of the Carter regime—even to the extent of elevating Zbigniew Brzezinski, the man who taught Jimmy Carter everything he didn't know about strategic and foreign policy.

The policy implications of this are ominous: First, the Trilateral Commission wants to get rid of the Strategic Defense Initiative, or to water it down to the point that it becomes militarily meaningless. This means shunting Secretary of Defense Weinberger to the sidelines, or, better yet, forcing his resignation.

Second, significant Trilateral influence within the administration means that the United States, under the impact of a growing economic crisis, will turn to the same kind of economic "solutions"—wage-gouging, skyhigh inflation, the elimination of social services—that has decimated the developing sector.

Third, it also ensures that the "decoupling" of Europe from the United States, which has long been a Trilateral goal, will soon go into final phase, sending Europe into the orbit of the Soviet Union, and turning the United States into an isolated, third-rate power. Brzezinski, mentor to new U.S. Ambassador to West Germany Richard Burt, is an outspoken proponent of the "Austrianization" of Europe.

According to Mark Albrecht, a spokesman for Sen. Pete Wilson (R-Calif.), Brzezinski, the Carter administration National Security Adviser, the author of the "Arc of Crisis" doctrine that handed Iran to the Ayatollah Khomeini, and the former North American executive director of the Trilateral Commission (he is still a Commission member), has been

named to a panel that has been charged with conducting a reassessment of United States strategic military doctrine.

Though the panel has yet to be officially announced, sources have told *EIR* it will consist of the following individuals: MIT Provost Jim Deutsch; Adm. James Woolsey (ret.); Gen. Jasper Welch (ret.); Gen. Bernie Schriever (ret.); Robert Evert, president of the Mitre Corp.; Charles Townes; Harry Rowen of Stanford University; Michael May of Lawrence Livermore; Daniel Fink; and Gen. Russell Dougherty (ret.) of the Air Force Association. With few exceptions, the board is heavily weighted against the SDI. Charles Townes, for example, was a key member of the Scowcroft Commission (headed by Kissinger Associates president Brent Scowcroft), which set the stage for the MX's scaling back. Townes also defended the 1984 Office of Technology Assessment's report assailing the SDI, even after its technical premises had been ripped to shreds.

The panel was mandated by an amendment to the FY 1986 defense budget bill sponsored by Sen. Wilson, a prominent member of the Senate Armed Services Committee. It orders the administration to name a panel of "experts" to review the U.S. strategic modernization program, and to make recommendations on the MX, the Midgetman, the SDI, and other key weapons systems. The panel must report to Congress by early February 1986.

Senate sources have disclosed that Wilson belongs to a small, but growing, group of "moderate-conservative" Republican Senators who claim that the United States lacks a coherent strategy, and that Weinberger has been "fixating on weapons systems, at the expense of strategy." The group's hardcore includes Sens. Warren Rudman (R-N.H.), Dan Quayle (R-Ind.), Phil Gramm (R-Tex.), Malcolm Wallop (R-Wyo.), and Wilson. For the past year, they have been meeting with such self-styled strategic experts as Brzezinski, former RAND Corp. analyst Albert Wohlstetter, and Jimmy Carter's Energy Secretary, James Schlesinger, to get advice on how to force a shift in strategic policy. These fools are

promoting Brzezinski as the “hard-line” counter to Shultz and McFarlane!

Albrecht confirmed an Aug. 5 syndicated column by Evans and Novak which reported that these Senate Republicans have been avidly boosting the former Carter adviser at every opportunity, and were instrumental in securing his appointment to the defense review panel. He also confirmed the columnists’ leak that the Senators met with Don Regan the first week of August to discuss the Brzezinski appointment, and to urge Regan to get more deeply involved in national security issues. Asked if it wasn’t strange that Regan, who conspired to freeze the defense budget and to cut off Weinberger’s access to the President, was now being looked to as a savior of America’s military, Albrecht replied: “No. What we’re talking about doing doesn’t mean more money. In fact, it might mean less money” for defense.

According to the column, “Rudman was so impressed with Brzezinski’s article on strategic defense in the July 8 *New Republic* that he sent copies to 200 key members of Congress and the administration. . . . Rudman and another Republican moderate, Sen. Pete Wilson of California, have led the call for at least parttime help from Brzezinski on overdue strategic planning.”

Assault on Mutually Assured Survival

The Brzezinski article is a frontal attack against President Reagan’s doctrine of Mutually Assured Survival. Brzezinski calls for limiting the Strategic Defense Initiative to a defense of America’s land-based strategic offensive missiles—a reinforcement of MAD—and to trade away the SDI altogether if the Soviets agree to limit their deployments of offensive nuclear missiles.

“The U.S. should drop or at least de-emphasize President Reagan’s idealistic hope for total nuclear defense for all our population,” writes Brzezinski. “We should also abandon our unwillingness to consider SDI in the bargaining process. If we implement that part of the SDI program which by the mid-1990s would enable us to disrupt a Soviet first strike, we would reinforce deterrence and promote nuclear stability. That means concentrating on terminal defense and boost phase interception. Once we establish our determination to act on the SDI, we are in a better position to strike a bargain. . . . In return for significant reductions in SS-24s, SS-25s, SS-18s, SS-19s, the United States would not deploy its strategic defense system.”

Aides to Senators involved in boosting Brzezinski have acknowledged that a key objective is to reshape the SDI, a goal which the new defense policy board is expected to achieve. “Sen. Wilson agrees with Zbig that the goal of the SDI shouldn’t be population defense,” said Wilson’s staffer. “He thinks SDI’s emphasis should be shifted from exotic technologies to near-term technologies for defending our missiles.” Henry Sokolski, a former Heritage Foundation fellow and now legislative assistant to Sen. Dan Quayle, spoke in the same vein: “Look, if you have a limited budget

for the SDI, doesn’t it make sense to emphasize technologies which can be brought on line right away,” even if they don’t provide population defense?

Finlandization of Europe

Brzezinski’s policies involve a much deeper betrayal of the Western Alliance than even the abandonment of the SDI, and indicate the policy content of the Trilateral coup-in-the-making. In a *New York Times* op-ed on Dec. 27, 1984, Brzezinski, citing the “positive experience of neutral Austria and Finland,” called for the neutralization of Western Europe, the withdrawal of U.S. ground troops, and the economic integration of the European Economic Community with Eastern Europe.

Cloaking his argument in anti-Soviet rhetoric, Brzezinski, like his fellow Trilateral Commissioner Henry Kissinger, wrote that the Soviet empire is in a state of terminal economic decay, fueled by the Russian military buildup, rendering Moscow open to a new strategic *modus vivendi* on the Eurasian continent. Such a new Yalta agreement, Brzezinski said, must be based on an independent European defense which “would represent a giant step towards a politically more vital Europe, yet a Europe that would be less at conflict with the Soviet Union than a Europe hosting a large American army. *A gradually reduced American ground presence would create pressure from even the existing Eastern European regimes for a commensurate Soviet redeployment, thereby gradually creating a more flexible political situation.*”

It is only appropriate that Brzezinski’s public unveiling as a White House “insider” came the same day Richard Burt was sworn in as the U.S. ambassador in Bonn. Burt’s credentials as a foreign policy “thinker” came largely as the result of a dozen or more Carter-era classified leaks he received from Brzezinski and published in the *New York Times*. When Burt landed a position with the Reagan transition team in December 1980, the *Washington Post* speculated, “Maybe Burt can hire Zbig for a job in the new administration.”

Last year, when President Reagan appointed a left-wing social-democrat and Brzezinski protégé, Max Kampelman, to head the U.S. delegation to the strategic arms talks in Geneva, conservatives in both the civilian and military ranks confidently claimed it was a Reagan administration “strategic deception” obscuring the President’s unflagging commitment to the SDI. When Kampelman and Brzezinski co-authored (with Reaganite Robert Jastrow) a *New York Times* magazine piece spelling out the abandonment of the SDI doctrine of Mutually Assured Survival, the same conservatives took a deep breath, but stuck to their Pollyanna forecasts.

With Richard Burt due to arrive in Bonn on Sept. 8, and with Brzezinski poised to become a top strategic adviser to the administration, one wonders how long it will be before it becomes utterly impossible for anyone to distinguish the administration of Ronald Reagan from the Trilateral administration of Jimmy Carter.

Voters offered two flavors of fascism

by Susan Kokinda

A public falling-out has occurred between the Kennedy-linked Paul Kirk leadership of the Democratic Party and a self-described band of populist mavericks, over whether to market the party's image as "right-wing" or "left-wing." Whatever label is slapped on the product, the content of the Democratic Party's policy is the same—brutal austerity, administered on a post-industrial rubble-heap. This article will examine the content of what Libyan-linked Jesse Jackson calls his party's "radical shift to the right," while next week we will look behind the rhetoric of those advocating a "left" shift.

The hallmark of the right-shift is the effort by Democratic National Committee Chairman Paul Kirk, a long-time Ken-

nedy family retainer, to erase the image of the party as captive to "special interests" such as feminists, minorities, homosexuals, peaceniks, environmentalists, etc. Kirk has already instituted reforms to reduce the role and power of various special-interest caucuses.

However, under the guise of repatriating mainstream Democrats and reducing the influence of the "special interest" groups, Kirk is creating the conditions for the Democratic Party to become a vehicle for austerity. Under the color of not listening to the Gay Whale Lovers for Peace, the party will also no longer listen to a trade unionist demanding a decent industrial job or a community demanding support for health and education.

This was the theme of the inaugural meeting of Kirk's Democratic Policy Commission on July 10. Originally set up by Kirk, the DPC is composed of 100 elected Democratic Party officials ranging from U.S. senator down to local city councilman and is charged with developing a "new policy" for the party. Nebraska Gov. Bob Kerry sounded the theme of the meeting, declaring, "We must ask for a commitment to sacrifice for the community." Madeline Kunin, governor of Vermont, continued the theme: "There are limited resources. . . . The Democratic Party has to show that it, too, can make the hard-nosed financial decisions to make us worthy of support." Speaker after speaker declared that the party

Texas by-election: no 'new collar' Dems here

While Republican Party strategists dream of becoming the majority party, as a result of the "Reagan Revolution," and Democratic media whiz-kids coin phrases such as "new-collar Democrats" to describe their imaginary constituency, the vote in the 1st Congressional District in Texas on Aug. 3 demonstrated a very simple point: Democrats can still win elections in the South, if they distance themselves from the liberal, zero-growth Harrimanite orientation of the national party leadership.

Democrat Jim Chapman defeated Republican Edd Hargett by a slim 51-49% margin. The election was necessitated when freshman GOP Sen. Phil Gramm arranged the appointment of Democratic Rep. Sam Hall to the federal judiciary. Gramm, who is attempting to shore up his position as a party leader in Texas, thought it would be a feather in his cap if the Republicans captured this traditionally Democratic seat. He chose Hargett, a former Texas A&M quarterback, as an "electable" Republican, and brought in Vice President Bush and Treasury Secretary Baker to stump for him. Hargett spent more than \$1.5 million to campaign.

The Democrats are using Chapman's victory to push the trade deficit as the key to their future success. This issue emerged after Hargett said, "I don't know what trade policies have to do with bringing jobs to East Texas." Democrats jumped on this, pointing to the closing of the Lone Star Steel plant in the district, with more than 2,000 layoffs, as proof of the failure of Reagan trade policies.

Sen. Lloyd Bentsen stumped for Chapman on this issue, as did State Democratic Party chairman Bob Slagle (rumored on his way out due to his dismal record). DNC Chairman Kirk also said that the vote was a rejection of Reagan's policies, and points the way for Democrats in 1986.

Before popping the champagne corks in celebration of 1986 victories, Democrats should hear the assessment of a Chapman aide. "If Chapman would have been a typical, liberal Democrat," he said, "his stand on trade would have made no difference. He would have lost by a wide margin." Chapman distanced himself from the national party, referring to himself as an "East Texas Democrat." This means a lot in a district once represented by Wright Patman, a close ally of Sam Rayburn, where the Democratic majority still is made up of the "FDR coalition" of labor, minorities, farmers and small business, supporting both a strong national defense and an active government role in infrastructure projects.

had to learn to balance its commitment to compassion with the fiscal realities of the 1980s.

Those "fiscal realities," as defined by the international banking community, translate into policies of genocide for which Richard Lamm, the Democratic governor of Colorado, has already become notorious. Lamm's arguments that the United States can no longer afford to keep the elderly and the very ill alive is only an advanced version of Kirk's "break" with constituency groups.

Sen. Ted Kennedy's headline-grabbing support of the "line-item veto," a shibboleth of right-wing Republicans, is cut from the same cloth. The line-item veto allows the President to veto specific programs in a bill, rather than the cumbersome and constitutionally established process of vetoing an entire bill. This will emasculate the spending powers of Congress, which (for good or ill) are a crucial aspect of the American representative system of government, and will make austerity easy to administer.

Of course, the Democratic Party doesn't come out and declare that its 1986 program is a rewarmed version of Nazi Economics Minister Hjalmar Schacht's policies. It has cloaked its policies in the technobabble of a media-dominated society and has even discovered a new class of Americans who allegedly will support these policies. Dubbed the "New Collar Class," by MIT professor Ralph Whitehead, Jr., these Americans outnumber the much-publicized Yuppies by a 7:1 ratio. The member of the "New Collar Class," is young, family-oriented, earns a low to low middle class income, and works in the service sector. The new-collar worker is a heavy TV watcher, whose favorite programs are *Saturday Night Live*, *Entertainment Tonight*, and *Monday Night Football*, reads *People*, *TV Guide*, *Women's Day*, *Sports Illustrated*, and *Road and Track*, and has the highest incidence of VCRs in the home.

This "new collar class" is what used to be a blue-collar, industrial worker. The Democratic Party has abandoned the technologically progressive, productive worker who sought a better life for his children than himself, as a dying breed. Instead they preach advertising slogans to the "new collars"—post-industrial, service-sector workers who have turned to *Dallas* and *Dynasty* as solace, while the American Dream and Western industrial society disintegrate outside their viewing room.

Indeed, outside of the calls for austerity and sacrifice put forward at the June 10 Democratic Policy Commission, the "policy-makers" sounded like a series of TV commercials gone berserk:

"I think the greatest challenge facing us is to find the metaphors."

"We must remember three things: modern, moderate, and mainstream."

"Our problems have been perception, message, and messenger."

"We have to remold a structurally sound model."

Welcome to the new Democratic Party!

Interview: Steve Trott

'We'll fight drugs with Colombia'

U.S. Assistant Attorney General Steve Trott, in charge of the Department of Justice Criminal Division, gave the following interview to Executive Intelligence Review Washington Bureau Chief Nicholas Benton live on EIR's daily Washington radio show on Aug. 6:

EIR: We have learned of the extraordinary raids which have been undertaken by combined federal, state and local authorities to root out the marijuana production in the United States. Can you give us an update on how it went during the first day?

Trott: The first day showed productivity in 32 out of the 50 states where this is going on. We were able to identify 336 different plots where marijuana was being cultivated. We were able to seize 105,000 plants by 8 p.m. last night. We made 54 arrests, recovered a number of weapons, a number of booby-traps and unfortunately there was even one shooting at a helicopter in Arkansas.

EIR: This is all on what is technically federal property, is that right?

Trott: It is really on a combination of both federal and state property. This is a program that is aimed at both. But you are right in pointing out that a lot of marijuana cultivation is going on on federal property, which is, of course, held by the federal government in trust for the American citizens.

EIR: 106,000 marijuana plants. How much marijuana is that?

Trott: I don't exactly know what size they were, in what condition they were. Let me just say it is a very sizable amount. But the more important thing is that this is the beginning of a long-range program that is being conducted by law enforcement, not just federal law enforcement but state law enforcement and local law enforcement, to attack the marijuana cultivation problem in the United States. We're in this program for the long haul, not just a one, two, three day program, or for a month. This is a serious problem and we are going to follow it to the end.

EIR: I understand that the Drug Enforcement Administration just completed an environmental impact study which indicates that you may be again using herbicide in dealing

with the marijuana problem. It is my understanding that it is not being used now, but that it has been proven that it is safe and may be part of the program in the future.

Trott: That's distinctly possible. The program that we are using right now does not rely on herbicides or spraying. If we are able to determine that the use of herbicides would be absolutely and perfectly safe to the environment and human beings, there is a possibility the DEA might decide to resume that program.

EIR: But it is my understanding that this is what that environmental impact study concludes, is that right?

Trott: That's correct, and we've found in other places around the world, for example in Mexico and recently in Colombia, that herbicides have been used with great effectiveness. I might point out that these same herbicides are used everywhere right now by farmers throughout the United States to protect the crops that they regularly use, and they have been found in no instance to be a hazard to human beings.

EIR: What you're getting a lot on the national news media is commentary that this may be a good PR stunt, but that you really can't win the war on drugs.

Trott: We see it as a war on drugs. But we don't see it as winning or losing in the sense that people talk about those terms for baseball games or football games. We see this as a long-term commitment to the youth of America, and to the decent people of America and to families of America to try to knock out a problem that for unfortunately a long time has menaced many people in this country. The American public has been dangerously misled over the last 20 years about the hazards of marijuana use. It now turns out it has serious health problems associated with it. It has serious birth defects problems associated with it, it is a poison that gets into the mind, the spirit and the body. It erodes productivity and it robs young people of their opportunity to grow up and become productive members of society.

I am a parent and I personally think, on the basis of my experience as a parent and a law enforcement person for 20 years, that the greatest danger to young people in this country is to become involved in drug use at a young age, and all of a sudden to wake up as a young adult and realize that the educational opportunities and abilities to grow up have been squandered because you spent most of your time in a stupor. I think parents realize that this is not a victimless crime, and parents appreciate the efforts that are being made to protect people from this hazard.

EIR: We have followed with great interest all of the moves which Attorney General Meese has taken to introduce legislation to launch a comprehensive war on drugs and declare bank laundering of drug money officially illegal, to make illegal the so-called "designer drugs" that are now menacing the population, and so forth. This marijuana eradication effort falls in coherence with this. One important question I

know a lot of parents often raise involved in concern for drugs is whether there is going to be a more favorable environment in which the general public can get involved and pitch in. We hear reports often that parents can identify the license plates of cars parked outside of schools and can't really do anything to get enforcement because of the overwhelming nature of the problem. Maybe these efforts are going to turn this around. What words do you have for the parents about their involvement in this program?

Trott: We want the parents to be encouraged that the law enforcement is doing everything that it possibly can at all levels to fight this problem and to protect their children. We have established that the drug war is really our number one law enforcement priority. We are out in the international environment talking to foreign countries about the production problem, we are doing something here. The Drug Enforcement Administration is involved working with high school coaches to try to get to the kids in that sense. But we think that the parents ought to support educational programs in their schools, and call local law enforcement with information they have. I think they'll find law enforcement today is much more receptive than it was ten years ago. We now see marijuana as the dangerous problem that it is, as the menace it is, especially to children, and we're going to spare no effort to try to do something about it.

EIR: I'm told that this raid is designed not only to actually get at the problem, but also to be a demonstration for our friendly countries abroad to engage in similar programs. Do you have any update on any moves toward international cooperation in dealing with the trafficking?

Trott: Yes, I do. I just came back from Bogota, Colombia where I met with the Attorney General in that country. The eradication program down there is marvelous. They are almost at the point of knocking out the entire marijuana crop in Colombia, which is an enormous achievement. They wanted to know from the beginning whether we were serious about this, because when we go down to Colombia and say, "What are you doing about all the drugs you're producing," do you know what they say to us? They say, "What are you doing about your market? If you didn't have people in the United States spending \$80 billion a year for this stuff, our peasants wouldn't be growing it in their fields." And they're right. We have to tell the Colombians, "We are in this together. We'll work together on this. You eradicate, we'll eradicate. You prosecute, we'll prosecute. You extradite, we will extradite." No single country standing alone can fight this problem, but all countries standing together can, and that's the international cooperation that we're beginning to forge.

EIR: It is encouraging that the environmental impact study is now in and hopefully we can get back to using paraquat and other means to wipe out this crop in the United States.

Trott: The Colombians and the Mexicans are doing that right now, with no danger to human beings at all.

Pentagon opposes new Geneva protocols

The changes to declare terrorists "combatants" would open the door to the spread of separatist terrorism.

Administration officials have told Washington area journalists that the Department of Defense will be registering long overdue opposition to the ratification of new protocols of the Geneva Conventions, which grant combatant status and protection to organizations involved in terrorist activity.

A weak critique of the protocols, which focuses in a superficial manner on the claims of the PLO and various Soviet-sponsored African movements, was recently leaked to Leslie Gelb of the *New York Times*. Prepared by Deputy Assistant Secretary of Defense for Negotiations Policy, Douglas Feith, the paper ignores the importance of the protocols to the insurgencies threatening the nations of the advanced sector, and discusses only those cases of concern to Israel's Ariel Sharon, Henry Kissinger, and their friends at the State Department.

The protocols focus on the need to establish rules of war which cover "national liberation movements" (as defined by various U.N. resolutions) and the type of warfare waged by such movements, otherwise not treated in the original Geneva Conventions.

Since the protocols avoid any real definition of what constitutes a legitimate claim to sovereignty, and make arbitrary the definition of who can legitimately present such a claim, they open the door to all of the Soviet-backed particularist movements being coordinated by the modern Nazi International.

Regional legislative bodies, such as the European Parliament, which

have been promoting the claims of separatist terrorists for years, could place the Basque, Corsican, and Alsatian terrorists (all with personnel interchangeable with the German Red Army Faction, RAF) under the conditions of the protocol.

The new protocol states: "...Combatants are obliged to distinguish themselves from the civilian population while they are engaged in an attack or in a military operation preparatory to an attack. Recognizing, however, that there are situations in armed conflicts where, owing to the nature of the hostilities an armed combatant cannot so distinguish himself, he shall retain his status as a combatant, provided that, in such situations, he carries his arms openly:

"A. during each military engagement, and

"B. during such time as he is visible to the adversary while he is engaged in a military deployment preceding the launching of an attack in which he is to participate."

Even if a terrorist should violate these vague and arbitrary conditions (where the burden of proof is on the state to show that a dynamite-laden car is engaged in a terrorist act, and not in a "military deployment"), he "shall be given protections equivalent in all respects to those accorded to prisoners of war by the [GPW] and by this protocol."

This last condition formalizes the long-standing demands of Amnesty International and the International Association of Democratic Lawyers, that RAF and Red Brigades terrorists be

treated as Prisoners of War in prisons. Federal officials in West Germany, pressured to acquiesce to such conditions for jailed RAF members, had to watch as terrorists fraternized and organized "psychological support groups" to run the hunger strikes which triggered waves of terrorism in Europe. The protocols, if ratified, will make such activity impossible to prevent.

The new protocols were drafted during a three-year international diplomatic conference, which met between 1974 and 1977, under the auspices of the International Committee of the Red Cross, to revise and augment the 1949 Geneva Conventions for the Protection of War Victims.

Protocol I confers on regional political bodies (such as the OAU, or, perhaps, the European Parliament), the job of identifying which group has a legitimate claim to combatant status as a national liberation force. Once achieving this status, members of the identified movement are entitled to POW status under terms of the Geneva Conventions, and cannot be prosecuted under the civil law of the nation in which they are operating. Protocol II removes the traditional responsibility for armed parties to a conflict to identify themselves as combatants (wear a uniform), and to carry arms openly.

The "legal" basis for these dangerous provisions was delineated by the East German representative to the conference who pointed out that "The General Assembly [has] declared that "armed conflicts involving the struggle of peoples against colonial and alien domination and racist regimes are to be regarded as international armed conflicts. . ."—no longer classed as domestic issues—and thus subject to the terms of the conventions, as defined by the new protocols.

Kissinger Watch

by M.T. Upharsin

His hands in every pie

There is hardly a place in the world where Henry Kissinger is not sticking his dirty hands these days.

It is to be expected that this Rockefeller-financed thug will insist on poking his nose into Ibero-America, as his appointment as head of President Reagan's Bipartisan Commission on Central America gave him status as an "authority" in that part of the world. On cue, a whole chorus of drug mafia-related figures in South America, as well as a number of blackmail victims like Colombian President Belisario Betancur, have begun a chorus of demands for the "mediation" of the murderous Dr. Kissinger, who has written a ton of **** on the Ibero-American debt question since 1982.

But Henry, who has been officially allowed into all foreign policy discussions through his membership on the President's Foreign Intelligence Advisory Board, is not satisfied with his "turf." Like a Black Pope, Kissinger is making policy pronouncements on all areas of the world.

Mideast meddling

Kissinger took the occasion of his internationally syndicated column, which appeared July 30 in the *Washington Post*, to pontificate on the Middle East situation. The essence of Henry's message? Israel and Syria should keep on killing the Palestinians, and the Reagan administration should keep out.

This should not be too surprising,

since Kissinger's step-by-step diplomacy in the Middle East all hinged on his dirty deals with Syrian President Hafez Assad. In fact, Kissinger's role could be correctly characterized as that of the bankers' mediator between the mafia factions of all the countries in the area—Sharon in Israel, the Assad brothers in Syria, and Camille Chamoun in Lebanon. Even when he was out of office, in 1982, Kissinger took direct responsibility for negotiating a set of secret deals between Israel's would-be Hitler, Ariel Sharon, and Rifaat Assad.

David Rockefeller's current trip to Damascus is just a more open channel for the deals which Henry has been carrying out with Assad for years. And Henry's deals have been sealed in blood—mostly Palestinian, but also Israeli, Lebanese, and American blood.

No one could misjudge the murderous intent behind the Kissinger article on the Middle East. Right off the bat, he declared that it was reckless for the Reagan administration to try to negotiate a peace settlement in the area. Why? Because no one can trust the Palestine Liberation Organization.

Henry knows, of course, that PLO head Yasser Arafat has put his life on the line to try to come to a peace settlement with the Israelis, through the mediation of the United States. Yet, he attacks Arafat, because the PLO leader is a moderate who wants to end the state of war. And once again, he allies himself with the faction of the PLO which is attempting to kill Arafat, and has killed numerous other PLO moderates, such as Issam Sartawi.

That opposing faction is run by none other than the Syrians, who are now providing the ammunition and the right-of-way for the Shi'ites, Druze, and Israelis to carry out a new round of genocide in the Palestinian refugee camps in Lebanon. And for the Syri-

ans, Henry has nothing but praise.

"The United States should have learned that excluding the tough, ruthless Syrians guarantees a major confrontation," Kissinger writes. In other words, throw the Palestinians to the Syrian wolves.

Since the Syrians are the direct controllers of the Islamic Jihad terrorists who not only killed Bashir Gemayel, but also carried out the bombing of the U.S. embassy in Beirut, any intelligent person should have no difficulty discerning what a deal with the Syrians means.

We can understand why Kissinger's controllers in the Kremlin would be pleased at this perspective, but why do we keep listening to him in Washington?

Who's in charge?

Henry has also been traveling these days. We've picked up his tracks in London, where he had a tête-à-tête with Maggie Thatcher, and in Germany, where he met with Foreign Minister Hans-Dietrich Genscher on Aug. 2. It was quite a week for Genscher, who had just met with Soviet Foreign Minister Shevardnadze in Helsinki, and now had a chance to compare notes with his good friend, and the man who came up with the Helsinki process to begin with, Henry Kissinger.

Kissinger's line on the East-West question is well-known, of course. He never tires of saying how ripe the situation is for East-West discussions, now that the "young," "economically minded" Mikhail Gorbachov is in power.

Not surprisingly, right after his meeting with Henry, Genscher parroted the same nonsense about Soviet desires for a "new détente." Does he think this is the line of the Reagan administration? Well, is it?

'Moonie Times' lauds American trash culture

It fits: This town's "darling of the conservatives," the *Washington Times*, the paper owned by Reverend Moon's Unification Church and edited by Arnaud "The Spike" De Borchgrave, revealed the true colors of the "spook" elements that sponsor it with an editorial praising rock musician Bruce Springsteen Aug. 7.

Springsteen, whose act is indistinguishable from the worst exhibitions of the drug-rock pit that is destroying the nation's youth, was praised for launching a patriotic revival in the U.S. Why? Only because he uses the word "America" in his lyrics! Mindless "stoned" youth can "get off on" waving American flags as much as with swearing allegiance to the Devil, the Springsteen promoters have shown.

Even more insidious was the editorial's praise for what it called "America's trash culture" in general. It's our key anti-communist weapon, the paper argues: "For good reason, the Soviets try to suppress and control trash culture. Its anarchic energy and its 'give the people what they want' ethos make it incompatible with Communist culture," it says. *Really?*

War on Drugs at stake in Florida Senate race

The battle lines are already being drawn in one of the more important

1986 Senate races. In Florida, Republican incumbent Paula Hawkins will be fighting for her political life against a challenge from Democratic Gov. Bob Graham. While Hawkins has put herself forward as the Senate's chief champion of the administration's War on Drugs, Graham has distinguished himself for turning Florida into the biggest "offshore" drug money laundering haven in the United States.

Graham is the brother-in-law of Katharine Graham, publisher of the dope-promoting *Washington Post*. He has made national headlines for commissioning a panel to advise him on whether or not to commute the sentence of a 76-year-old Florida man who was convicted of murder by a jury for the "mercy killing" of his 73-year-old wife. Graham is toying with the idea of outdoing Colorado Gov. Richard Lamm as the champion of active euthanasia against the nation's elderly. In the case in question, the man admitted that he shot his disabled wife in the head. Therefore, if Graham were to commute the sentence, it would not be on grounds that he didn't commit the crime—but that murder in the name of "mercy" is not murder, but an act worthy of endorsement by the state.

No wonder that Graham's biggest supporter in this operation is the reprehensible Derek Humphreys, head of the Hemlock Society, the man who is trying to make "assisted suicide" legal here. Humphreys went on national TV on Aug. 8 to defend the husband. While Humphreys conceded he preferred murder by drugs to murder by guns, his most insidious assertion was his repeated insistence that Alzheimer's disease should be classified as a "terminal illness" under provisions of "living will" legislation that mandates withholding medical treatment from "terminally ill" patients.

Not everything Senator Hawkins has promoted has been on the right

track—for example, her absurd bill to cut U.S. aid to friendly South American countries, supposedly to increase the pressure to crack down on drugs, would have been more convincing if equally applied to the State of Florida! But she cosponsored with Sen. Strom Thurmond (R-S.C.) key administration bills to augment the fight against drugs. She and Sen. Alfonse D'Amato (R-N.Y.) worked to set up an "American International Narcotics Control Commission" as an amendment to the State Department Authorization Bill that will help optimize international cooperation to eradicate the drug plague.

Despite this, even conservative commentators in Washington, such as Robert Novak, have already written off her chances for re-election, and are advising Republicans that their money should be better spent on "winnable" campaigns (Novak said this on a "McGloughlin Group" local TV show in Washington last month).

Seems some "conservatives" don't really want a War on Drugs.

State Dept. policy: People should starve

Senator John Melcher told *EIR* that the State Department is imposing on many nations the restrictions it tried to place on the Philippines for buying wheat. State told Manila: Yes, you can buy the wheat, but it won't be shipped until you reorganize your supply and distribution system according to our plans. Even when the Philippines did that, the State Department insisted that the wheat not go through the government, but through private agencies! According to information acquired by Melcher's office, Foggy Bottom is imposing such conditions even on African countries. "State Department policy," said Melcher, "is that people should starve."

National News

Senate probes Justice Department and Presser

The Senate Permanent Investigations Subcommittee (SPIS) has launched a probe into why the Department of Justice dropped prosecution of International Brotherhood of Teamsters President Jackie Presser, according to an article in the Aug. 4 *Chicago Tribune*.

The political targets of the investigation are both Attorney General Edwin Meese and the Teamsters Union itself—no friends of the SPIS and Justice Department liberals.

Doesn't Ed Meese realize that Presser is connected to organized crime? Presser did work for the corrupt FBI for more than a decade. He doesn't deny helping the FBI "put away" his predecessor, Roy Williams, in order to take over the leadership of the Teamsters. What about Jimmy Hoffa? Did he help put him away too?

Two weeks before the investigation was launched, D. Lowell Jensen, Deputy Attorney General, and Stephen Trott, chief of the Criminal Division, dropped prosecution of Presser for alleged wrongdoing in the Cleveland Teamsters local, where he was working for the FBI as an informant.

SPIS is expected to focus on whether the FBI violated guidelines in promising Presser immunity as an informant, and whether the FBI cooperated adequately with Justice and Labor Department probes.

Aspen Institute's Gardner salutes Volcker

The former U.S. ambassador to Italy, Richard Gardner, told a gathering of the World Futures Society Aug. 7 in Washington, D.C., that "no one has addressed the deficit crisis with greater clarity than that great man, Paul Volcker. Thank God for Paul."

Gardner is a close associate of Henry Kissinger, and was heavily implicated in the famous Italian "Propaganda-2" masonic conspiracy which was uncovered in 1982.

He is co-director of the Aspen Institute's "World Governance Project," which will meet in Aspen, Colorado at the end of August.

Gardner told *EIR* that he is already working on a Mario Cuomo-for-President drive, since Cuomo is "the only man who understands the kind of crises facing this country and the world." Gardner said he was waiting for a new Democratic administration in order to implement the Aspen Institute's proposal to increase the role of the World Bank and International Monetary Fund.

LaRouche candidates announce campaigns

During the first week of August, dozens of candidates for public office, endorsed by the National Democratic Policy Committee (NDPC), have announced in four states, bringing the total number of NDPC-backed campaigns to over 500. The NDPC is the political action committee within the Democratic Party that is associated with leading economist and former Presidential candidate Lyndon H. LaRouche.

In Maryland, Washington, Texas, and Oklahoma, candidates for national, state, and local office are holding press conferences and other events to dramatize their announcements, linking their candidacies to the NDPC's campaign against the deindustrialization policies of the International Monetary Fund, and in support of military and economic development policies comparable to the gear-up of the U.S. industrial economy for World War II.

Nine candidates launched their campaigns in Maryland. The slate is headed by Mark Nafziger, Democratic candidate for U.S. Congress in the 3rd Congressional District, against pro-Moscow incumbent Barbara Mikulski; 38 candidates backed by the NDPC filed in Washington State for this fall's municipal elections, and Clyde Riddle, a Republican Party activist from Dallas, announced he will run in the GOP primary election against freshman Congressman Dick Armey. In a statement covered by KRLD

radio and the *Dallas Times Herald*, Riddle cited evidence of the Soviet drive for war reported in the new *EIR* Special Report, "Global Showdown: The Russian Imperial War Plan for 1988," and called for a military buildup.

Will McFarlane be the next to go?

Rumors are circulating in Washington that National Security Adviser Robert McFarlane may be kicked upstairs. According to the gossip columns, McFarlane is interested in being named ambassador to Japan, replacing Mike Mansfield, who wants to step down. "Mr. McFarlane is understood to have had territorial brushes lately with both Secretary of State George Shultz and the White House chief of staff Don Regan, which may or may not explain his interest in a new assignment," the *New York Times* notes.

The *Washington Times* reports that Donald Regan is said to be boning up on national security issues, and now insists on sitting in on meetings between McFarlane and the President. "Many of the senators believe that McFarlane is a 'clone' of Secretary of State George Shultz," the article notes. "As a result, they say, President Reagan hasn't been getting enough different options, and especially not enough 'hard-line' options on such matters as arms control, South African policy and defense spending."

Cap Weinberger: MX issue is not dead

Secretary of Defense Caspar Weinberger told reporters on Aug. 8 that 100 MX missiles is the absolute minimum needed to counter the Soviet military build-up. He indicated that to this end, the administration might seek supplemental funds for the Pentagon this year.

Weinberger flatly rejected the congressionally-imposed cap of 50 MXs. The MX is not dead, he said. "Fifty is not

enough. . . . I'm hopeful that one way or another . . . Congress will accept the fact that we need more than 50 MXs to accomplish the deterrence we have to have." On the question of obtaining supplemental funds, Weinberger said "I'm not ruling it in and I'm not ruling it out," but "one way or another, amounts the President thinks required [for defense] will be before the Congress."

Concerning the attacks against the Strategic Defense Initiative, the Defense Secretary declared his opposition to any moves to halt SDI research, in exchange for what he called "any kind of chimerical pledge" by the Soviets to reduce offensive weapons. He also dismissed opposition by university physicists to the SDI. "The fact that some people who play with computers say they don't think it can be done, is not nearly as of much concern to me as it would be if Congress or somebody said you must stop all work on it," said Weinberger, referring to an anti-SDI petition circulating on U.S. campuses. "A lot of the opposition . . . is also on ideological grounds, because I don't have really very much doubt that we can do this. . . . There will be a lot of people who will say you can't do it . . . because they don't want to do it."

Evangelist Robertson to run for President?

TV evangelist Pat Robertson met with Virginia Republican leaders last week to discuss his possible candidacy for the Republican Presidential nomination. State GOP chairman Donald Huffman said that Robertson could "be to the Republicans what the Reverend Jesse Jackson was to the Democratic Party in '84—a candidate from outside the party's mainstream, who is able to excite and command the allegiance of a small, but hard-working group of activists."

Robertson is one of the key figures in the gnostic-influenced fundamentalist movement. He runs the Virginia-based Christian Broadcasting Network, which has radio and TV stations throughout the world, including in Lebanon. He is connected with the inter-

national cult networks attempting to spark a religious war over the Temple Mount in Jerusalem, and maintains close ties with the "Aquarian Conspiracy" in the United States, which includes Jeremy Rifkin and Barbara Marx Hubbard.

Patriots in U.S. support Peru's García

The offices of Peruvian President Alan García have been deluged with telegrams and statements of support from the United States. Taking only two examples of the national pattern, in Seattle, 32 state legislators attending the National Conference of State Legislators in Seattle have signed a statement of support for García's defiance of the International Monetary Fund. In Montgomery, Alabama, a delegation of the National Democratic Policy Committee intervened into a meeting of Southern Christian Leadership Conference, the leading black civil rights organization in the South, moving over 40 delegates to sign a resolution supporting President García.

The Schiller Institute has launched an international mobilization in support of García, and in Peru, this received prominent press coverage. One of Peru's major TV networks, Panamericana and America, reported in the Aug. 3 evening news: "Workers all over the continent mobilized on the Schiller Institute's call to support the measures announced by President Alan García. The Institute has also mobilized an important sector of the Democratic Party of the United States, which is sending telegrams supporting the president and it is generating a mobilization of the North American people."

El Peruano, the Peruvian government's daily register, published copies of the telegrams received, noting that "the Schiller Institute has promoted the document 'Operation Juarez,' prepared by the head of the National Democratic Policy Committee Lyndon LaRouche. The document, born as a result of the invasion of the Malvinas, seeks economic and physical solutions to the problems of the American continent."

Briefly

● A "GAY RIGHTS" BILL has been introduced to the Senate by Sens. Daniel Patrick Moynihan (D-N.Y.), John Kerry (D-Mass.), Alan Cranston (D-Calif.), and Dan Inouye (D-Ha.). Titled "The Civil Rights Amendment Act of 1985," the bill would make it illegal to discriminate against persons for "male or female homosexuality, heterosexuality, or bisexuality."

● THE AIR FORCE is examining a proposal to replace the U.S. strategic nuclear arsenal with non-nuclear strategic weapons. A recent report prepared by the RAND Corporation claims that non-nuclear strategic weapons would have "profound" implications, and would make the American defense commitment to Western Europe more credible, since they, rather than nuclear weapons, could be used in the event of a Soviet attack. One advocate of this scheme is Carl Builder, a consultant to the International Institute of Strategic Studies in London, who claims they could remove the "shadow of Hiroshima" from the world.

● AFL-CIO PRESIDENT Lane Kirkland lost his composure at a Chicago picket line Aug. 7, after trying to pull off a mass rally in support of the *Chicago Tribune* production workers' strike. Ten Democratic candidates tried to join the picket line, carrying signs reading "Kirkland, are you for the IMF or for Garcia and Peru?" Kirkland sputtered: "F--- you, F--- you, you little s---, get out of my face."

● FLORIDA GOVERNOR Bob Graham failed to grant clemency to "mercy murderer" Roswell Gilbert, whose appeal he heard on Aug 8. Gilbert, a 75-year-old retired engineer, shot his wife of 51 years, allegedly to alleviate the pain she suffered due to osteoporosis and Alzheimer's Disease. Gilbert was convicted of first degree murder and sentenced to 25 years in prison.

Editorial

Ariel Sharon's 'Weimar Israel'

Israel is precisely repeating the process that led to the collapse of the Weimar Republic and the installation of a Nazi regime in Germany in 1933. As occurred with Germany, outside forces, in this instance the U.S. State Department, the International Monetary Fund (IMF), and the Soviet regime, are consciously pushing to bring a fascist regime to power.

Until very recently, no one would think that such a thing could happen in Israel, but as the recent rise in popularity of Meir Kahane, the Nazi head of the Jewish Defense League and the Kach Party, indicates, the process is far advanced. For Weimar Israel, Kahane is merely the "Julius Strasser"—the chief of the leftist stormtroopers who paved the way for Hitler. The Hitler in this case is ex-Defense Minister Ariel Sharon, now Minister of Trade and Industry. He is using the Arabs as Hitler used the Jews—as an object of hatred, a scapegoat.

The continual Syrian-backed terrorist attacks against Israelis, have frightened the Israeli people, a fear fed by the vacillation of Prime Minister Shimon Peres. Kahane's racist message to these frightened people is unambiguous: Our problem is the Arabs, he declares. He proposes a final solution: "I don't say we have to do something about the Arabs. I say we have a problem, and here's my answer—throw them out."

Kahane's support is no longer limited to the fringe elements. An April poll by the Dahaf Research Institute, of 600 students aged 15-18, found 42% supporting him. Eleven percent said they would vote for him. A recent study by the Likud-oriented newspaper *Yediot Ahronot*, found that Kahane is drawing from a broad base, including the constituency of the Likud and Tahiya parties, the established right wing.

In one West Bank settlement, the Likud members of the city council formed a coalition with two members of Kahane's Kach Party, and signed an accord on July 19, agreeing to "dismiss all Arab labor employed by the local council." Although on July 30 the Israeli At-

torney General declared the agreement null and void, because of its racist content, the coalition vowed to carry it out. Then on Aug. 4 the Israeli Cabinet decided to reinstate administrative detention without trial, and deportation of persons considered security risks, measures that target the Arabs in Israel and the West Bank. The Cabinet is also considering making it illegal for an Israeli to meet with a PLO representative.

This looming catastrophe was set up by the intervention into Israel made by the State Department and IMF, to force them to carry out a brutal austerity policy, allegedly to cut their 1,000% inflation rate, and their over-\$25-billion budget deficit. The measures, modeled on those of Hitler's Economics Minister Hjalmar Schacht, were a condition for release of \$1.5 billion in U.S. aid.

The result was a drastic cut in public service spending, especially in health and education, causing 6-10,000 layoffs. A wage freeze, and, after a rise in prices, a price freeze, were enacted, sharply raising the cost of living. The Histadrut (Israel's labor federation) forecasts an official unemployment rate of 10% within the next month—an unprecedented figure. Highly skilled engineers and other professionals are fleeing the country in droves.

Ariel Sharon has recently returned to the political spotlight, calling for military strikes against PLO centers in Jordan and Tunisia. Behind his comeback is a secret pact among his faction in Israel, the Soviets, and the Syrians. They have agreed that only through creating a Greater Israel and a Greater Syria can their respective situations be shored up. If this means exterminating the Palestinians, and destroying the Kingdom of Jordan, with the territory to be divided between Israel and Syria, then so be it, Sharon's faction thinks. If this means a fascist, racist government in Israel, under Sharon's dictatorial control, then so be it.

If Israel is to survive, it must free itself from the State Department and IMF policies now.

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