

# EIR

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LaRouche testifies, rips 'corrupt' justice  
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Why Gorbachov can't stop a civil war

**WANTED: the godfather of  
Colombia's drug cartels**



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Postfach 2308 Dotzheimerstr. 166,  
D-6200 Wiesbaden, F.R.G.

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*Tel: (06121) 8840. Executive Directors: Anno Hellenbroich, Michael Liebig*

*In Denmark: EIR, Rosenvaengets Alle 20, 2100*

*Copenhagen OE, Tel. (01) 42-15-00*

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## From the Editor

The man pictured on our cover, Colombian politician Alfonso López Michelsen, has based his entire political career on the premise that politics must be sharply cut off from all connection to morality. He has said so, repeatedly. Which simply means that he wishes to conduct an *immoral* policy. And so, his current role is to take the point for “laundering” not just the profits of illegal drugs, but the very sordid criminals who have built their power and fortunes out of the cocaine and marijuana trade, into legitimate society. In that pursuit he has won the support of such individuals as former U.S. Secretaries of State Henry Kissinger and George Shultz, not to mention the influential quack “economist” Milton Friedman.

Short of repentance—which in our view is always possible as long as one is alive—Alfonso López Michelsen is destined for an eternal punishment in what one may assumed to be some location between the eighth and the ninth circles of Dante’s *Inferno*. Earthly justice may also soon catch up with him, and that is the subject of our *Feature*, exposing the treacherous plan to legalize the drug lords by “dialogue,” a scheme which has as much validity as negotiating with Adolf Hitler.

At the opposite end of the spectrum, Lyndon LaRouche, the American economist, former presidential candidate, and current congressional candidate from the 10th Congressional District of Virginia, has premised his entire life on the principle that morality cannot be severed from political activity. In an extraordinary hearing in a state court in Roanoke, Virginia, LaRouche finally had the chance to put his accusers on trial, and to elucidate his own lifelong struggle to bring about the Good “by our right arm.”

A summary of LaRouche’s testimony, the transcript of which will be published at length in the next issue of *New Federalist* newspaper, and which is also fully recorded on videotape, appears on page 56. LaRouche indicted the corrupt federal-state task force which has crawled into bed with the Anti-Defamation League to accuse him and his associates of what they are not, and systematically suppressed what they actually are, and do.

The battle to take the United States back from the treasonous forces typified by the ADL, and return it to the principles that inspired our Founding Fathers, has been joined.

*Nora Hamerman*

# EIR Contents

## Interviews

### 66 Ted Gunderson

A 28-year veteran of the FBI says that the bureau's current "satanism expert" is instead one of the leading propagandists for satanism.

## Book Reviews

### 47 Another "China expert" misses the mark

*Legacies, A Chinese Mosaic*, by Bette Bao Lord.

## Departments

### 15 Report from Bonn

Talks on Germany on rocky ground.

### 49 Panama Report

U.S. arming Colombian mafias.

### 50 Dateline Mexico

Political storm over Pope's visit.

### 51 Report from Rio

Suicidally propitiating the banks.

### 72 Editorial

LaRouche: Man of the Century.

## Science & Technology

### 18 The economics we need to colonize Mars

President Bush has mouthed a current U.S. commitment to putting man on Mars, evoking the image of John F. Kennedy. But both his administration's refusal to enact something like JFK's investment tax credit, and its emphasis on *current* technologies rather than ones yet to be developed, belie the President's empty words. Marsha Freeman reports on Lyndon LaRouche's proposal for a crash mobilization to colonize the red planet.

### 21 How the Kennedy tax credit plan propelled an era of growth

The combined tax credit program and drive to the Moon brought a long-lasting economic recovery.

## Economics

### 4 Summit economic, finance package could lead to war

If Moscow follows the advice of Anglo-American banking circles and adopts policies modeled on Hitler's economics minister Hjalmar Schacht, chaos will result. The only way to peace is through LaRouche's European "Development Triangle" program.

### 6 Congress passes Clean Air Act, prescription for economic suicide

But any industry and labor leaders who are praying for a presidential veto to save them from this monstrous bill, should come down from the clouds.

### 8 U.S. states reflect federal budget crisis

### 9 Currency Rates

### 10 Water control projects needed to stop floods

### 11 Communists, bankers are reviving Shanghai

### 13 Good news for chicken lovers: FDA approves irradiation for poultry

It will make salmonella poisoning a thing of the past.

### 16 Business Briefs

## Feature



Stuart Lewis

Former Colombian President Alfonso López Michelsen. With support from the international "legalize drugs" lobby, he is demanding national surrender in the war with the cocaine cartels.

- 26 Wanted: godfather of Colombia's drug cartels**  
Once the President of Colombia during the heyday of the country's dope trade, Alfonso López Michelsen is now at the center of the drug traffickers' empire against which the current government has declared total war. Now the authorities are on the tail of the godfather himself; the material assembled here is aimed at helping that process along.
- 28 Who's who in the "dialogue" with the drug mafia**
- 30 The Extraditables' record of satanic terror**
- 32 How narco-terrorism was legalized: Alvaro Gómez and the M-19**
- 35 U.S. State Department sabotages the war on drugs**

## International

- 36 New nationalist challenge to Gorbachov on eve of summit**  
The stage for the great domestic crisis ever faced by the Soviet boss, has been set by resurgent nationalism in the Russian Federation.
- 38 Middle East time bomb is ticking**  
Aftermath of the May 20 violence in the occupied territories.
- 39 Kashmir crisis: Superpowers converge on Indian subcontinent**
- 41 U.S. congressmen back separatists, demand aid cutoff to India**
- 43 Gorbachov must let the Baltics go, or face civil war, expert warns**  
Former West German military intelligence chief Gen. Paul-Albert Scherer seeks to disperse the Soviet smokescreen on the eve of the Washington summit.
- 46 'Mad Max' unleashed on Argentina**
- 48 Catholics' situation in China worsens**
- 52 International Intelligence**

## National

- 54 Bush arms control sellout will leave Europe disarmed**  
The Bushmen have allowed themselves to be conned by every Soviet trick in the book, including a faked threat of an imminent Soviet military coup, used to lend urgency to Moscow's demands.
- 56 LaRouche takes the stand in Roanoke, attacks ADL corruption of justice**  
The most celebrated political prisoner in the world puts his accusers on trial, and defends rule by law.
- 58 Former NSC aide tells of LaRouche's input**
- 59 ADL 'Get LaRouche' operative worked for the CIA**  
The case of Mira Lansky Boland.
- 60 New York mayor cannot evade fiscal crisis**
- 61 The ADL targets Cardinal O'Connor**
- 62 Skadden, Arps: ADL-linked law firm services Dope, Inc. clients**
- 64 China MFN status is blood on Bush's hands**
- 65 U.S. says help Gorby, not Eastern Europe**
- 66 FBI's Lanning sides with Satan, says former top bureau official**
- 68 Congressional Closeup**
- 70 National News**

## Summit economic, finance package could lead to war

by Chris White

Presidents Mikhail Gorbachov and George Bush are slated to begin summit meetings on May 31 in Washington, D.C. The news media, as usual, have generated a certain kind of cliff-hanger around the questions of arms control and the granting of Most Favored Nation (MFN) status to the Soviet Union. But more potentially deadly are the economic and financial agreements which are under negotiation behind the scenes, and which, it now seems, are scheduled for ratification at the summit proceedings.

The economic and financial agreements would go ahead without regard to whether the Soviets are accorded MFN status. Particularly dangerous is the attempt by certain Anglo-American financial circles to use such agreements as are being negotiated as their counter to Lyndon LaRouche's proposed "Development Triangle" in Central Europe. Their idea is two-fold: to attempt support for a reorganized Russian regime, while simultaneously buying time against the growing reality of financial collapse of the United States. The agreements mooted are seen as essential to further U.S. defense budget cuts, and to provide the aroma of so-called new "investment opportunities" which might help shore up the bankrupt U.S. banking system with the vague promise of future earnings prospects.

The agreements under negotiation include a trade agreement, investment agreements, an agreement on maritime shipping, a new grain agreement, and agreements on settling accounts on defaulted czarist bonds. The new grain agreement was concluded two months ago, and was finalized in mid-May during discussions in Moscow headed by Whitney MacMillan of the Cargill grain company. MacMillan was accompanied by representatives of two other grain combines, Dwayne Andreas's Archer Daniels Midland Corp. and Louis Dreyfuss. The maritime agreement was also readied for final signature at the summit during separate negotiations.

Finalizing of the grain agreement apparently depended on Soviet commitments to settle up arrears in their payments. On the maritime agreement, all that is known, according to the May 25 *Journal of Commerce*, is that the United States shifted away from its standing position in the negotiations on strict cargo-sharing. On May 24, Sea-Land Corp., a subsidiary of Richmond Virginia CSX Corp., signed two agreements to help the Soviets improve cargo transport between Asia and Europe. Lloyds of London, the insurance specialists, also had teams in Moscow negotiating agreements to cover such activities as Soviet launches of commercial space vehicles. Lloyds already arranges insurance coverage for certain classes of Soviet merchant shipping. Texaco Europe and the Soviet Ministry of Geology's Research Institute have also agreed to cooperate in geological research.

The pace of such negotiations has quickened in the run-up to the summit, especially since the Bush administration welcomed the Soviets into the General Agreement on Tariffs and Trade (GATT) as observers on May 16. It seems also that Soviet decisions on May 23 and 24 to implement a price reorganization, as a first installment on an overall reorganization plan, are tied to the agreements with the United States now under negotiation.

Negotiations on the defaulted czarist bonds, now going on between the Soviet Union and both the United States and France, are key. Settlement of the matter, along the lines of the United Kingdom's 1986 agreement with the Russians, would permit Russian access to international capital markets. This is the prospect that has the bankrupt U.S. bankers drooling. Wayne Angell from the Federal Reserve Board of Governors and economist Jude Wanniski have been associated with various schemes to tie the Russian ruble to gold, to permit marketing of gold-backed state debt in the West.

Each of these agreements is tied to the kind of "market-

oriented" reform package associated with the name of the Harvard punk-economist Jeffrey Sachs in the case of Poland.

### **Russians told to follow Hjalmar Schacht**

The agreements under negotiation have been accompanied by a tremendous increase in traffic of Western economic "advice" to the Russians. On April 23, the U.S.-based Bretton Woods Committee sponsored a conference in Washington, D.C. with the European Community's European Commission on the subject of "The Financial Needs of Eastern Europe: What the West Can Do?" Conference attendees were participating at the invitation of former U.S. Federal Reserve chief Paul Volcker, to hear such luminaries as Deputy Secretary of State Lawrence Eagleburger, Robert Mossbacher, International Monetary Fund head Michel Camdessus, and World Bank chairman Barber Conable (see article, page 65).

The Bretton Woods Committee conference was but the latest to take up the theme. On May 10-14, the notoriously secretive Bilderberger Group took up the subject in a conclave held somewhere in New York State. On May 14-16, the Anglo-Soviet Roundtable, made up of representatives from the Royal Institute for International Affairs and the Soviets' IMEMO, met in the United Kingdom. And on May 30-31, the London *Financial Times* will sponsor a return conference in Moscow under the title "Finance, Investment, Trade with the Soviet Union."

Diametrically opposite advice has come from Lyndon LaRouche, candidate for Congress from Virginia's 10th Congressional District. He warned the Soviets on April 23 that they "will be ruined," should they do what they are being advised to do.

The Western bankers' advice is modeled on the Nazi austerity economics of Hitler's economics minister, Hjalmar Schacht. The Soviet economy, like that of Eastern European nations, is in a state of breakdown collapse, unable to produce the food it needs, or to transport and distribute its production, with broken-down and obsolete manufacturing capacity and technology. The Western proposals, with their mantra chant of "free enterprise" and "market liberalization," are guaranteed to reduce such economies to chaos, as has already happened in Poland.

Such advice will contribute most rapidly to fanning the danger of war between East and West, creating the conditions in which the crisis-racked Russians are forced to contemplate turning outward in aggression against those whom they perceive as their tormentors.

Citing the case of Jeffrey Sachs, who modeled his policies for Poland on those of Schacht from 1933-37, LaRouche asserted that if the Russians accept the advice they are being offered, then "they will go crazy, and we'll end up in a nuclear war." The Sachs-engineered reforms in Poland are responsible for massive lay-offs, shortages, and discontent now erupting in the form of strike waves. Their effect is now seen in a spreading nationwide rail strike which has shut

down Poland's ports at Szczecin, Gdansk, and Gdynia. The workers are demanding wage increases, to offset losses incurred under Sachs's "shock therapy" program, and want changes in the railroad system's management.

### **LaRouche says 'go with the Triangle'**

LaRouche, working from his jail cell in Rochester, Minnesota, designed his Triangle proposal in order to provide an alternative to such chaos, promote instead stability through economic development, and thereby avoid what would otherwise become a slide into war. The proposal is based on upgrading high-speed rail transport of freight within an area bounded by Paris in the West, Berlin in the northeast, and Vienna in the southeast, in order to permit the most rapid upgrading of the economies of the newly freed nations of Eastern Europe. Infrastructure investment in transportation, water management, power generation and supply, and provision of Western qualities of capital investment for manufacturing industries, would permit the rapid reconstruction of those economies, and would create a unified Western powerhouse of about 300 million people, capable of addressing and dealing with the economic breakdown of the Russian empire.

The sponsoring agencies for the latest flow of bankers' advice to the Russians, also happen to be standing opponents of the policies which LaRouche has developed over the past decade and a half. It was LaRouche who led and organized U.S. opposition to Paul Volcker's notorious high-interest-rate policies from the point when Volcker took over the Federal Reserve Board in October 1979. LaRouche has also been the leading opponent within the advanced sector countries, of the conditionalities policies of the International Monetary Fund, which have murdered far more people than Hitler had ever dreamed about.

LaRouche warned, as it turned out correctly, that Volcker's credit policy would not cure inflation inside the United States, but would plunge the country into a depression. In October and December 1979, writing in *EIR*, he predicted the arrival of this depression by 1981-82 if the Volcker policy were continued. Now the crowd who helped wreck the West from within, is pushing the same poison on Moscow, against the economic development program of the European Triangle designed by LaRouche.

LaRouche's Triangle proposal is the only means at hand to prevent the situation in the East from sliding into chaos and war. His opponents brought about the current depression inside the United States, and if the Russians are crazy enough to listen to them now, the result will be war.

Those who imagine that time can be bought for the survival of the bankrupt British and American financial systems, by creating the prospects of new financial opportunities for their bankrupt banks in a reformed Russia, are insane. They are proposing plunging the whole world into a course which will only have one outcome: war. The agreements under negotiation for the summit reek of those delusions.

# Congress passes Clean Air Act, prescription for economic suicide

by Rogelio A. Maduro

The most comprehensive and destructive economic bill ever passed in the history of the United States was approved with lightning speed by the House of Representatives, by a vote of 401-21. This means the bill, the Clean Air Act of 1990, which contains major revisions to the already draconian 1970 Clean Air Act, will go to conference, where it will be reconciled with the Senate version of the same bill. It is expected that President George Bush will sign it into law by September of this year.

Debate on the floor of the House lasted less than 13 hours, while hearings on the bill lasted less than three weeks in committees. This is not surprising, given the fact that most congressmen and their staffs have not even bothered to read the bill, according to lobbyists who have tried in vain to explain the devastating consequences of this legislation to them. "The President led, the public wanted it, and the House responded," Rep. John Dingel (D-Mich.) said of the ease with which the House passed the bill.

The truth is more ominous than that: The power elite in this country, the environmental lobby and their news media allies, have kept the public completely in the dark about the contents of the bill. As *EIR* has extensively documented before, 750,000 workers may lose their jobs as soon as the bill becomes law, with as many as 3.7 million affected. Although the administration and Congress are claiming the amendments to the Clean Air Bill will cost the economy only \$20-22 billion a year, that is an absurdly low figure: Just one amendment, the one requiring the use of ethanol in gasoline in 44 cities across the United States, will cost motorists and the economy over \$12 billion a year.

A more honest estimate was given by Environmental Protection Agency head William Reilly on Earth Day, April 22, in a commentary in the *Washington Post*. Reilly estimated that "as the revised Clean Air Act takes effect . . . expenditures on pollution control and cleanup . . . could double in the 1990s." According to Reilly, "The nation spends more than \$80 billion a year to comply with federal environmental regulations, mostly in private funds." In other words, the Clean Air Act revisions will cost over \$80 billion a year. That figure approximates the Business Roundtable's more realistic estimate of \$104 billion a year.

The only half-sane amendment in the entire bill has prompted President Bush to threaten a veto. After a heated debate, the House passed a measure that would provide \$250 million over five years in unemployment and retraining benefits for workers who lose their jobs because of the Clean Air provisions. The measure, sponsored by Rep. Robert E. Wise (D-W. Va.), was approved by a 274-146 vote. Although the modest proposal would only offer retraining assistance and up to six months of additional unemployment benefits to the victims of the bill, it raised the ire of the President. Bush's spokesmen, William Reilly and White House Chief of Staff John Sununu sent a letter to House Speaker Thomas Foley insisting that such a program would set a dangerous precedent. "It would open a multibillion-dollar deficit-increasing door that may never be closed."

## Bush's green agenda

Any industry and labor leaders who are praying for a presidential veto to save them from this monstrous bill, should come down from the clouds. On May 24, William Reilly issued a statement exalting the House vote, saying that Bush deserves full credit for the Clean Air Bill victory. "I am especially gratified," Reilly said, "that both the House and Senate bills incorporate the central features of the President's proposals. . . . I look forward to a quick and successful House and Senate conference, and I expect near unanimous passage on both floors."

One of the major reasons the Clean Air Bill is going through the legislative process with such speed, is that the government is desperate to raise money through so-called "user fees." The Clean Air amendments have a "permitting" title which imposes stiff fees for permits to emit any amount of sulfur dioxide, nitrogen oxides, or other by-products of industrial processes. It also has a draconian "enforcement" section which grants the EPA gestapo-like power to jail individual corporate officers and businessmen, without due process, if they fail to file all the paperwork and pay the user fees.

President Bush's strategy is clearly to raise revenue through these "user fees," while still seeming to maintain his pledge of "no new taxes." The *Wall Street Journal*, in a



May 20 feature article, warned of this hidden tax, quoting a spokesman for the Southern Company, which supplies electric power to four southeastern states, who estimates that a tax on sulfur emissions, contained in legislation introduced by Cong. Fortney Stark (D-Calif.), would add \$18 billion by the year 2013 to the company's cost of \$15 billion which it expects to pay in that time frame to comply with the Clean Air Act.

The precedent for this type of new tax was already set by President Bush last year, when he imposed a levy or excise tax on chlorofluorocarbons (CFCs) by signing into law a "user fee" for these chemicals. The House bill tightens the screws on CFCs, calling for a complete phaseout of production by the year 2000.

### **Gasohol pollutes worse than gasoline**

Enormous profits are to be made from the Clean Air Bill, and that consideration dictated some of the amendments that were introduced. One of those is the amendment requiring the use of oxygenated "clean fuels" in those cities that are out of compliance with the EPA air standards. The only way to reach the oxygen levels in gasoline required by the bill, is to use ethanol as a fuel, or added into gasoline to make gasohol.

But a recent scientific study by Sierra Research Corp. demonstrates that ethanol is much more polluting as a fuel than gasoline. So who benefits? Mainly Archer Daniels Midland, the grain cartel company which controls over 75% of the ethanol production in the United States. Dwayne Andreas, chief executive officer of ADM, has given millions of dollars in contributions over the past few years to the political campaigns of the same politicians who introduced the legislation. Since the Carter administration approved the use of ethanol in gasoline, as gasohol, producers have received a windfall of \$4.6 billion in subsidies from the government. Most of this bonanza has ended up in the coffers of Archer Daniels Midland.

The House Clean Air Bill requires that 44 cities be using gasohol as a fuel by the winter of 1992. That will mean consumers will have to pay 10¢ to 25¢ more per gallon of fuel, while the grain cartels receive a steep 60¢ per gallon subsidy from the government (since it costs twice as much to produce a gallon of ethanol than a gallon of gasoline). On top of that, gasohol is exempted from paying 6¢ per gallon tax to the the Highway Trust Fund.

Overall, the "clean fuel" provision in the bill will cost consumers over \$12 billion a year. This, however, does not include the cost of retooling petroleum refineries, which may run as much as \$30 billion, and steep price increases from fuel shortages, since none of the infrastructure exists right now to comply with the requirements. In fact, the legislation absolutely prohibits the delivery of any gasoline into the nine areas of this country which have the most severe non-compliance problems, if the standards cannot be met.

The "clean fuel" requirement will also cause severe dislocations in the food supply, according to a study that has just been released by the American Petroleum Institute. The study, conducted by Sparks Commodities, Inc. of McLean, Virginia, shows evidence that as a result of mandating the use of ethanol in gasoline, food prices would likely increase by \$4.2-6.3 billion annually by the year 1996, while food supply will contract significantly. Since one bushel of corn makes about 2.5 gallons of ethanol, it would take 1.29 billion bushels of corn to produce the ethanol required for fuel.

Annual domestic corn production will be about 9.1 billion bushels by 1991, the study says, which means 15% will be eaten up on ethanol. This would place a substantial strain on the agricultural sector, with the result of a 35% increase in corn prices and a significant increase in many other farm commodity prices. Over 60% of all food items now consumed would be affected by the shift into ethanol, with meat and dairy products at the top of the list.

### **The natural gas swindle**

As in the ethanol swindle, it was the Texas natural gas interests that provided Rep. Henry Waxman (D-Calif.) with many of the recommendations for the fleet provisions in the amendment. Under the language of the Waxman-Lewis amendment, fleet owners would be required to convert a minimum of 70% of their vehicles to compressed natural gas (CNG), regardless of whether the appropriate vehicles are manufactured. To comply, fleets will be forced to convert existing vehicles to CNG, a process which will cost the commercial fleet industry \$2.3 billion in the top nine non-attainment areas alone. Moreover, CNG fueling facilities designed to serve 100 vehicles a day will cost more than \$700,000 each, according to a recent study by United Parcel Service.

As with ethanol, this won't clean the air, either. Former EPA official John N. Campbell noted serious flaws in the Waxman-Lewis amendment's reliance on CNG for environmental solutions. "EPA studies indicate that CNG-powered vehicles emit more nitrogen oxide, an ozone-forming pollutant, than gasoline-powered vehicles under current law."

As for any alleged benefits, even White House staffers are now privately admitting that Bush was wrong in claiming that the bill would prevent the premature deaths of as many as 40,000 people. Speaking off the record, the staffers have put the number of premature deaths prevented as "closer to zero." Several recent scientific studies have demonstrated that most air pollution comes from hydrocarbons released by trees, not cars and industry.

Can this environmental monster be stopped? So far, Lyndon LaRouche has been the leading political spokesman to attack the environmental insanity now reigning in Washington. "Stop this insanity. . . . Take it back to the drawing board," LaRouche demanded in a radio spot broadcast in the northern Virginia area, where he is campaigning as an independent Democrat for Congress.

# U.S. states reflect federal budget crisis

by Andrew Rotstein

While the White House has confessed that the federal deficit for next year is running 50-100% over the estimates of four months ago, even the Bush administration's revised figures do not fully reflect the true magnitude of the ever-widening gap. The rapidly eroding fiscal position of the states, which has bred severe austerity moves and intense struggles around tax increases, is itself largely an extension of the national budget crisis.

The question, in part, is simply one of how the administration cares to look at it. For example, syndicated columnist George Will recently mocked the administration's claim that so long as Gramm-Rudman budget-balancing targets are satisfied, the challenge of deficit reduction has been met. Since modification of those very targets is emerging as a central element of the current budget negotiations between the administration and Congress, Will appropriately pointed out that such results are achieved "by semantic fiat—by redefining success."

Similarly, in the case of the federal budget, the extent of the problem has been understated by redefinition. This redefinition consists both of a shift to the states of functions formerly performed by the national government, and a host of new state programs mandated by additional federal regulations. To make matters worse, federal aid to states and localities has steadily declined since the late 1970s. If, in other words, standards of accounting are held constant, U.S. government finances are even worse than Washington has let on thus far.

## Diminishing federal support

During the late 1960s and 1970s, additional programs required of states by federal law were matched by an increase in grants-in-aid by Washington and by revenue sharing. But revenue sharing, begun in the Nixon administration, was abolished in 1986.

And federal support to states and localities has fallen off sharply since the late 1970s. Measured in constant 1982 dollars, such grants have fallen from \$109.77 billion in 1978 to \$94.7 billion in 1989, according to a recent study by the Advisory Council on Intergovernmental Relations, a federal

group. More significantly, relative to the size of the national economy, such aid has dropped from 3.7% of Gross National Product to 2.4% in 1989, a decline of 35%. In fact, figures for 1989 are themselves slightly bloated by \$1.5 billion in extraordinary federal disaster relief grants in response to Hurricane Hugo and the San Francisco earthquake.

But even this does not tell the full story. The period witnessed a substantial growth in transfer payments, covering benefits to which citizens are entitled by law, but a precipitous drop in aid for infrastructure and other "discretionary" programs. Thus, federal aid for Medicaid, welfare, and other earmarked programs grew from \$35 billion in 1978 to \$50 billion in 1989 in constant dollars. Yet, from 1981 to 1990, support for employment and training fell from \$8.4 billion to \$3.5 billion, mass transit funds fell from \$5.4 billion to \$2.9 billion, and economic development aid plummeted from \$5.7 billion to \$2.9 billion. These last three sets of figures are all in current dollars, so the decline in inflation-corrected terms is even steeper than the numbers suggest.

Overall, "the fiscal position of state and local governments has declined steadily since 1984," reports the February 1990 Survey of Current Business of the U.S. Commerce Department. Such a trend, born largely of slumping sales tax and corporate income tax receipts, plus increasing expenditures for social services, hardly bespeaks the robust recovery which die-hard White House partisans advertised until Bush's recent about-face on the issue of new taxes.

## Increasing federal demands

But concurrent with the withdrawal of its helping hand, Washington has enacted new legislation that supersedes state laws in areas from the environment to Medicare, necessitating additional budgetary outlays as a result.

The Advisory Council study found that of 354 such changes since 1789, when the First Congress convened in New York, 95 were enacted in the 1980s, and another 91 in the preceding dozen years.

Typical of these provisions, municipalities are required to test for pollution from thousands of storm sewers, to monitor city water supplies for 77 additional chemicals, and to control 83 new drinking water contaminants. States are now mandated to file reports on 152 new endangered species. They must also guarantee workplace compliance with new standards to protect hearing and to avoid exposure to a number of toxic chemicals.

In addition, many of the most nagging problems facing government—drugs, law enforcement, the prison system, AIDS, education, road repair, homelessness—have increasingly been left at the doorstep of the states, as federal budgets have been slashed.

## Robbing the future

The states, however, are not entirely innocent victims of federal burden-dumping and accounting deceit. Many of the

nation's 50 governors—leaders in innovation, as the now-shipwrecked Michael Dukakis of Massachusetts was fond of saying—have embarked on some outrageous shenanigans of their own. And in one of them, they are mimicking their counterparts on the Potomac.

Like the federal government, now infamous for its diversion of the Social Security Trust Fund surplus, states are beginning to chisel public pension funds in order to ease their situation. In the last five years, two-thirds of the states have cut their annual retirement fund contributions by little more than accounting decisions. By changing the interest rate assumption—the projected rate of return on invested funds—states are able to lower their current payments into the retirement systems.

The temptation for the economically squeezed states is great. Social insurance fund assets (of which pension funds are the largest component) and general fund balances have been rapidly moving in opposite directions over recent years: the insurance funds steadily building, the administrative balances dropping like a stone. From 1985 to 1989, the pension and other funds grew from \$51.3 billion to \$78.0 billion, while the general funds sank from a surplus of \$13.8 billion to a deficit of \$33.8 billion.

The savings for these desperate states are enormous, and can be had for the stroke of a pen. In 1989, New York Governor Mario Cuomo and officers of the state's \$45 billion pension funds agreed to increase the interest rate assumption from 8% to 8.75% per year. As a result, the state saved a tidy \$325 million without cutting a single job or stopping even a foot of new paved roadway. Now, as the state faces a staggering \$1.7 billion shortfall, Cuomo is pushing some additional adjustments, which will net another \$200 million, with less political fallout than service reductions or tax increases.

But, like the paper charade with Social Security, such short-term measures imperil the future. Pension funds are heavily invested in the volatile stock market and other instruments, not all of them insured. Despite the record Dow Jones surge of late, good things don't always last forever—just ask the federal government overseers of the savings and loan bailout, who are now beginning to unload phenomenal amounts of sharply devalued real estate. A recent study by the federal Pension Benefit Guaranty Corporation found that some of America's largest and wealthiest corporations have tens of billions of dollars in unfunded liabilities.

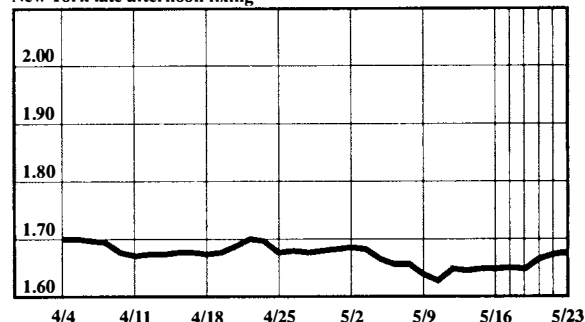
The likely immediate victims are beginning to squawk. "This is robbery, pure and simple," said Joe McDermott, head of the union representing 260,000 active and retired New York State employees, of the Cuomo move. "They're using the pension funds as a piggy bank that they can turn over when they get into a jam."

McDermott's members know what other Americans are rapidly learning: Bookkeeping tricks and other bureaucratic manipulations also have their costs.

## Currency Rates

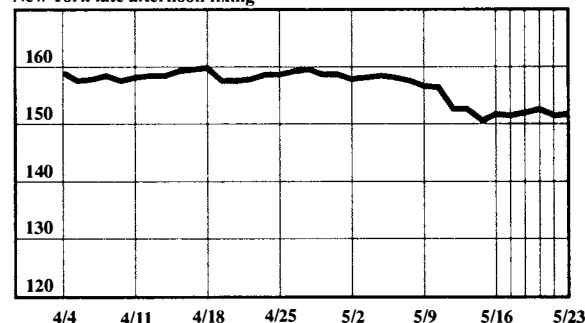
### The dollar in deutschemarks

New York late afternoon fixing



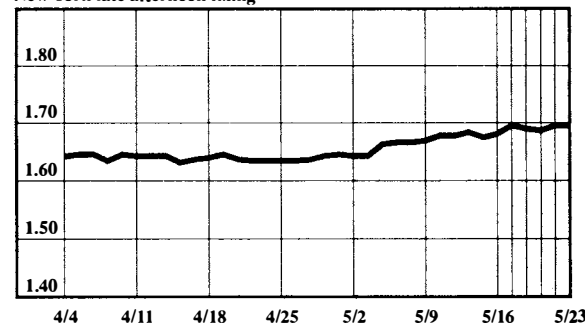
### The dollar in yen

New York late afternoon fixing



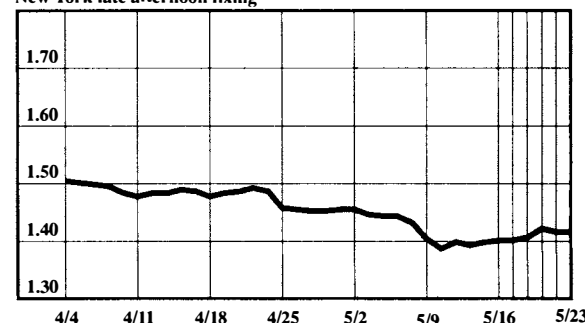
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



# Water control projects needed to stop floods

by Marcia Merry

As of May 24, residents who live along the Oachita River, which flows through Arkansas and Louisiana, were waiting for the flood crest from the rains of May 22. The adjacent, large watersheds of the Red River and the Arkansas River were still soaked from the torrential rains and floods earlier in May. The Trinity River, running from above Dallas/Fort Worth, Texas, down to the Gulf of Mexico through Galveston, had also raged over its banks in May.

On the weekend of May 19, President Bush visited Texas to witness the damage.

These disasters, and other water crises, should not be wreaking this havoc. If water development projects had not been abandoned in the last 30 years, millions of people, and the environment itself, would not be suffering as they are at present.

Look at the Trinity River floods in Texas. Damage to state agriculture is at least \$1 billion. Regions affected by the flood produce 33% of the state's wheat, 66% of its oats, and 49% of its hay. At one point, 100,000 acres, half of it crop and pasture land, were under water.

At the worst time, Lake Livingston Dam, on the lower Trinity River, was discharging over 100,000 cubic feet per second, over five times the usual amount, and about half of the flow of Niagara Falls.

Flood control measures that could have prevented such disasters were proposed in the past, but never adopted. The Livingston Dam was completed in 1969 to form a lake that supplies water to Houston, not to control flooding. A flood control dam had been proposed in the early 1970s, and would have been built near Tennessee Colony, a small town southeast of Dallas. The estimated cost was \$1 billion, about half the cost of a single Texas savings and loan bailout. The lake would have held 3.5 million acre feet of water, and would have been able to hold the flood surge created by the heavy rains, slowly releasing the water over the summer months.

Among the feeble excuses for not building the dam was the presence at the proposed lake site of large deposits of lignite coal—one of the lowest-grade fossil fuels.

Meanwhile, the north central states are experiencing drought and legal disputes over scarce water supplies, mostly focused on the waters of the Missouri River basin. There is severe drought in the upper Missouri River system (Montana, the Dakotas, and the Canadian prairie provinces). The governor of North Dakota in April requested official drought disaster status for his state. In the lower river system, there has been sufficient rainfall or even flooding in the areas bordering

on the southern storm zone.

In between the dry and wet zones, there is a stretch of the "middle" Missouri River, from about Sioux City, Iowa down to the Missouri-Kansas line, where the river level has been low, and water control disputes between the "upstream" interests and the "downstream" people are occurring, fast and furious.

## Conflicts between 'upstream' and 'downstream'

On May 9, U.S. District Judge Patrick Conmy in Bismarck, North Dakota, issued an order to the Army Corps of Engineers to reduce the amount of water it allows to pass out of the upper Missouri reservoirs. The judge's action was the result of a lawsuit filed by North and South Dakota and Montana, which want water held upstream for irrigation, fish, and other purposes.

In opposition, the U.S. Justice Department filed an appeal motion May 10, to have the order to withhold water reversed, and allow the release of water for people downstream. The action was filed technically on behalf of the Army Corps of Engineers, based on the argument that the Corps has to be "balanced" and provide water to all.

The same squaring-off has taken place on a smaller scale in Nebraska, over the flow of the Platte River—one of the tributaries of the Missouri. The farmers upstream need water for irrigation, for which Lake McConaughy stores water; environmentalists are demanding that water be released, for bird-breeding habitats downstream. The Federal Energy Regulatory Commission is caught in the middle, issuing an order to release water earlier this year, then reversing itself in May.

Other areas of the West are also in strife over water shortages. Southern California has rationing in effect in many localities.

However, the Bush administration continues to cancel water projects and stop work in progress. The Bush budget proposal demands termination of construction on the Garrison Dam Diversion project on the upper Missouri River in North Dakota.

Groundbreaking for the \$589 million Animas-LaPlata reservoir project in southwestern Colorado, originally scheduled for May 5, has been put on hold indefinitely by the U.S. Fish and Wildlife Service. Water would have been used for farmland irrigation and to supply Aurora, a suburb east of Denver.

A project whose blueprints were completed almost 30 years ago, called the North American Water and Power Alliance, would have averted this crisis. NAWAPA calls for diverting water from the MacKenzie River system in Canada's Yukon, which now flows into the Arctic Circle, southward along a Rocky Mountain trench, with supply channels throughout Canada's prairie provinces and the United States' Western farm states, all the way south to Mexico.

# Communists, bankers are reviving Shanghai

by Mary McCourt Burdman

Both Chinese Communist and Western ambitions seem to be meeting again in Shanghai these days. Before World War II, the city of Shanghai—which the British turned into a major port after the Opium Wars in the 1840s—was the financial center of East Asia and one of the world's great international cities. The International Settlement and French Concession, within which Europeans, Americans, Russians, and Japanese enjoyed all the advantages of extraterritoriality, were the center both of trade—including, of course, drug traffic—and of espionage for the region. The international concessions were also the cradle of the Chinese Communist movement.

All this came to an end with the Communist revolution in 1949, and Shanghai, although the biggest industrial city in China with 12.6 million people, has stagnated for decades. Even under the Deng Xiaoping free-enterprise “reforms” of the past decade, there was little investment in Shanghai compared to the “Special Economic Zones” and particularly the region between Hong Kong and Guangzhou in Guangdong province. Instead, while taxed far more heavily than any of these regions where the government wanted to foster the rapid growth of cheap export industries, Shanghai, like East Germany, was forced to survive on infrastructure that has scarcely been touched since 1949.

Shanghai was hit especially hard during the Cultural Revolution, especially the “sophisticated capitalists” who went about their business as they had done “when the British administered the city,” the *Far Eastern Economic Review* pointed out on March 15.

Now, there are efforts to change this, which are causing much speculation in the West about Shanghai's rising fortunes as those of Guangdong fall. Ousted Communist Party Secretary Zhao Ziyang came from Guangdong, where he was provincial party chief in the early 1950s. Certainly, a Shanghai “mafia” has risen to eminence in China in the past years, and some Westerners are dreaming of regaining their lost possessions. How much they will get, remains to be seen.

The Chinese Communist regime is undoubtedly interested in attracting Western investment. But its leaders are also

going all out to reconsolidate their power in China, drastically undermined by the “reforms” which came close to a free-for-all at times, with regions and enterprises securing their own foreign loans and their own special arrangements to withhold all taxes from Beijing. The process drove China to the verge of bankruptcy. Beijing must prevent any further drift of the southern and southwestern regions, including Shanghai and Guangzhou, away from the center, and is promoting Shanghai to do just that.

China's preeminent leaders, Deng Xiaoping and military strongman President Yang Shangkun, celebrated the Spring Festival (the New Year, China's most important holiday) in Shanghai in January. In February, two old Shanghai hands, Qiao Shi, Politburo member and head of China's internal security, and Zou Jiahou, who was promoted to replace Vice Premier Yao Yilin as head of the powerful national State Planning Commission in December 1989, were in the city.

Shanghai is being promoted as the new financial center of China, and last year did the heaviest foreign exchange trading in China. According to the P.R.C. publication *Outlook* in February 1990, “almost all of the foreign investment enterprises” and foreign trade companies must go through the Shanghai foreign exchange market. There are plans to allow foreign banks to open branches there, which until now has only been permitted in the Special Economic Zones, and in January 1990, China's first “Dow Jones”—the Shanghai Exchange Jing'an Index—was announced. The Shanghai Exchange was established in 1986.

Land use rights are now being sold in Shanghai for the first time since 1949. A plot was transferred to a Taiwan businessman to build a machinery and electronics factory, on a 50-year lease. Many foreign business people and overseas Chinese are negotiating with the city government for the transfer of land use rights.

## A ‘new Gorbachov’?

Westerners are touting the mayor of Shanghai, Zhu Rongji, as a potential “new Gorbachov,” who will use his good ties with the West to win favors from the aging dinosaurs in Beijing. More likely, this is a double-sided game. The “reformists” in Shanghai are being promoted to attract Western investment, but Westerners should check their credentials. Just before the crackdown a year ago, National People's Congress head Wan Li, who had openly stated his support for the student demonstrators while in Washington a year ago last May, was abruptly summoned back to Shanghai. There, he was greeted by Jiang Zemin, who was appointed by Deng to replace the ousted Zhao Ziyang as party secretary, Mayor Zhu Rongji, and Shanghai party chairman Ye Gong Qi. Just days later, Wan emerged from the sanitarium where he had been confined to fully endorse martial law.

Mayor Zhu Rongji has fully endorsed the “stability” campaign—i.e., the brutal crackdown—being run by Prime Minister Li Peng, Yang Shangkun, and Qiao Shi. “The climate

for investment is unprecedentedly good, especially better than since last June," Zhu Rongji announced to Western reporters May 18. "After the test of last year's upheaval, the people of Shanghai are more firm, unified, and have come to realize that stability is important to the happiness of their lives."

At the same time, the central government has fully endorsed the development of Shanghai. Despite rumors that Mayor Zhu is his chief rival for his position, Li Peng went to Shanghai April 14-18, and announced that the Central Committee of the Communist Party and the State Council had approved the municipal government's plan to accelerate the development of Pudong and implement "flexible policies" there.

Li spoke at the ceremony marking the fifth anniversary of the Shanghai Volkswagen Corporation, the largest foreign car joint-venture in China. He announced that some of the policies of the Special Economic Zones can be implemented in Pudong, a 135-square-mile industrial and commercial project in East Shanghai which is to include tax-free warehouses and export-oriented factories. Vice Premier Yao Yilin met for an hour with British financier Jimmy Goldsmith on April 29 to promote investment in Pudong.

British financiers are leading the pack to get back into Shanghai, but they are not alone. Mayor Zhu has put together

an International Advisory Board of 18 companies, featuring the American International Group. AIG has Henry Kissinger as head of its international advisory board, which also includes Kissinger Associates partner Sir Y.K. Kan, the former chairman of the Bank of East Asia. AIG chairman Maurice Greenberg, who has friends in the Communist Party bureaucracy, also dealt with the ousted Romanian dictator Nicolae Ceausescu since 1979. He set up a joint venture deal with China's People's Insurance company in 1980.

The firms Arthur Andersen, Fiat, Renault, and Toshiba are also members of the International Advisory Board.

Prescott Bush, George Bush's older brother, is involved in Shanghai. He has a 30% stake in a project to build an \$18 million joint-venture country club for the expatriate community there. One must wonder whether, like the parks in the foreign concessions in imperial China, this will also prohibit "dogs and Chinese."

Siemens and Volkswagen of West Germany are also very interested in the future of Shanghai. Last September, Trilateral Commission and Bilderberg Group eminence Otto Wolff von Amerongen met with Chinese leaders Li Peng and Li Ruihian to discuss a new subway project for Shanghai. Both the Chinese press and the West German ambassador were very discreet about von Amerongen's visit, coming so soon after the Tiananmen Square massacre.

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# Good news for chicken lovers: FDA approves irradiation for poultry

by Marjorie Mazel Hecht

Food-borne illnesses are on the rise and salmonella in poultry is one of the leading culprits, but a safe and effective remedy was just given the go-ahead by the Food and Drug Administration (FDA).

On May 1, the FDA approved the use of low-dose irradiation to control salmonella and other illness-causing bacteria in fresh or frozen poultry. This means that poultry producers will have the capability to greatly reduce the salmonella and other bacteria that now contaminate an estimated 30-60% of U.S. chicken and turkey and cause an estimated 4,000 deaths annually. In a recent government study, three out of five raw chickens were found to have salmonella bacteria present.

The FDA stated that the use of gamma irradiation, electron radiation, and x-rays to treat poultry and its parts is safe and effective at the 3 kilogray level approved (the gray is a unit used to measure absorbed dose). In fact, the FDA noted, "there is no evidence that irradiation at any level would be hazardous." The treated products will have labels that bear the international symbol of irradiated food and that state that the product was processed with radiation.

Poultry products that are treated with ionizing radiation at the 3 kilogray level will still require refrigeration to keep any surviving organisms from multiplying. In the radiation process, very short wavelength gamma rays penetrate inside solid particles and kill microorganisms by breaking down the cell walls or destroying the metabolic pathways of the organism so that the cell dies. At higher doses, all microorganisms are killed, sterilizing the processed food.

*There is no radioactivity induced in the processed food.* The reaction caused by the ionizing radiation does not change the atomic structure of the food molecules.

## First approval to control bacteria

Although the FDA had previously approved food irradiation to control insects in fruits, vegetables, grains, and spices, to retard spoilage in potatoes, and to control parasites in pork, this is the first approval aimed at controlling bacteria that cause illness in humans.

Disease-causing microorganisms like salmonella are not a small problem. About 40,000 cases of salmonella poisoning are reported each year to the Centers for Disease Control, and the number of unreported cases could be anywhere from

400,000 to 4 million. FDA experts estimate that almost every American suffers a food-borne gastrointestinal illness over the course of a year or two. Salmonellosis can cause a variety of flu-like symptoms—nausea, fever, stomach pains, headaches, and vomiting.

Salmonella and other microorganisms are killed when poultry is cooked to an internal temperature of 185°F, but often the organisms cause disease when the raw poultry contaminates other foods or cooking utensils. (Hence, all the warnings about washing your hands, your cutting board, and anything else that comes in contact with raw poultry, and making sure the poultry is thoroughly cooked.)

## The most studied food process

Food irradiation is the most scientifically researched food process in man's history. The studies began during World War II, when researchers were looking for ways to supply troops with wholesome and tasty food. Today, more than 40 years of research and thousands of studies later, the technology has the full weight of the international scientific community attesting to the safety and wholesomeness of the product.

Thirty-six countries have approved the use of irradiated food, although here in the United States, which led the world in pioneering the research, the professional anti-nuclear activists have ignored the scientific evidence and spread fear propaganda about irradiation "poisoning" food. Actually, the low-dose radiation processing—and even sterilization-level high-dose processing—produce food that has a better nutritional content than ordinary canned food products.

The FDA approval process was initiated by a petition submitted 12 years ago by food irradiation pioneer Dr. Martin Welt and his former company, Radiation Technology, Inc., in New Jersey. The history of this petition is instructive in showing how carefully the FDA reviewed the matter—and its political nature.

"Many people are not aware of the effort that went into this approval over the past 12 years," Welt said in an interview on May 9. "When the initial petition was submitted in 1978, there was really no precedent for it. No one knew what was required. After a preliminary review of the scientific content, the petition was published in the *Federal Register*.

"Then it was decided that the U.S. Department of Agri-

culture had to be involved in the review. At a 1980 meeting with the USDA and the FDA, we decided that the major problem to be solved was insufficient data on botulism. This is the question of what happens in an abusive situation after irradiation processing—one where the poultry is not refrigerated or where for some reason the air is anaerobic, without oxygen—would these conditions liberate botulism? And would this botulism go undetected because the usual warnings of spoilage—sliminess or smell—would have been retarded by the radiation processing?”

Welt said that the FDA wanted a study done with botulism Type E, which was the fastest growing, although the most common botulism found in poultry are Type A and B. The study was carried out at the U.S. Army laboratory in Natick, Massachusetts, and the results were presented in 1983, demonstrating that radiation-treated poultry would still show signs of spoilage in abusive conditions before any botulism was released. However, the FDA then decided that the data were needed also for botulism Type A and B.

Because the Army had closed down its irradiation program, this second study was carried out at Johns Hopkins University in Baltimore, using the most advanced immunoassay methods. These results corroborated the Army results: Poultry processed with 3 kilograys of radiation and then subjected to abusive conditions would spoil before any botulism was released.

Late in 1985, Welt was informed that the scientific review of the poultry petition was completed. From that time to the present, the question of approval has been a political one.

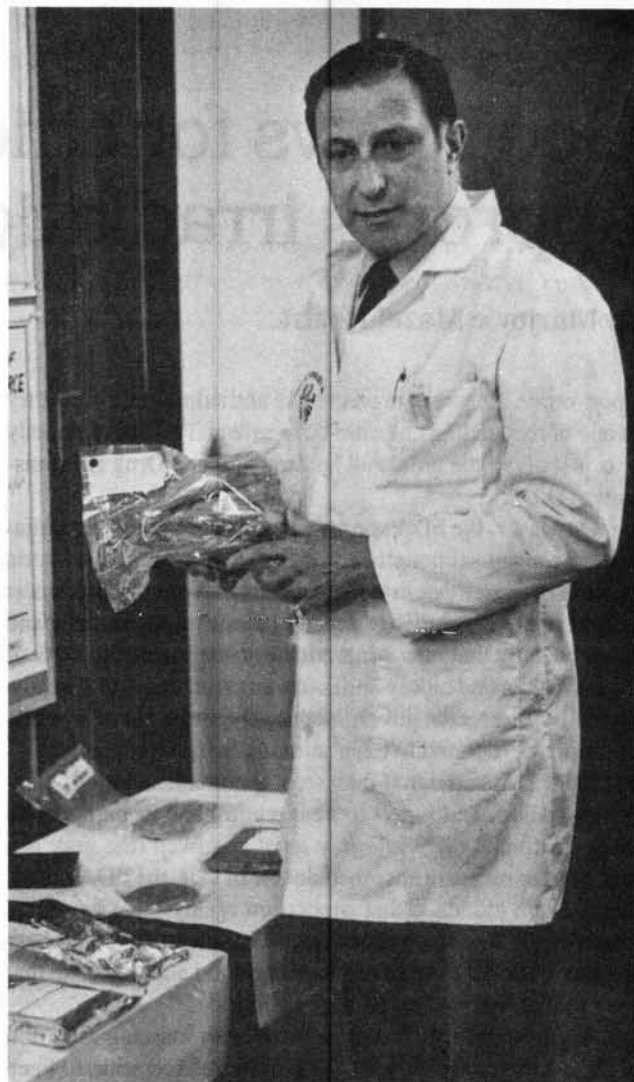
Welt feels that one factor in the final approval was the participation of the USDA, which recognized that there was no alternative to controlling salmonella and campylobacter in poultry. The USDA increased the scope of the initial petition to include radiation from an electron beam source and from x-rays, and also the inclusion of an environmental impact statement.

### How fast can we commercialize?

How fast will the poultry industry commercialize irradiation? Welt thinks that the first use will be in prepared meals, fresh refrigerated dinners sold at grocery stores for people to take home and warm up. Also, Welt said, commercial use may result as poultry processors realize they may be involved in liability claims in salmonella cases.

The current approval for low-dose irradiation also opens the door for FDA approval of the high-dose petition specifically for prepared meals, submitted by Welt's company, Alpha Omega Technology, Inc. of Parsippany, New Jersey. A high radiation dose would eliminate all microbial activity in the food, creating a sterilized, shelf-stable product (no refrigeration required).

“The major beneficiaries of sterilized meals will be medical patients and ‘Meals on Wheels’ for the elderly. We are hopeful that the FDA will grant approval for AIDS patients,”



*Martin Welt holding a radiation-sterilized chicken in 1984. Stored at room temperature in a sealed pouch, that same chicken would still be wholesome and tasty today.*

Welt said. “Since 1975, there has been a special program to provide radiation-sterilized meals to cancer patients at the Fred Hutchinson Memorial Hospital in Seattle, and it has proved to be the best meal for immunosuppressed patients, because it ensures food safety. Even at three times the dose needed for sterilization, the nutritional content of irradiated meals is better than today's canned food. Further, similar radiation-sterilized diets have been supplied for the Space Shuttle astronauts.”

Welt's company has also petitioned the FDA to approve low-dose irradiation processing for raw fish and seafood, which was accepted for filing in the *Federal Register* on March 15, 1990. Experts contend that there is no other way to solve the problem of eliminating disease-causing pathogens in raw seafood products.



## Talks move on rocky ground

*The German Monetary Union was announced May 18, but Moscow is putting up roadblocks to German reunification.*

**H**igh-level economic talks between West Germans and Soviets in Moscow May 20-23 ended without concrete results. But for a renewed Soviet interest in a joint pilot project to develop a special high-temperature nuclear reactor for commercial use, no large-scale venture was announced.

Although many obstacles had been emerging on the Soviet side in the days before these talks, it had been widely expected that Moscow, faced with severe problems in industry and the food supply sector, would be open for a deal involving the final Soviet "yes" to German reunification, in return for attractive joint industrial projects with the reunified Germany.

A secretive special mission of Horst Teltschik, Chancellor Kohl's security adviser, to Moscow May 13 tried to remove bigger obstacles, but didn't achieve anything substantial in time for the German-Soviet economic talks. Teltschik tried to make progress with the Soviets to escape new problems created by the United States.

George Bush objects to independent West German initiatives for economic help to the Soviet Union. Everything moving in that direction should be coordinated by the White House, Bush contends.

Receiving Kohl in Washington May 17, Bush forced him to accept the idea of an "all-Western aid package for Gorbachov." The package, which is to incorporate (and control) all German economic deals with the East, will first be discussed at the Houston July 10-11 economic summit of the Group of Seven and then integrated in the preparations for the October session in Washington of the "two plus four" talks on Germany.

Bush, planning to present his "package" idea to Gorbachov at their Washington summit May 31-June 3, wants the initiative to boost his personal prestige. This is his precondition for a U.S. "yes" to rapid German reunification. It means, however, that the debate on economic assistance to the Soviets will be stretched out over the critical next few months while the internal political stability of the U.S.S.R. will disintegrate further, with all ensuing repercussions such as a hardening of Soviet attitude.

The German-Soviet talks May 20-23 foreshadowed a hardening Soviet attitude and turned out to be very tough. The Soviet side, represented by Premier Nikolai Ryzhkov and Deputy Premier Ivan Silayev, did not use the talks to make a step toward the West Germans, but increased preconditions to any settlement on the open issues.

Ryzhkov and Silayev demanded, for example, that the West Germans not only give verbal, but also detailed written assurances that the German Monetary Union beginning in July won't disrupt, but rather will stabilize East German deliveries to the U.S.S.R. Moscow also wants a "document" detailing how the stationing costs of Soviet troops in East Germany would be covered.

West German Economics Minister Helmut Haussmann replied that written guarantees would have to be given by East Germany which signed the agreements with the Soviets originally. The East Germans have to sit in on these talks anyway, he said, because their industrial combines are highly dependent on Soviet markets and need guarantees from Moscow in

order to keep up current levels of production and employment. Then, too, Moscow has to give more than a general promise to pay the 1 billion Deutschmarks of overdue debts owed to West German trade partners, Haussmann insisted. The Soviets should tell how they will pay and when, and they should pay as soon as possible in order to prevent a further decline in confidence among their Western trade partners.

Haussmann rejected the idea of having West Germany fund or contribute to funding the stationing costs of Soviet troops on East German territory—700 million East German marks per annum. Rather than pouring substantial sums of money into a prolonged stationing of troops and equipment, it would make much more sense to invest in the civilian sector right away and pull the troops out. But the Soviets don't want to make concrete steps as long as they are pooking in the talks with the U.S. on the reduction of troops and conventional weapons in Europe. Moscow knows that it must pull the troops out of East Germany at some point, but wishes that point to be in the far, not the near future. There is, naturally, a special element of blackmail of the Germans, aiming at increasing the price they pay for the withdrawal of the Soviet troops.

The Soviets' tactical maneuvering is counterproductive, because the West Germans want to invest in the development of the Soviet economy, but don't want to be pulled across the table by Moscow. A strong sentiment of disappointment and reserve is spreading among West German industry bosses trading with the U.S.S.R. It is Moscow's turn now, to remove the heavier stones on this road and help to install positive perspectives for peaceful development of relations between East and West.

# Business Briefs

## Health

### AIDS-TB link mandates testing, doctors say

A year-long study of tuberculosis patients in the Houston, Texas area revealed 31% testing positive for HIV. The results have prompted doctors to call for routine testing between the groups.

"The big point of this study is that tuberculosis patients need to be tested for HIV, and people with HIV need to be tested for TB. That's the message we need to get out," said Michael Enochs, HIV seroprevalence coordinator for the Houston health department.

"The reason pulmonary tuberculosis is going up is because of AIDS. There's no question about that," said Dr. Robert Awe, director of the chest clinic at Lyndon B. Johnson Hospital. "If AIDS patients with weakened immune systems become ill with tuberculosis, that could fuel the spread of the TB. . . . As opposed to HIV infection, tuberculosis is easy to get. You can be sitting next to someone who's coughing and get it," said Awe.

A study of so-called "street kids" at Houston's Covenant House youth shelter found 2% tested positive for HIV in a recent study of 1,000, according to the May 12 *Houston Chronicle*. The rate for women was 2.5%, and 1.7% for men. The physician at the shelter said he was not surprised by the findings, because "this is a fairly high-risk population." Many have abused drugs or lived by prostitution, he said.

## Small Business

### Fed study finds reduced lending

A study by the Federal Reserve Board confirmed that the nation's commercial banks are restricting loans and other types of credit to small and medium-sized companies, but that total lending had not declined, the *New York Times* reported May 19.

The study of 60 banks, performed three times a year, found that all the banks reported tighter policies on loans involving real estate, with a large share of the banks reporting "considerably" tighter restrictions on developers.

The bankers said the tightening was motivated by what the Fed called a "less favorable economic outlook," as well as by deteriorating loan portfolios, which also indicate a weakening economy.

## Industry

### Cost-benefit analysis crippling corporations

American companies are losing the battle over Research and Development to Japan because of methods of cost-benefit analysis that demand up-front proof of a positive future return before any substantial investment is actually made, *Wall Street Journal* reporter Amal Kumar Naj charged on May 21.

Japan's edge is usually laid to the relatively lower cost of capital and to the pattern of government-industry collaboration, but the planning and accounting methods of most U.S. firms are an overlooked factor, Naj said.

Naj described a new technique, called "technology options," whereby companies commit themselves to a certain level of funding for a determined period of time in order to see how factors that are not fully quantifiable in advance—such as technical breakthroughs, new product or market possibilities—play out over time. He cited various case-studies in which seed-money for preliminary efforts wound up changing the parameters of new products or techniques and creating profitable investments.

The approach appears to allow some role for non-linear scientific and economic effects in business planning decisions long advocated by *EIR*.

## Finance

### Legal case could sink all corporate raiders

Pre-buyout bondholders of RJR Nabisco, Metropolitan Life Insurance Co. and Jefferson-Pilot Life Insurance Co., have filed suit against RJR Nabisco for violating "negative pledge covenants" on bonds issued before RJR Nabisco was bought out by Kohlberg Kravis

Roberts and Co. for \$25 billion in early 1989. If successful, the suit could bring corporate raider activity to a halt.

A negative pledge covenant, Leslie Wayne wrote in the May 20 *New York Times*, is a standard feature of most bond indentures that protects the bondholders by prohibiting the issuing company from pledging corporate assets to third parties, or placing liens on those assets, without granting similar measures to the existing bondholders.

Met Life and Jefferson-Pilot argue that when RJR Nabisco sold \$6 billion in assets to pay down some of the debt incurred in the buyout by KKR, the value of RJR Nabisco's pre-buyout debt of \$5 billion plunged in value by \$1 billion, causing losses of \$250 million to Met Life and \$10 million to Jefferson-Pilot. As Harry Kamen, attorney for Met Life, told Wayne: "If they can take \$6 billion in assets and pay the banks, then that's \$6 billion in assets not available for us. We say the purpose of the covenant is to protect us against some ahead of us" getting paid the proceeds of asset sales before we do.

If Met Life and Jefferson-Pilot win their case, a flood of similar suits will likely be filed by other holders of RJR Nabisco's pre-buyout debt, forcing KKR to fork out \$5 billion it can ill afford at this time. Vera Young, vice president of American National Insurance Co., said, "We're sick and tired of takeovers. We bought a double A bond and now it's double B. That gets pretty old fast."

## Biology

### Cancer breakthrough made in Canada

Dr. Patrick Wong, a scientist of the Canadian National Research Council (NRC), announced a potential breakthrough in cancer detection on May 9.

Using cells taken by needle biopsies, Wong put them under strong pressure and irradiated them with infrared light. Some frequencies are absorbed, causing various parts of the cell—membranes, DNA, RNA, and proteins—to vibrate in specific patterns. The "microscopic fingerprints" of cancer cells are characteristically different from that of normal cells.

A double-blind study of 200 samples tak-

en from patients with liver and colon cancer has shown a 100% accuracy, according to Dr. Wong.

## Space

### Supercompressed helium studied for energy use

Supercompressed, supercooled helium is being studied as a means of energy storage for hypersonic transport and spaceflight when high rates of energy release are required, a government scientist told *21st Century Science & Technology* in a May 17 interview. The process was mentioned in a 1985 *Fusion* magazine article on hypersonic transport.

If supercooled helium were passed over the nozzle of nuclear propulsion reactor—like that designed for Nuclear Engine for Rocket Vehicle Application—the helium undergoes “superexpansion” and the energy yield is hundreds of times that stored in the chemical bonds. Whether the energy production involved is more than that stored by compression, is not known.

The studies in supercompressed helium may yield some insight into the energy releases reported in cold fusion research, the scientist said, since there is intense compression of hydrogen in the palladium lattice during cold fusion.

## Infrastructure

### Link between Africa and Europe studied

Work on building a bridge or tunnel to link Europe and Africa across the Straits of Gibraltar should begin in the next decade, Moroccan Equipment Minister Mohamed Kabbaj, told a conference of 300 international experts, Reuters reported May 16. “The next decade will certainly see the start of work on the job,” he said.

Kabbaj said the world’s biggest road bridge, with ten 6,560-foot spans, would be a more attractive option, but it would be cheaper to dig a 33-mile railway tunnel. Cost estimates range from \$5-10 billion and con-

struction could take 10 years.

Moroccan Prime Minister Azeddine Laraki said the project would boost economic relations between the European Community and the Arab Maghreb Union linking Algeria, Libya, Mauritania, Morocco, and Tunisia. It would also open Europe to West Africa by means of a road network between Tangiers in north Morocco and Lagos in Nigeria. “It used to be just a dream, but now studies are in an advanced stage,” he said. Feasibility studies conducted over the past 10 years were discussed at the conference which opened in Marrakesh May 16.

## Banking

### Supreme Court strikes Federal Reserve policy

The Supreme Court has ruled that the Federal Reserve Board does not have the power to force bank holding companies to help ailing subsidiary banks, the *Wall Street Journal* reported May 16.

The court upheld a New Orleans appeals court ruling which said the Fed overreached its authority when it tried to force MCorp, the Dallas bank company, its holding company funds to support the holding company’s troubled subsidiary banks. The Fed’s so-called source of strength doctrine, made explicit in regulations in 1984 and 1987, required bank holding companies to use their assets to aid their bank units “during periods of financial stress or adversity.”

MCorp defied the Fed’s and Federal Deposit Insurance Corporation’s orders to support its banks in 1988, saying it would recapitalize on its own terms. Ultimately, regulators seized 20 of MCorp’s 25 banks and sold them to Bank One of Ohio, in a move that will cost the taxpayers an estimated \$2 billion.

Brookings Institution banking expert Robert Litan said that “The Fed must be reeling from this. They’ve often trotted out this policy as an arm-twister.”

Richard Whiting, general counsel of the Association of Bank Holding Companies, called the decision “a significant loss for the Fed,” and added, “I would assume they will appeal.”

# Briefly

● **THOMSON AND PHILIPS**, the French and Dutch electronics firms, formed a \$3.6 billion joint venture with French government backing to develop high definition television. “HDTV is our industrial future; this accord between two groups . . . symbolizes what we want to do in Europe to catch up with Japan,” French Industry Minister Roger Fauroux said.

● **CZECHOSLOVAKIA** is planning to build four nuclear power plants with Western technology, doubling the country’s nuclear generation of electricity by the year 2000, Foreign Minister Jiri Dienstbier announced in Vienna, Austria.

● **A CONSORTIUM** of French banks and industrialists has offered East Germany “dream” financial conditions for construction of a 200 kilometer TGV high-speed rail line between Berlin and Dresden, according to *Der Spiegel* May 21. On May 18, the TGV broke another record by hitting 515.3 km per hour.

● **A BRIDGE** over the Straits of Messina, linking Sicily with the Italian mainland, has been approved by the International Maritime Organization, and it is now up to the Italian government and the parliament to give the final okay, *La Repubblica* reported May 17.

● **ENGINEERS** at the Hanford, Washington, Fast Flux Test Facility (FFTF), built 12 years ago, are seeking private funds to keep the newest U.S. nuclear reactor test facility alive after Energy Secretary James Watkins decided the FFTF should shut down. The final decision is up to Congress.

● **THE U.S. ENERGY** Department is considering buying enriched uranium from the Soviet Union, a potential \$200 million deal, the *Wall Street Journal* reported May 21. Because the United States has refused to modernize its enrichment processing, its prices are higher than those of other countries.

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## The economic program we need to colonize Mars

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*President Bush has newly committed the U.S. to landing a man on Mars by 2019, but only a Kennedy-style tax credit program will make it happen. Marsha Freeman reports.*

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On May 11, President George Bush told the matriculating students of the predominantly black Texas University of Arts and Industry, that this graduating class of 1990 would “leave footprints not only in the sands of Texas—but also in the sands of time—and ultimately on the plains of Mars.” In his Texas A&I commencement address, ten months after he launched a new “Exploration Initiative” in July 1989 to return to the Moon and explore Mars, on the 20th anniversary of the first Apollo lunar landing, the President added a timetable to his program: “Thirty years ago, NASA was founded and the space race began. And 30 years from now, I believe, man will stand on another planet. . . . I believe that before Apollo celebrates the 50th anniversary of its landing on the Moon, the American flag should be planted on Mars.”

Criticism of Bush’s speech last July justifiably centered around the fact that the President had committed neither the timetable to accomplish the tasks, nor the money to even get started.

The first step in returning the United States to preeminence in space must be the construction and operation of Space Station Freedom, which is currently more than \$2 billion and four years behind schedule.

For next year, the Bush administration did request a 24% increase in the space agency’s budget, which includes the long-awaited gear-up in funding for Freedom. But Congress has been threatening to cut \$1 billion from the \$15 billion request for months. On May 1, the President himself met with congressional leaders to try to garner their support for the full \$15 billion fiscal year 1991 NASA budget. But the recent recalculations of the projected federal budget deficit

and current “budget summit” negotiations could well throw most, if not all, of the \$3 billion requested increase over last year’s NASA budget, out the window.

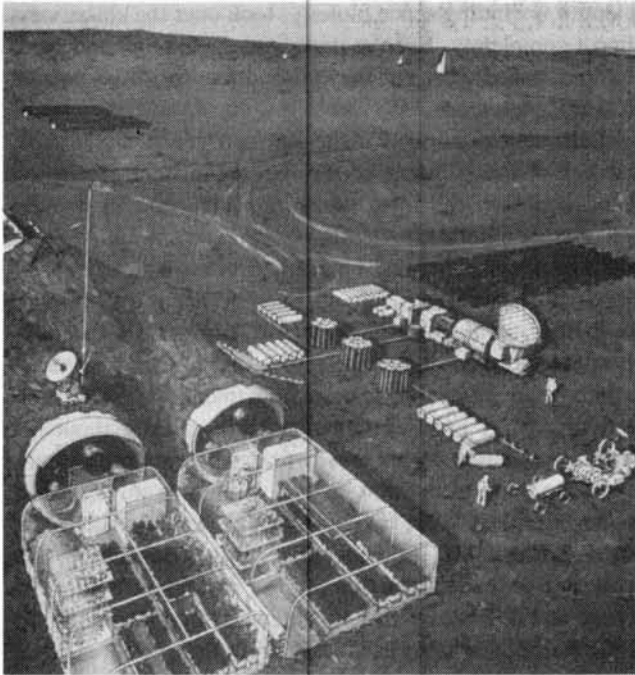
There is a growing recognition, even in Washington, that the U.S. economy—both physical and financial—is lurching toward the end-game of disaster. There are some who even appear to understand that no amount of financial hocus pocus can substitute for investment in research and development, leading to capital investment in the new technologies for U.S. infrastructure, industry, and agriculture.

A space program based on long-range goals—which *cannot* be accomplished with today’s technology—is the potential science driver for the United States, which could reverse the 20-year decline in the economy, as well as the culture. In his Texas speech, President Bush invoked the vision and optimism of John F. Kennedy. He referred to the effect on education, advanced technology, and economic growth that a forward-looking space program would have, echoing the overall economic thrust of Kennedy’s short three years in office.

In order to allow the nation to make that vision real, however, George Bush will have to implement the kinds of investment and tax policies which allowed Kennedy’s Apollo program not only to land a man on the Moon, but also launched the United States into its greatest peacetime period of economic growth.

### The steps to Mars colonization

Moving human civilization into space is really not very different from settling terrestrial frontiers. The infrastructure



*Colonizing Mars will push forward the frontiers of science and technology. In this painting by Carter Emmart, the Mars colonists are growing their food in enclosed greenhouses (foreground), separating the atmosphere for needed materials (right), and using nuclear energy (rear) to power this early base.*

must be in place each step of the way, to create the conditions for new development activity, as well as the next step in exploration and settlement. Every serious program for space settlement—including the 1986 report of the National Commission on Space, the recommendations of former astronaut Dr. Sally Ride, and the initiative by Lyndon LaRouche as part of his 1988 presidential campaign—start with the required infrastructure in Earth orbit.

The current Space Shuttle fleet, followed by second-generation reusable spacecraft past the turn of the century, will be the “railway to space,” providing access to the first necessary infrastructure for colonization—Space Station Freedom. From Freedom, both astronauts and supplies will be sent to the Moon, where, for the first time, man will learn to live away from his first planetary home. With Freedom fully functional by the end of this decade, the manned return to the Moon and the beginning of lunar industrialization should be accomplished in the first decade of the next century.

Lunar development will require quantum leaps in new industrial technologies for mining resources, processing materials, and growing food in an environment devoid of three of the prerequisites for life—an atmosphere, water, and survivable temperatures. Scientists and engineers will have to develop ways to carry out human activity in a wholly artificial environment. These developments will create new tech-

niques for economic activity back on Earth—“greening” the Moon will surely make greening Earth’s deserts possible.

All of the technology developed for life on the Moon is prerequisite for a trip to Mars. The Moon is so close to the Earth—less than one day’s travel time—that experimental systems can be tested there with the security of having help from Space Station Freedom or from Earth, if necessary. Mars is minimally 35 million miles from Earth, and over 70 million miles distant at the outer point of its elliptical orbit relative to the Earth.

The chemical transport technology used during the Apollo era will not be adequate for the Mars journey, though much of the other technology required will have been tested at the Moon colony. Even first-generation nuclear fission systems, which should be developed to transport freight to the Moon and to power lunar industries and cities, must be superseded by the age of directed electromagnetic energy and plasma technologies, which will bring about the industrial revolution of the 21st century.

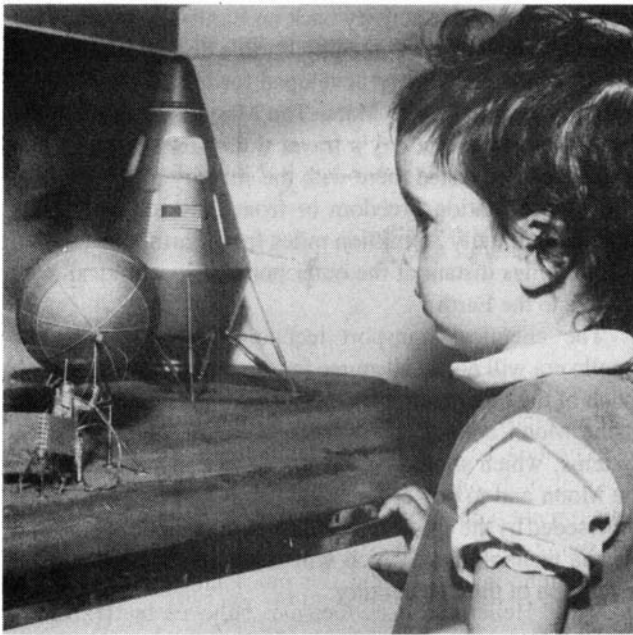
### **LaRouche’s scenario for ‘The Woman on Mars’**

In a nationwide presidential campaign broadcast on March 3, 1988, candidate Lyndon LaRouche proposed that by approximately the year 2027 there be colonies on Mars. He envisioned that, less than a decade later, the initial settlements would have grown to over a half-million people, some of whom would have been born tens of millions of miles away from Earth.

LaRouche stressed in his television presentation that the colonization of Mars would require pushing forward the frontiers of science. Contrary to “get-rich-quick” proposals now emanating from Lowell Wood and others at Lawrence Livermore National Laboratory, LaRouche insisted that “off-the-shelf” technologies should *not* be used to go to Mars.

For the health and safety of the crew, advanced propulsion systems, starting with thermonuclear fusion, must be developed to reduce the Earth-to-Mars travel time to days, rather than months. LaRouche estimated that developing this advanced propulsion technology will require at least a couple of decades of serious research and development. The *goal* is not to get to Mars as soon as possible, but to lay the basis for advancing civilization. Breakthroughs in optical biophysics will be required to solve the problems of living in reduced gravity conditions and performing medical functions away from Earth. Such breakthroughs will advance the understanding of basic life processes and open a new age of biology and medicine, including the extension of life.

By meeting the challenges of Mars colonization, the quantum leap produced in energy, industrial, and life science technologies will lay the basis for decades of real economic growth. “We may expect to increase the average income of the United States by up to 10% per year by some point during the coming years,” LaRouche estimated.



*Lyndon LaRouche has described the establishment of cities on Mars as the true beginning of the "Age of Reason." Here, a two-year old girl studies a nuclear-powered Mars base, on exhibit at the Nuclear Rocket Development Station in Nevada, in 1965.*

To underline his point, with a truth that is even more evident today, LaRouche stated in the television broadcast, "Put it the other way around. Without a science-driver project, such as this Mars project, the United States economy will not become competitive again."

LaRouche also wrote a script for a full-length television film in January 1987, to be titled, "The Woman on Mars," where he stressed a second feature of the Moon-Mars project. In this script, he references the impact of the 1929 film supervised by German scientist Hermann Oberth, "The Woman in the Moon," which created a generation of rocket specialists, led by Wernher von Braun. LaRouche's original 1987 scenario for "The Woman on Mars," which *EIR* first published in its Aug. 4, 1989 issue, is set in the year 2036.

As important as the revolutionary impact of the science-driver of space colonization will be for the economy, the *cultural* rebirth of the nation will be even more fundamental. LaRouche described the establishment of cities on Mars as the true beginning of the "Age of Reason."

The population of the world, he said in his script, would participate in the conquering of this space frontier. Once space stations were in operation, and manned flights to the Moon had become routine, LaRouche states in retrospective, "the point was reached that every schoolchild, not only in the U.S., Europe, and Japan, but throughout the world, demanded to know everything possible about space."

"Beginning in the 1990s, fewer and fewer university students attended courses in the social sciences, as the physical

sciences, including space biology, took over the classrooms almost completely. Even at preschool ages, more and more children, asked what gift they wished for Christmas, would answer, 'a telescope.'"

LaRouche continued: "The last two years, 2025-2026, just before the building of the first permanent colony on Mars, had seen the most rapid transformation in popular views here on Earth.

"The TV screens had been filled often with images of those giant spacecraft, each much larger than a 20th-century ocean liner, taking off from the vicinity of Earth's geostationary space-terminal, in flotillas of five or more, each seeming to thunder silently in the near-vacuum under 1-gravity acceleration. . . . A great anticipation built up throughout the Earth's population during those last two preparatory years.

"Then Earth went through what was afterward described as the 'sleepless year,' as the first city was assembled on Mars, during 2027. Audiences on Earth demanded to see every step of the construction relayed back here. Nearly everyone on Earth became thus a 'sidewalk superintendent' for as many available hours as his or her sleep-starved eyes could be kept open."

Looking back from that vantage point in the year 2036, LaRouche stated, "No one talks of overpopulation any more. The idea of transforming the Earth-sized moon of Saturn, Titan, into a new colony, beginning 40 to 50 years from now, is already more popular than the colonization of Mars was back during the late 1980s."

LaRouche ends the film scenario with the words: "We wonder if more than a handful living back in the late 1980s dreamed how much their decisions would change not only the world, but the solar system, for the better, within two generations."

Presidents do not often make decisions which will affect the lives of the citizens of this country for generations. Even at the time such decisions are made, political expedience, rather than well thought out plans, can be the motivation.

There are important differences between the May 1961 Kennedy announcement that man was going to land on the Moon by the end of the 1960s, and the situation today. The U.S. and the world's economy are in vastly worse condition. The coming shocks to the international financial system will make the political upheavals in Eastern Europe of the past year, pale by comparison.

In the near future, the world's leaders, most emphatically including the President of the United States, will be searching for a way out of a crisis much more serious than what Kennedy faced with the Bay of Pigs fiasco. Either George Bush and his circle of power-brokers will be forced to make the right decisions, which will indeed affect future generations of Americans, or they will be swept away by those, such as LaRouche, who will. Either way, hopefully, the world will be able to look back to 1990, from the vantage point of "The Woman on Mars."

# How the Kennedy tax credit plan propelled an era of growth

by Andrew Rotstein

After eight years of partisan rhapsodies about the “longest peacetime expansion in American history,” the United States is in an economic and financial gridlock.

Any observer unimpaired by ideology or narrow self-interest can see that as a productive nation, the U.S. is approaching third-rate status. The papier-mâché prosperity of recent years has left a staggering legacy of debt and other liabilities whose day of reckoning impends. In the current fiscal miasma in Washington, the agenda is defined by the need to avert insolvency and financial panic. The nation seems incapable—at least, under present conditions and policies—of any new great enterprises, like the Mars mission President Bush has endorsed.

In recent comments on the economic policy vacuum, *EIR* founder Lyndon LaRouche noted that the nation could well take a lead from the policies of the Kennedy era. In 1961, in tandem with the announcement of the manned Moon shot program, the new administration launched a campaign of industrial renewal, a campaign which benefited from the space project, but was also a vital condition for its success. The investment tax credit, one of the central components of the effort, provides a useful model for the present conjuncture.

The economy of the late 1950s was characterized by sluggish growth and repeated lapses into recession. Expansion was in the 2.5% range, inflation was high by peacetime standards, and problems like declining business investment, competition from a resurgent Europe, and the outflow of dollars, lurked in the background.

The legacy of stagnation was especially acute, and especially foreboding, in the industrial base. Business investment in fixed capital, which had been 12.5% of GNP in 1948, had fallen steadily, except for an uptick in 1956, and was below 10% for the decade's last three years. Producers' durable equipment, the key component of fixed capital, had dropped even more sharply, from 8.3% of GNP in 1948 to 5.6% in 1959-60—a fall of 33%.

## Gearing to the ‘promise of growth’

In April 1961, Kennedy called for the most significant revision of the federal tax code since 1954. The central feature of the bill was a novel proposal for an investment tax

credit to spur capital spending by business.

The idea, according to Walter Heller, the chairman of the Council of Economic Advisers, was to shift the focus of government policy away from “corrective” action, geared to the swings of the business cycle, and toward a “propulsive orientation, geared to the dynamics and the promise of growth.” Heller and his colleagues believed that expanded output, effected by measures that utilized idle capacity and created new capacity, provided a better guide to action than simply fine-tuning preexisting policies to avoid larger deficits.

This latter type of fiscal restraint had been the chief concern of the Eisenhower administration. Warnings about the scourge of excessive federal spending were candidate Nixon's stock answer to Kennedy's expansive 1960 campaign theme of “doing better” and “moving forward” as a nation.

In addition, there was a firm conviction that technological progress provided the indispensable basis for rising living standards and future growth, and that insufficient spurs to such advancement had bred the stagnation of the 1950s. American economic success, Kennedy noted in his tax message to Congress, “has been one of rising productivity, based on improvement in skills, advances in technology, and a growing supply of more efficient tools and equipment. This rise has been reflected in rising wages . . . as well as a healthy rate of growth for the economy as a whole.”

## How the incentive worked

When business firms buy new machinery or equipment, they are permitted to recover part of the cost of their investment by “writing it off” from their income for tax purposes over the designated “useful life” of the item.

The investment tax credit was a departure from the depreciation method. It was designed to create the maximum amount of new investment relative to the revenue loss to the Treasury, and to spur capital purchases that would not have been made without the investment tax credit. The idea was to allow a firm to take a proportion of its new investment as a credit, deducted directly from its taxes due. In fact, to encourage acceleration of investment, the original bill the administration submitted—later modified by Congress—would have

created a sliding-scale system, giving enhanced rewards to firms with greater investment relative to past levels, as measured by their existing annual allowance for depreciation.

Specifically, a company that spent more on new plant and equipment than its depreciation allowance could deduct 15% of its investment above the allowed deduction; one that invested between 50 and 100% of its depreciation allowance could claim a credit of 6% on the amount above 50%. So, for example, a company with a depreciation allowance of \$1 million that invested \$2 million in one year in new factories, machinery, and vehicles, would be permitted to take 15% of the additional \$1 million, or \$150,000, off its taxes due. If the same company spent just \$600,000 on fixed capital—that is, \$100,000 more than 50% of its \$1 million allowance—it would be allowed a credit of 6% of the difference, or only \$6,000, from its tax obligation. There was also a straight 10% credit for smaller firms, and a universal 30% ceiling on the credit.

### **Encouraging investment, not speculation**

The investment tax credit was estimated to result in a \$1.7 billion revenue loss in the first year. To defuse political opposition from fiscal conservatives, the overall bill was revenue-neutral, calling for an equal amount in tax increases, mainly through closing of loopholes.

The package included other measures that clearly indicated a conscious attempt to create an economic environment geared toward technological renewal. For example, it actually called for *elimination* of existing incentives for investments in stocks, including a \$50 exclusion and 4% credit for dividend income. In addition, the package made permanent a maximum corporate tax rate of 52%, which was scheduled to revert to 47% later that year. These moves suggest that the administration wanted to steer the benefit directly to new spending in productive capacity, and not simply to increase the income of corporations or private investors, to be used at their discretion for whatever purposes, productive or speculative.

Council of Economic Advisers member James Tobin, now at Yale University, confirmed to this author that such targeting was the intended strategy. During hearings at the time, then-Treasury Secretary Douglas Dillon, as lead-off witness to the House Ways and Means Committee, was similarly explicit: “The benefits from a cut in the corporate rate would be received by all companies, whether they invested or not. . . . I repeat that the purpose of the investment credit is not to provide general tax reduction for recipients of profit income. Rather, it is to stimulate investment in the most efficient manner.”

The administration had good reason to doubt the efficacy of relying on corporate planners to reverse the Eisenhower stagnation. Major firms had been building up large stores of cash and other liquid assets, but had been skittish about the capital spending the country so desperately needed. One

business journalist reported that Howard B. Speyer, the vice president and treasurer of Champion Spark Plug, looked at his company’s balance sheet and was shocked to find cash and marketable securities worth \$48.8 million—an incredible 48.6% of annual sales. “What are we running—a spark plug company or a bank?” he asked. A standing joke of the time was that General Motors, which was sitting on a \$2.3 billion cash reserve, was “saving its money to buy the federal government.”

### **A strategy for growth**

Other concurrent policies further demonstrate that the investment tax credit was no isolated measure. For example, the White House attempted to deal with both industrial decay and the flight of dollars overseas by pressing the Federal Reserve to modify monetary policy in what the Council of Economic Advisers called the “monetary twist.” Heller described this as the administration’s effort “to twist the structure of interest rates so as to hold down the costs of long-term funds for investment in new plant and equipment while raising short-term rates to minimize the outflows of volatile funds to other countries. Successive increases in interest rates payable by commercial banks on time deposits played an important role in redirecting the flow of funds from the short to the longer term end of the spectrum and thus serving the objectives of the twist.”

A year after introduction of the tax package, the Kennedy administration also backed legislation to speed up depreciation of assets by 10-20%, reinforcing the effect of the investment tax credit, and partly mollifying some business critics.

Heller is explicit that a high-technology vector to economic development was the indispensable basis for a period of robust growth without the raging inflation predicted by standard theory. “The harmonics of economic policy for cost-price stability . . . are a co-requisite of sustained prosperity. The discouraging pattern of recessions every two or three years between 1949 and 1960 has been broken,” he later wrote, “not by a simple-minded devotion to demand stimulus [i.e., per Keynesian theory—ADR], but by a tight coupling of measures to boost demand with measures to boost productivity and hold costs in check—a combination designed to bring the demands of full employment into harmony with those of high growth, cost-price stability, and external payments equilibrium. Indeed,” he concluded, “*sizable and sustained productivity advances may be thought of as ‘the great reconciler’*” (emphasis added).

### **A ‘most uncommon combination’ of opponents**

The tax package was announced in April 1961, and although initially eclipsed by the Bay of Pigs invasion, it stirred widespread controversy from the outset. Most reaction to the investment tax credit was decidedly negative. Business leaders considered the investment incentive gimmicky, inequitable, and hopelessly too complex to understand or ad-



minister. Most expressed their preference for more generous depreciation schedules instead. They also opposed other features of the larger plan, such as the elimination of the breaks on dividends, and the higher top corporate rate.

The bulk of the Democratic President's own party, including liberals and organized labor, was scarcely more hospitable. Most saw the approach as a "subsidy" or "giveaway" to business, which needed it least. The AFL-CIO and the Americans for Democratic Action both testified against it in Congress, calling instead for a tax break for lower- and middle-income Americans, to strengthen consumer demand.

According to a June 1961 *U.S. News and World Report* update, with the exception of a largely noncontroversial section affecting farm cooperatives, 114 non-government witnesses appeared before the Ways and Means Committee opposing features of the bill, a mere 17 in favor. On the investment tax credit itself, only two witnesses submitted favorable testimony, while 43 offered negative comments.

Most amusing, was the manner in which fixed ideological positions were not only offended, but outright confounded by a liberal Democratic President adopting a "pro-industry" tack. Ardent liberals considered the policy to be virtual heresy. Columnist Walter Lippmann and influential Democratic economist Leon Keyserling both likened the Kennedy administration to "a third Eisenhower term." Bruce Miroff, a leftist political scientist, later charged that measures like the investment tax credit exposed the hypocrisy of Kennedy's professed "progressive" ideals by "ensuring that the conservative, corporate definition of the American economy, now decked out in sophisticated Keynesian dress, remained ascendant."

Doctrinaire conservatives were equally outraged. Major business spokesmen, congenitally hostile to any affirmative federal role in the economy, said tax collection should serve the sole purpose of providing necessary revenue, and not give preference to any one type of behavior over another. Others, echoing their counterparts on the left, condemned the plan as a government subsidy, and thus contrary to free market nostrums. One critic called it nothing less than "socialistic."

Heller had a more sagacious, if less heated, view of the controversy. Far from the notion "that a major political party has moved from left to right, from a labor position to a business orientation, simply substituting a new dogma for an old," the tax program represented a different species of being altogether—an "escape from dogma," he called it.

The bill was stalemated in the First Session of the 87th Congress, but, after much compromise and more than a little arm-twisting by Ways and Means Chairman Wilbur Mills, it eventually passed the House of Representatives in spring 1962. The sliding-scale provision had been eliminated, and a flat 8% credit put in its place.

But as it went to the Senate, the bill encountered what *New York Times* columnist Arthur Krock termed a "most uncommon combination" of liberals and conservatives of

both parties in opposition, earning it "a special place in the history of revenue legislation." The coalition was led by Senate Finance Committee chairman Harry Byrd (D-Va.), the leading balanced-budget fundamentalist in the chamber. Among the other opponents were a leading tax liberal, Albert Gore, Sr., father of the current Tennessee senator; future presidential candidate Eugene McCarthy; and Connecticut's Prescott Bush, father of the current President.

The bill eventually passed with a 7% credit, and was signed by President Kennedy in October, taking effect retroactive to January 1962.

### **Slowly, surely, gaining converts**

The investment tax credit was not initially welcomed by its intended beneficiaries. But, as the Council of Economic Advisers' Tobin and staff economist Robert Solow later wrote, "their appetite grew with the eating."

Congressional passage of the investment tax credit was covered by *Business Week* in an article entitled, "Business shrugs off new tax law." But a short six months later, the same magazine reported that a survey by McGraw-Hill's Department of Economics found that "businessmen have revised their capital spending plans sharply upward. The \$40 billion they now plan to sink into new plant and equipment this year will set an all-time record."

"The slow growth of the U.S. economy during the past five years," it notes, "traces more to a lack of dynamism in capital spending than to anything else. So the promise of a speedup in the growth of capital spending is also the hope of a faster long-term growth rate for the economy as a whole."

McGraw-Hill specifically found that "despite early skepticism, [companies] added some \$1.2 billion to their 1963 spending plans to take advantage" of the bill's programs. It also found that even preliminary long-term plans projected a steady acceleration through 1966. Significantly, the survey inquired for the first time whether projected investment was based on current orders or expectation of future growth. Demonstrating the momentum generated by the tax package, the article notes that "answers to the questions clearly indicate that it is the long-term growth that companies now have in mind."

Apparent converts themselves, *Business Week* editorially noted, "Skeptics about the contribution that government tax policies can make to economic growth should take a careful look at the new survey's findings on why business is boosting its capital spending figures."

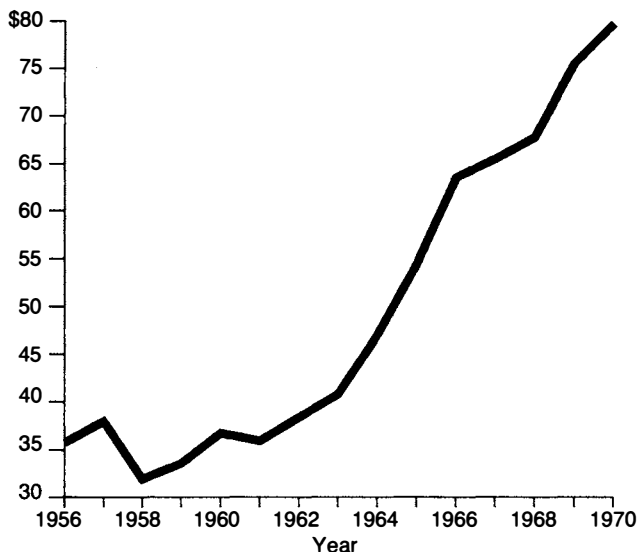
Overall, fixed non-residential investment, which grew an anemic 11.4% for the entire 1957-62 period, surged 61.9% for the comparable five-year period which followed (see **Figure 1**).

### **The economy begins to take off**

The effect of the investment initiative naturally cannot be judged in isolation from other elements of policy or from

**FIGURE 1**  
**Investment in new plant and equipment**  
**spurred by Kennedy tax credit**

(billion \$)



Source: *Historical Statistics of the United States*.

larger economic conditions. The Kennedy administration accelerated the federal commitment to public works, a vital determinant of growth and productivity. It continued the intensive, remedial efforts of the Eisenhower administration, in response to the shock of the Soviet Sputnik launch of 1957, to upgrade science, mathematics, and language education through the National Defense Education Act. Most of all, Kennedy mobilized the material, scientific, and civic resources of the nation behind a vastly upgraded space program, when he announced in May 1961 that Project Apollo would land Americans on the Moon before the end of the decade.

In the period of the most intensive work on the program to land a man on the Moon, from 1961 to 1965, and even until the substantial winding down of the NASA budget in the early 1970s, an unprecedented series of technological innovations was fed into the economy as a whole. Conjoining the benefits of the investment tax credit, and other measures of the 1962 and 1964 tax bills, to the technological gains associated with the NASA, provided a massive boost to the economy.

Even a cursory examination of some basic indicators powerfully suggests the trend. Over the three years of the Kennedy administration, the Gross National Product increased some 20%, or \$100 billion a year, for an average annual growth rate of 5.5% measured in constant dollars—over twice the rate of the 1950s. Wholesale prices were virtually unchanged, and the cost of living rose only slightly over

1% per year.

By comparison, generally prosperous economies of Western Europe were experiencing inflation two to three times that rate. From March 1961 to March 1964, the ratio of GNP increase to price increases was 4:1, compared to 3:2 in the 1952-60 period. Indicating the validity of Heller's dictum about investment as the real counter to inflation, between 1961 and 1965, unit labor costs increased an average of 0.6% per year, compared to 2.1% from 1953-57, and 1.4% from 1957-60. Unit labor costs in manufacturing during the same period actually fell, as the average 3.6% annual increase in hourly compensation was outstripped by 4% yearly growth in output per manhour. Over the period of 1961-66, real per capita income rose by 20%, corporate profits doubled, and 7 million new jobs were created. Although unemployment was naggingly persistent, it abated to 4% by mid-decade.

### The Reagan program in comparison

In attempting to drive an economic recovery with a tax cut and incentives for capital formation, the Kennedy policies obviously invite comparison with those of the first Reagan term. On one level, a limited parallel is justified. Some Reagan advocates pointed out that a low-growth economy, with substantial amounts of unutilized or low-productivity capacity, creates an economic and fiscal drag. They stressed the futility of attempting to redistribute wealth in the absence of increasing employment and output. In this, they share a useful insight with the Kennedy advisers.

But the Reagan administration's remedies never matched their public billing. With a few exceptions, like the provision for accelerated depreciation in the 1981 tax cut, the Reagan policy was blind to the distinction between investment in physical assets for useful production, and those plowed into wildly speculative chain-letter schemes. In contrast to John F. Kennedy's policy, the Reagan White House was ideologically adverse to attempts to target benefits to productivity-boosting investment.

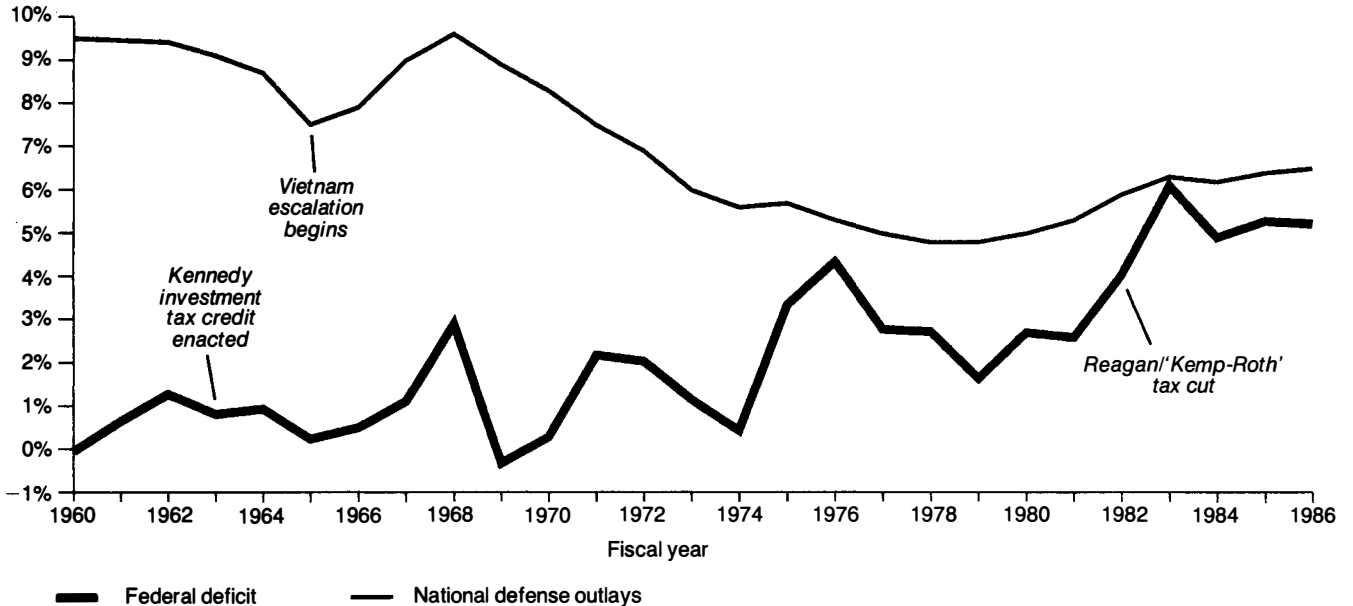
As a result, it wound up largely providing a boon for speculation.

Both tax cuts were followed by periods of growing federal expenditures and revenues. But the Kennedy program set off broad industrial progress, in which federal deficits were modest in comparison to GNP (see **Figure 2**). The Reagan cuts spawned growing deficits relative to GNP which would appear even larger if the nonproductive component of GNP were discounted. More importantly, the speculative expansion of the 1980s was heavily debt-financed, sowing the seeds of its own collapse in the asset deflation now picking up momentum in the real estate and banking sectors. A useful contrast is the trend of national public debt relative to the economy as a whole: From 1961 to 1970, it decreased from 56 to 39%; from 1981 to 1990, it is a reverse curve, growing from 34% to over 55%.

FIGURE 2

**Kennedy tax cut helped revenue base, while Reagan's caused deficit to zoom**

(normalized as percent of Gross National Product)



Source: *Statistical Abstract of the United States*.

Even using the deeply flawed accounting methods of the U.S. government—which count all forms of national income, whether useful or speculative, as equivalent—the different trajectories of the economy in response to the tax cuts of 1963-64 and of 1981 (taking effect in following fiscal years) are apparent.

The familiar argument that U.S. fiscal and economic health were simply undercut by an unbearable level of defense spending in the 1980s is contradicted by the fact that, even during the vaunted Reagan “build-up” of 1981-85, defense spending never attained the relative levels of the Kennedy era.

As noted, these figures do not discount the non-productive component of GNP. Since this sector has mushroomed in the 1970s and '80s, a more accurate accounting would show an even more pronounced rise in the relative burden of public debt in the 1980s.

The graph terminates in 1986, since the Gramm-Rudman bill of 1985 altered on-budget and off-budget guidelines, making more recent comparisons meaningless.

Of course, this is not a simple, single, cause-and-effect reaction to tax measures. By 1981, years of misguided “post-industrial” policies, capped by the bloodletting of Federal Reserve chairman Paul Volcker’s regime of usury, had substantially hollowed out the United States as a productive economy. The difference, rather, signifies that between a technologically progressing industrial nation, and one living on borrowed time and money, limping along on the basis of swapping back and forth securities and all manner of derivative paper.

Emblematic of the times, the tax bill of 1986—supported alike by the Reagan administration and by the Democratic leadership of Congress—finally abolished the remnants of the investment tax credit.

The investment credit was not the only component of Kennedy’s economic agenda, or necessarily the dominant

one. But it was a sound and imaginative innovation which, when meshed with the scientific cornucopia of the space program in its heyday, yielded stunning results.

**Hand of the law-giver**

These achievements stand as an example of what is possible when the economic affairs of the nation are reasonably well ordered. Despite years of disinvestment, despite unremitting waves of malthusian, zero-growth propaganda, there remains a strong impulse for economic growth among most citizens. In the political ferment ahead, these achievements of the recent past could teach Americans that, as economist Lionel Robins has written, what makes men act for the common good, even though that was not their original intention, is not the “invisible hand” of Adam Smith, but the benevolent hand of the enlightened law-giver.

## Wanted: the godfather of the drug cartels

by Andrea Olivieri

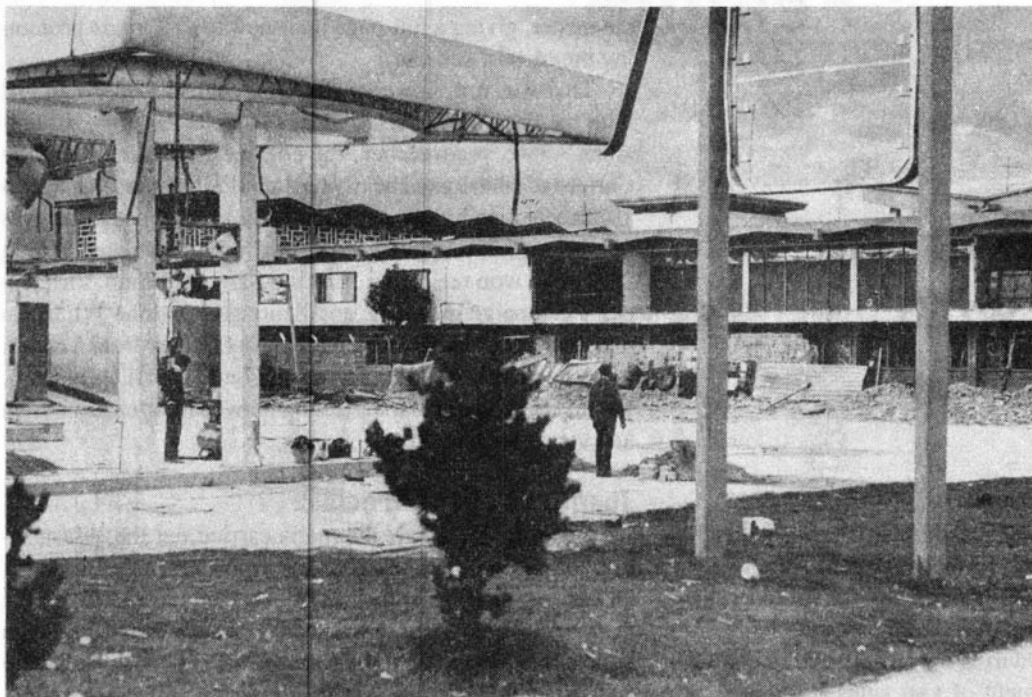
In the week just prior to Colombia's May 27 presidential elections, the drug cartels unleashed a reign of terror unequalled in the history of the country. Remote-control car bombs packed with shrapnel to inflict maximum damage were set off in several major cities, hitting shopping centers, nightclubs, and other heavily populated civilian targets. Another 16 policemen were assassinated in the city of Medellín, by street-killers out to collect the cocaine cartels' offer of \$4,000 per officer killed. The bodyguards of one presidential candidate were assassinated, as was Sen. Federico Estrada Velez, a regional campaign manager and intimate of Liberal Party frontrunner César Gaviria Trujillo.

"Humanity has not suffered this degree of barbarism against innocent people since the times of fascism and Nazism," President Virgilio Barco charged on May 16. These killers are out to overthrow the state, destabilize democracy, and destroy Colombia as a nation, he said. On May 21, Barco called on the nation to form "an unbeatable army of 30 million Colombians, to confront the violent ones . . . because what is at stake is the future of our families, our principles, our rights, and our democracy."

Even as President Barco spoke, the man featured on our cover, former Colombian President Alfonso López Michelsen, stepped forward to defend these modern-day Nazis, and demand that Colombia welcome them into legitimate society.

This was not the first time. Drug traffickers first established an empire in Colombia during López Michelsen's presidency (1974-78). Thereafter, at every point at which Colombia's patriots rose up to wipe out these killers, López Michelsen stepped forward to defend them. His economic machine set up the mechanisms used to launder the profits of the drug trade in Colombia. His political machine has fought for more than a decade to legalize the drug trade. Today, the godfather has set out to "launder" the drug killers themselves, to force the world to accept them as "respectable businessmen."

The strategy is not limited to Colombia. Today it is as common to read in the editorial pages of Colombia's newspapers as in those of the United States, that the cocaine cartels are to be given a "dignified," a "negotiated" way out of their



*The headquarters of the Colombian anti-drug newspaper El Espectador, bombed on Sept. 2, 1989 by the same cocaine cartels that are now demanding to be welcomed into the political system as "legitimate businessmen" —with the encouragement of former President Alfonso López Michelsen.*

Javier Almarro

illegality. Harvard-trained Peruvian journalist Gustavo Gorriti, frequently featured as an editorial commentator in major U.S. dailies, argued this case in a Sept. 19, 1989 column in the *Los Angeles Times*. In Colombia, "what you have is a confrontation between *roque capitalists* and the system," he wrote. "There are no fundamental social, ethnic or religious conflicts, so in spite of the current-bloodletting, assimilation of the *narco-elites* in the span of one or two generations is a likely outcome" (emphasis added).

Similarly, the man touted as one of the leading cocaine "experts" in the United States, Rensselaer W. Lee III, published a book, *The White Labyrinth*, to sustain his argument that "the Colombian mafia basically seeks to prosper commercially without being disturbed." Writes Lee, "The cocaine industry on balance probably functions as a conservative political force. Cocaine traffickers, if not exactly pillars of society, share significant common interests with established groups."

Just as the Kennedy family emerged from its bootlegging in the Prohibition era to join America's "bluebloods" in the Anglo-American Establishment, advocates of this plot argue, so too will the cocaine kings be welcome "in the span of one or two generations."

López Michelsen thought success was close at hand. The Colombian justice system was dismantled, the political system terrorized and/or corrupted, the economy heavily cocaine-dependent, and growing numbers of influential figures acceding to the idea of "dialogue" with the cartels. No international voice outside of this magazine and its collaborators had been raised against the godfather.

But on May 10, several of López's accomplices were arrested by the military on charges of "aiding and abetting narco-terrorism." The Colombian daily *El Espectador* reported that the Army was in possession of a tape-recording implicating López himself.

Just as in 1984, when he could not get the government to accept a deal which he had negotiated with the cocaine kingpins, López took to the press to counterattack. In an interview with the daily *El Tiempo* on May 20, he denied that he had told friends of Medellín Cartel head Pablo Escobar to warn the killer to "be careful." The godfather complained bitterly that his friends who had been involved in negotiations with the cartels were now jailed as "accessories to drug trafficking." López threatened that, therefore, international forces must force Colombia to capitulate before the drug trade. The government and military had refused to accept the recent declaration by the drug killers that they would "surrender," if the government cut a deal with them, he protested. Because Colombians are not "impartial" enough, Colombia should be placed under the "supervision" of the U.N.

López proposes, in effect, a rerun of the British Opium Wars against China, in the 1830s and 1840s, when the British Empire fought to preserve the opium trade when China attempted to rise up against it.

López Michelsen's efforts to keep the law from his doorstep may be in vain. On May 22, he was subpoenaed, along with former President Julio César Turbay, to testify before a judge investigating those "accessories to narco-terrorism" for their role in fostering dialogue with the drug cartels.

# Who's who in the 'dialogue' with the drug mafia

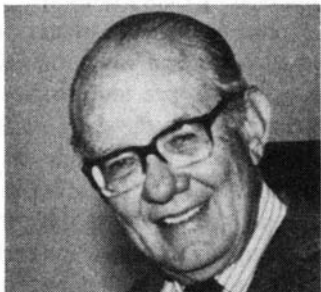
## Alfonso López Michelsen

The man who has spearheaded the campaign to "launder" the drug mafia in Colombia is former President Alfonso López Michelsen. Making the drug trade into the irreplaceable underpinning of the Colombian economy was the hallmark of his 1974-78 presidency; during his term, banking and tax reforms invited the investment of vast sums of money, of undefined origin, in key sectors of the economy. López also stood behind the first major effort to promote marijuana legalization, starting in 1979 when his family helped finance the "grow dope, not food" campaign of López protégé Ernesto Samper Pizano, then head of the prestigious National Association of Financial Institutions (ANIF).

Starting in 1984, López Michelsen openly offered his services to the drug cartels as their interlocutor, in an effort to force Colombian society to "come to terms" with its sworn enemy. Since then, López's political machine has been repeatedly deployed on the drug traffickers' behalf.

A mere one week after the drug cartels ordered the murder of Justice Minister Rodrigo Lara Bonilla on April 30, 1984, López Michelsen skipped off to Panama to hold secret talks with drug kingpins Pablo Escobar Gaviria and Jorge Luis Ochoa. While there, he helped them draft an "offer" of a deal to the current government of President Belisario Betancur. In exchange for an end to extraditions of drug traffickers to stand trial in the United States, and a general amnesty that would pave the way for society's acceptance of the traffickers as respectable businessmen, they were, they said, prepared to dismantle their smuggling operations and bring their billions in drug revenues back to the country.

López delivered the mafia's "offer" to President Betancur. When the offer was refused, López took his campaign to



Alfonso López Michelsen

the media, giving a full-page interview to *El Tiempo* promoting the cartels' scheme.

That was not, however, the first contact López had had with the drug traffickers who call themselves "the Extraditables." Two years earlier, the cocaine-trafficking Medellín Cartel had contributed nearly half a million dollars to López's 1982 reelection bid, because, as trafficker Carlos Lehder was later to reveal, they were expecting him to legalize the drug trade if he won reelection. Ernesto Samper Pizano, then López's campaign manager, and Santiago Londoño White, its treasurer, personally accepted the drug money from Lehder, in the name of the cartel. The same Londoño White, in 1984, was to set up the Panama meeting between López Michelsen and the cartel chieftains.

## Joaquín Vallejo Arbeláez

On Aug. 18, 1989, the mafia carried out the assassination of Colombian presidential frontrunner Luis Carlos Galán. As in 1984 with their murder of Lara Bonilla, the mafia employed its two-pronged strategy: Terrorize, then negotiate. When the government of President Virgilio Barco responded to the Galán killing with a furious crackdown on the drug traffickers, the drug cartels came up with another "López Michelsen." On Oct. 8, cartel emissary Joaquín Vallejo Arbeláez surfaced with an interview in the Pastrana family's newspaper *La Prensa*, where he claimed to have been mediating secret talks between the drug lords and President Barco's private secretary, German Montoya, for over a year. The scandalous effect of Vallejo's claims was to cast doubt on the seriousness of Barco's anti-drug efforts and, the traffickers hoped, to force the government onto the defensive.

Vallejo, a former ambassador to the United Nations and interior minister on various occasions, is considered one of Colombia's most influential intellectuals. He is also the literal godfather of Medellín Cartel chieftain Pablo Escobar. According to *La Prensa*, Escobar's father had been a foreman on one of Vallejo's estates: "Thirty-nine years earlier, Joaquín Vallejo had held the son of his *compadres*, Pablito Escobar Gaviria, in his arms, acting as his godfather. . . . Today he is the godfather to The Godfather."

Vallejo also told *La Prensa* that he is a proponent of drug legalization. After insisting that his contact with the drug lords ended after the murder of Luis Carlos Galán, Vallejo hastened to assure that "I did agree, and continue to agree [with holding a dialogue with the mafia], although now one has a few scruples of conscience. But in a war, at any point, it is possible to pardon, if not forget. I am also an advocate of drug legalization."

According to the revelations, Vallejo had met repeatedly throughout 1988-89 with Escobar and his lawyer Guido Parra, and with cocaine Gonzalo Rodríguez Gacha and Fabio and Luis Ochoa. On Oct. 7, *La Prensa* reproduced a facsimile of a document, hand-written by Vallejo according to his own

admission, which elaborated the cartels' offer to dismantle their drug-trafficking machinery and bring home their drug dollars in exchange for an end to the government's war on drugs—specifically, the extraditions to the United States, the raids, and the arrests—and an amnesty for themselves and their assets. It also included an offer by the traffickers to “facilitate” a deal whereby the United States would legalize cocaine consumption, and the Colombian government would get the monopoly on exports of the drug.

Vallejo readily defended the “good faith” of the drug traffickers in his mediation efforts. In an Oct. 10, 1989 interview, Vallejo was asked if the mafia's offer to abandon drug trafficking in exchange for amnesty and an end to extradition was trustworthy. He responded: “I am also practical. It seems to me that people who are currently hidden in the jungles, without the chance to return to normal, civil life, would abandon [the drug trade] even though it meant no longer earning those enormous sums of money. . . . I believe that these people would renounce future earnings, as anyone would, in exchange for peace and the right to naturally enjoy what they already have, since they have not offered to hand over their properties, but simply to end the business.”

Vallejo's comment on the entire cartel proposal: “Ethical considerations aside, they have reached practical solutions.”

### Henry Kissinger

At the time of the revelations, Vallejo also reported that former U.S. Secretary of State Henry Kissinger was being considered for employment by the cartel as their public relations lobbyist in Washington. Vallejo claimed that Montoya's position was that any deal between the Barco government and the cartels to suspend extraditions had to necessarily include the U.S., and that he had therefore urged the traffickers to contract a high-level U.S. intermediary to lobby in Washington on their behalf. “They knew what Kissinger costs. However, they said they were ready to take on those costs for the purpose of convincing the American government of the appropriateness” of such a deal, Vallejo told *La Prensa*.

Vallejo's recommendation may well have stemmed from his own reputed business relations with the former secretary of state's company, Kissinger Associates. Well-informed business circles in Colombia maintain that Vallejo once worked as a paid consultant to Kissinger Associates. What is certain is that Dr. Kissinger, despite the international publicity given Vallejo's revelation, has never issued any statement disassociating himself from Vallejo's recommendation.



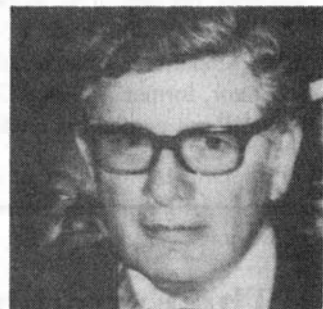
Henry A. Kissinger

### López Michelsen's 'Notables'

Despite Vallejo's best efforts to back the Barco government into a corner, the drug traffickers had fortunately not taken into account the resistance of the military or the outrage of the Colombian people in the aftermath of Galán's murder. The Barco government issued public statements adamantly denying any ongoing negotiations with the traffickers. The cartel charged the government with “playing dirty.” And the war on drugs continued, leading to the December 1989 police raid which cornered and killed Medellín Cartel “enforcer” and reputed number two man, Gonzalo Rodríguez Gacha.

The Medellín Cartel's next move was to order the kidnapping of the son of presidential adviser German Montoya, along with nearly 80 members of the country's leading families. They demanded negotiations as their ransom. Montoya took the bait, and appealed to López Michelsen's old friend Santiago Londoño White and to J. Mario Aristizabal to intercede with the cartel for his son's release.

That was the cue for the entrance of López Michelsen, who pulled together a group of prominent personalities dubbed the “Notables,” to facilitate dialogue with the traffickers. The “Notables” were political heavyweights, including three former Presidents—López himself, Julio César Turbay, and Misael Pastrana Borrero—as well as Patriotic Union President Diego Montaña Cuéllar and Cardinal Mario Revollo Bravo of Bogotá.



Julio César Turbay

The “Notables” issued a letter to the “Extraditables,” urging the release of Montoya's son and the other kidnap victims, and promising that society “would look with benevolence upon this final gesture, and would make the Extraditables the beneficiaries of a less severe treatment. . . .” The “Extraditables” responded with a communiqué: “We accept the victory of the state, of the institutions, and of the legitimate established government. We will lay down our weapons and abandon our war aims, out of desire for the highest interests of the fatherland.” They promised no more bomb attacks, and no more executions. López's machine announced triumphantly that the traffickers had “unconditionally surrendered.”

That the “Notables/Extraditables” exchange was the joint effort of López and the traffickers was exposed by Gen. Harold Bedoya, commander of the Fourth Army Brigade headquartered in Medellín. Bedoya charged on Jan. 16 that the “Notables” document “was known about in advance by the drug mafia. One of the signers [López], through a lawyer named Guido Parra, had been in contact with Pablo Escobar and Luis Ochoa, in order to inform them of what would be

presented to the public. For the drug traffickers, it was not a surprise at all, because they were expecting the statement. . . . It could be said that this is blackmail.”

That same day, the anti-drug newspaper *El Espectador* also called the proposal “blackmail,” and said, “Whitewashing a deal or a surrender in a battle to which Colombia’s dignity is committed would be intolerable.”

## Guido Parra

Playing a major role in the formulation of the “Notables/ Extraditables” exchange alongside López Michelsen was Guido Parra, Pablo Escobar’s lawyer, who had already represented Medellín Cartel interests in the Vallejo Arbeláez affair. Parra’s connections to the mob go back to at least 1974, when he represented the department of Antioquia before the lower house of Congress as a congressional alternate to Bernardo Guerra Serna, today a powerful senator whose name figures prominently on the U.S. State Department’s visa blacklist, because of his suspected ties to the drug cartels.

Between Guido Parra’s congressional stint and his work as the Medellín law partner of another López Michelsen collaborator, former Attorney General Carlos Jiménez Gómez, Guido Parra earned his credentials as an agent of the drug

cartels. Jiménez Gómez’s four-year term (1982-86) as Attorney General paralleled López’s efforts to force a negotiated accommodation with the drug cartels, and included at least one personal attempt at mediation immediately after López’s own 1984 tête-à-tête in Panama with the cartel kingpins. Jiménez Gómez also dedicated much of his energies to appeasing the narco-terrorists by using his high office to persecute the military under the pretext of defending “human rights.”

Like his collaborator Vallejo Arbeláez, Parra turned to the press for both maximum publicity and maximum pressure on the government. After the release of the “Extraditables’ ” response to the “Notables’ ” letter, Parra presented a document to the media which detailed his and the others’ roles in the negotiating process. In it, Parra confirmed López’s critical role in formulating the “Extraditables’ ” so-called surrender offer. Wrote Parra, “It is worth stressing the extraordinary idea of the surrender, whose authorship belongs to the lucid mind of Dr. Alfonso López Michelsen. . . . The Gordian knot of the conflict was untied by the multi-faceted use of that proposal.” Parra also claimed that the “Notables” sent a message to Pablo Escobar urging him to protect himself from the state security agencies, since his capture would make the

## The Extraditables’ record of satanic terror

The satanic mind that governs the leaders of the cocaine cartels was never more brutally expressed than in 1988, when Colombia’s cocaine kings sent a letter to a Colombian judge which threatened not only to kill her, but to eradicate all generations of her family from the face of the Earth, if she were to find drug kingpin Pablo Escobar guilty of the December 1986 murder of *El Espectador* newspaper director Guillermo Cano. That judge has since been forced into exile. Signing themselves “the Extraditables,” their letter stated in part:

“We have decided to write you again to declare the following: We are friends of Pablo Escobar Gaviria and therefore ready for anything. We have learned that you propose to call him to trial in the Cano case. . . . We have also heard rumors according to which, after his trial, you will be given the benefit of a diplomatic post abroad. But we want to remind you that . . . you are committing a serious error that could stain your life and will leave you ill-fated until the end of your days. You know perfectly well that we are capable of executing you anywhere on this planet. You should also know that meanwhile, you

will see all the members of your family fall one by one. We advise you to rethink, now, since later you will have no time to lament. Be absolutely assured that if you call Mr. Escobar to trial, you will remain without descendants or offspring on your family tree. . . . If this letter doesn’t tell you anything, we ask that you take into account the cases of Tulio Manuel Castro, Hernando Baquero, Gustavo Zuluaga Serna, Alvaro Medina, Carmencita Londoño, Lara Bonilla, Colonel Ramírez, Parejo González, etc., etc., etc. [all mafia victims—ed.]. We advise you not to mess with Pablo Escobar Gaviria.”

Despite all their professions of patriotism and offers of surrender during the past eight months, the Extraditables remain evil thugs. Notwithstanding the cosmetic efforts of certain political and press outlets, both domestic and foreign, to present the traffickers as “businessmen” willing to make a deal, or as patriots prepared to invest in their country, their actions continue to speak for themselves.

● In August 1989, immediately following their assassination of presidential candidate Luis Carlos Galán, the Extraditables sent a communiqué to “the people of Colombia” protesting the government’s refusal to negotiate with them, and promising:

“We will continue our fight and our total war against the anti-nationalists, the sell-outs, and we declare absolute war on the government, the industrial and political oligarchy, the journalists who have attacked and affronted us,



process fail.

Parra's document also introduced a third interlocutor: the government of the United States. Parra said that as a show of good faith on the part of the Colombian government, there had been "preparatory efforts of a diplomatic nature to extract from the U.S. authorities statements which discredited the mechanism of extradition as the sole means of fighting the drug trade." The U.S. State Department more than complied. At least three times in 1990, it has issued statements rejecting extradition as "a long-term solution" for the Colombian drug problem. U.S. Ambassador to Colombia Thomas McNamara reportedly assured the media that the Bush administration would not object to Colombian government's efforts to strike a deal with the cartels.

### The Londoño White brothers

Santiago Londoño White, described by Parra as a negotiator for the government in the Montoya kidnaping, is yet another cog in the López Michelsen machine. He is the prominent Antioquian businessman who served as López Michelsen's campaign treasurer in 1982 and accepted campaign donations from the Medellín Cartel. He also organized the meeting in Panama between López and the cartels. Londoño

earned his considerable fortune building the bomb-proof bunkers and estates of drug chieftain Pablo Escobar. Along with his brother and business partner Diego, Santiago has been publicly identified as an "investor" in the Medellín Cartel. And both Santiago and Diego Londoño White were named by NBC-TV in August 1988 as "helping the heads of the [Medellín] Cartel invest millions of dollars in Brazilian real estate."

Today, Guido Parra and Diego Londoño White are in jail, accused under the state's anti-terrorism statute of collaborating with narco-terrorists. In a May 20 interview to the daily *El Tiempo*, López complained bitterly that his colleagues were being treated "as if they are accomplices of the drug traffickers." When Parra's praise of López's role in the "Notables/Extraditables" dialogue was first published, the former President did not deny his part. He is now claiming he has had no contact with Parra for the past 15 years, and denounces as a "fabrication" taped evidence in the hands of the courts that he had sent a warning to Escobar, through Parra, to be careful.

Is Alfonso López Michelsen perhaps nervous that he may be next to be charged with "aiding and abetting" narco-assassins?

the judges who have sold out to the government, the extraditing magistrates, the presidents of associations, and all those who have pursued and attacked us. We will not respect the families of those who have not respected our families, and we will burn and destroy the properties of the oligarchy."

- In November 1989, the Extraditables claimed responsibility for blowing up an Avianca airliner after it took off from Bogotá's El Dorado Airport. All 107 people aboard were killed. The action, said an anonymous caller, was directed against police informants allegedly aboard the flight. Bomb fragments were later discovered, confirming sabotage.

- In December 1989, a giant truck bomb packed with an estimated 1,100 pounds of dynamite exploded during morning rush-hour outside the headquarters of Colombia's security and intelligence agency (DAS), killing at least 35 and injuring 350. The bomb, which damaged the first nine floors of the building and other structures up to 10 blocks away, opened a crater 15 yards wide.

- In March 1990, the Extraditables issued a statement denying involvement in the assassination of the presidential candidate of the leftist Patriotic Union party, Bernardo Jaramillo Ossa. The statement also denounced the government's refusal to accept their "peace offerings" and declared the Extraditables in "a state of alert." One excerpt of the lying statement reads: "We emphatically reject

militarism, torture, disappearances, murders, genocide, and human rights violations."

- On March 31, 1990, the Extraditables issued a communiqué pledging to explode 11,000 pounds of dynamite in one of Bogotá's most prestigious neighborhoods if several of their number were not released from jail immediately. They threatened the usual list of judges, politicians, and so forth, and also pledged to murder one member of the Cano newspaper publishing family for every Colombian extradited to the United States. Less than one week later, on April 5, a 1,700-pound bomb, which police said could have killed 5,000 people, was defused in a wealthy suburb of Bogotá. The next day, the Extraditables issued a statement pledging to continue the war against the government. "We will respond with bombs and executions to extradition and disappearances," said the statement.

- On April 11, more than a dozen people—including eight policemen—were killed and 72 wounded in a 220-pound car-bomb blast directed against an elite police unit in the city of Medellín. During the first two weeks of April, more than 40 policemen were murdered by mafia hit-men and car bombings in Medellín, after Pablo Escobar offered a reward of 4 million pesos (\$40,000) for every policeman killed (20 million pesos for an officer). On April 25, another car bomb blew up a police truck and killed at least 10 people, including a four-year-old child.

# How narco-terrorism was legalized: Alvaro Gómez and the M-19

In November 1989, Colombia's drug cartels celebrated a quiet but major victory in their war against that nation when the April 19 Movement—better known as the M-19—succeeded in getting the Barco government to co-sign a “peace treaty” which essentially legalized the M-19 as a political party. The M-19 was also granted special protection and privileges in the March 1990 congressional elections. Most importantly, the legalization of the narco-terrorist M-19—best known for its bloody 1985 siege of the Colombian Justice Palace—established a precedent for the flood of “peace proposals” by the drug traffickers to follow. After all, they argued, if their foot-soldiers could be legalized by the government, why not the chiefs?

On April 30, 1990—the sixth anniversary of the mafia's assassination of anti-drug leader and Justice Minister Rodrigo Lara Bonilla—Medellín Cartel chieftain Pablo Escobar personally confirmed that the M-19 works hand-in-glove with his cocaine cartel.

Escobar sent a letter to judicial police commander Col. Oscar Pelaez Cardona, in which he boasted: “I am going to tell you a story that neither you nor the Colombian people know: I have always been a good friend of nearly all the M-19 leaders. At moments of greatest tension and difficulties, I gave refuge to Alvaro Fayad and Iván Marino Ospina,” two narco-terrorist M-19 leaders later killed in action.

Escobar's letter was a protestation of innocence of the April 26 assassination of M-19 presidential candidate Carlos Pizarro León-Gómez. The “Extraditables,” the alias used by the drug cartels, had initially claimed responsibility. Shortly thereafter, military and police intelligence services announced that they had found substantial proof that the cartel had indeed ordered the hit.

## The narcos sing a new tune

The narcos quickly changed their tune. Simultaneous with Escobar's revelation of his pact with the M-19, the “Extraditables” issued a new statement, in which they denied any role in the killing, instead accusing Colombia's security forces of committing the crime. They now demanded that the government immediately fire several police chiefs who have

taken the lead in hunting down the cartel chieftains.

The M-19's new presidential candidate, Antonio Navarro Wolf, repeated the same line: The drug traffickers were not responsible for Pizarro's murder, he insisted, because Escobar is the M-19's friend. His group had signed a non-aggression pact with Escobar back in 1981, he added. Pizarro's brother also echoed the Extraditables' line that “certain sectors of the government” were behind the killing, and demanded purges of the security forces.

Escobar, who has made and violated many such “non-aggression pacts,” even ordering the assassination of scores of his most intimate collaborators, had no scruples in ordering the politically expedient murder of his “good friend” Carlos Pizarro. Pizarro's assassination was doubly useful to the cartels: It added to the climate of terror they sought before the May 27 presidential elections, while providing the drug lobby's propaganda machine a new platform from which to assault Colombia's military and security forces—the last bulwark against a narco-terrorist takeover. The entirety of the cartel apparatus, from the traffickers to their top political protector, former President Alfonso López Michelsen, suddenly “strangely coincided,” as one newspaper editor noted, in their demands for a reorganization of the Colombian Armed Forces.

This final confirmation, from both Escobar and from Navarro Wolf, that the M-19 is a narco-terrorist agent of the drug trade, exposes the deadly flaw in the government's war strategy against the cartels: the attempt to separate “political” terrorism from the drug trade, as if one could somehow negotiate “peace” with narco-terrorism while waging war against drugs.

The Barco government's open-arms policy toward the M-19 was not concocted in Colombia alone, however. From the outset, it was supported and pushed from Washington, as a necessary part of the regional accords struck with Moscow to establish a global superpower condominium. Thus the M-19 has been hailed throughout the region as prodigal sons, wayward idealists returned to the political fold, and an “exemplary model” for El Salvador and other terror-torn countries.

Yet the M-19 has never renounced its paymasters, the cocaine cartels. Instead, it has publicly defended the cartels from accusations of assassination, it has embraced the cartels' proposal for drug legalization, and it has demanded a purge of the cartel's nemesis, the Armed Forces. The M-19 has not foresworn subversion of civilized life in Colombia; it has only switched battlefields.

### **Dismantling Colombian justice**

The M-19's role as cartel foot-soldiers surfaced dramatically on Nov. 6, 1985, when forty M-19 assassins seized the Colombian Justice Palace, taking among their hostages 12 members of the Supreme Court who were debating the constitutionality of Colombia's extradition treaty with the United States. That treaty was specifically directed against the cocaine cartels. After President Belisario Betancur refused to discuss the M-19's theatrical demand that he allow them to put the presidency on "trial," the narco-terrorists carried out their real assignment: The Supreme Court magistrates were executed and the national legal archives containing dossiers on the drug traffickers were set afire. Thirty hours later, the Army recaptured the Justice Palace; a total of 100 people died in the conflagration.

According to the book *Los Jinetes de la Cocaína (The Cocaine Horsemen)*, written by Fabio Castillo, a researcher for the anti-drug newspaper *El Espectador*, Escobar's cartel had given the M-19 \$5 million, and a vast cache of weapons, to carry out the Justice Palace action. As the "Extraditables," the traffickers had been issuing death threats against the murdered magistrates almost daily in the period just prior to the M-19 occupation.

Those threats were carried out through the M-19 siege. After the Justice Palace holocaust, the Supreme Court has never been the same. After many new nominations and resignations, the Court declared the extradition treaty unconstitutional in December 1986, using a procedural error in its initial approval as the pretext.

Antonio Navarro Wolf, "explaining" the Justice Palace action to a Mexican journalist in a December 1985 interview, stated that there were only two credible institutions left in Colombia: the Supreme Court and the Church. The M-19's goal, said Navarro, was to start by destroying the first, which they effectively accomplished. He explained that the M-19 strategy was to seize what he called the "Andean spine," so that it could serve to "oxygenate" the Central American revolution.

After the Justice Palace incident, the media—both domestic and foreign—busily assured the world that the M-19 was virtually finished (they had lost 40 cadre, including several top leaders), and that the final mop-up was only a matter of time.

And yet, on Nov. 6, 1989—the fourth anniversary of the Justice Palace seizure—a peace pact between the M-19 and the government was ready for signing! That pact committed

the government to amnestying the leaders of the group, providing them security protection with the resources of the state, and submitting a bill to Congress according to which the M-19 would be awarded congressional seats with fewer votes than required by law. At the last moment, the government postponed the signing for one week, to avoid appearing in "bad taste" by seeming to commemorate the Justice Palace disaster by legalizing its perpetrators.

The Congress, under intense pressure from then Interior Minister Carlos Lemos Simmonds (who was later forced to resign from the Barco government), refused to approve the final part of the pact, which would have awarded the M-19 a power bloc in the Congress. Nonetheless, in the March 11, 1990 elections, the M-19 won one senatorial, one congressional, and two mayoral positions, thanks to the propaganda machine provided them by the government.

How is it possible that the assassins of the Justice Palace were now the "heroes of peace"? It all began with the kidnaping of one of Colombia's more prominent political figures, former Conservative Party presidential candidate Alvaro Gómez Hurtado.

### **The Gómez blackmail scenario**

The kidnaping of Alvaro Gómez Hurtado, who at the time was demanding an end to the government's interminable "dialogue" with the narco-terrorists launched in 1982 by then President Belisario Betancur, terrorized the Colombian political class.

Gómez was kidnaped on May 29, 1988 as he was leaving church with his wife. One of his bodyguards was slaughtered in the action. The message the M-19 thereby delivered was clear: "If we can kidnap Alvaro Gómez Hurtado, who has played such a prominent role in the political life of the country for the past 40 years, we can kidnap anyone we choose." Many members of the political elite, including many recognized "conservatives" and opponents of dialogue with the guerrillas, began to issue statements designed to appease the M-19 and presumably prevent Gómez's death—and/or their own.

Through various intermediaries, the Gómez family, the government, and the political parties negotiated for Gómez Hurtado's release. The first ransom demand was that the M-19 be given maximum publicity. The principal M-19 negotiator in the affair was none other than the group's current presidential candidate, Antonio Navarro Wolf, who had been living in Cuba until that time. Even as Gómez was still their captive, the M-19 proclaimed that it was giving up its arms and "going legit." Colombian political leaders, trade unionists, and bishops held a meeting in the papal nunciature of Panama in June 1988, which was attended by M-19 leaders Navarro Wolf and Rosemberg Pabón. The date for Gómez's release was then set.

Amid great fanfare by the media, Gómez arrived at his home on foot on July 21, 1988. The next day, he gave a

press conference to prove that he was “a free man” and had made no promises to his captors. Later Gómez was to write a book, *Soy Libre (I Am Free)*, which painfully, if unwittingly, detailed the brainwashing process to which he had been submitted during his captivity. One week after Gómez’s release, the M-19 won a second “summit meeting” with the Colombian political elite, which began the process of its legalization.

In early 1989, the Barco government announced an official agreement with Carlos Pizarro León-Gómez, the man who had ordered Gómez Hurtado’s kidnaping. One of the initial agreements was to hold a series of “round-table discussions” at which the M-19 would present its “proposals for change” to the country’s political and social organizations, which would then be submitted as legislation to Congress. In effect, the government had authorized the creation of a kind of parallel Congress, with narco-terrorists wielding the gavel.

The case of Gómez Hurtado, now a fierce advocate of dialogue with the narco-terrorists, of drug legalization, and of negotiations with the drug cartels, tested the mettle of the Colombian political elite. They proved more than ready for the next phase.

### Drive for drug legalization

The Gómez kidnaping was to prove but a foot in the door for the real objective: the legalization of the drug cartels themselves.

On Jan. 18, 1988, the Extraditables kidnaped Andrés Pastrana Arango, the son of former Conservative Party president Misael Pastrana Borrero, and the most favored candidate at the time for mayor of Bogotá. On Jan. 25, they kidnaped and assassinated anti-drug Attorney General Carlos Mauro Hoyos. Also in January they attempted to kidnap the Conservative candidate for mayor of Medellín and former director of the daily *El Colombiano*, Juan Gómez Martínez.

Pastrana was freed by the police on Jan. 25, but during the week of his captivity, the Pastrana family had already begun negotiations with the Extraditables to win his release. According to Pastrana’s own statements after release, his captors treated him well and he was able to establish some camaraderie with them. Pastrana, who went on to become Bogotá’s mayor, never again touched the theme of the drug trade in his political campaigning. He also became notorious for sponsoring Bacchanalian drug/rock fests through his office where, according to police reports, the attendees “smoked everything but the lawn.”

Today, Andrés Pastrana is an open advocate of drug legalization and suspension of extradition of drug traffickers. On April 23, 1990, Pastrana attended a Washington, D.C. conference of mayors as a special honored guest, where he told reporters that he favored striking a deal with the traffickers:

“What I am saying today is that there is a proposal that

was made about two months ago by the Extraditables . . . [where they] offered surrender, handing over laboratories, land, the paramilitary groups . . . and above all the definitive extermination of the drug problem. We are in a war that has victors and vanquished; these vanquished—in this case the Extraditables—have said they would accept Colombian law, and that there should be a response from the government.

“In the Colombian judiciary, we have nothing written into the law about ‘plea bargaining,’ that is, flexibility such that those persons in some way or another could admit to being criminals, accept Colombian law, agree to be tried. I believe that this possibility could be sought, that in the case where they confess, accept, surrender those laboratories, dismantle them as they have said, the matter should be looked at from the standpoint that regarding the penalties established by Colombian law, there could be a pardon for them.”

Pastrana displayed clearly that he had been brainwashed by terror. Asked if the traffickers could be trusted to abide by any such deal, he responded: “I believe so. You don’t realize that everything they have said, they have done. They

## U.S. State Department sabotages the war on drugs

The U.S. State Department has for years been a hotbed of “closet”—and not-so-closet—supporters of an accommodation with the drug trade. Such supporters go right to the top—as proven in the fall of 1989, when former Secretary of State George Shultz not only went public with his support for drug legalization, but announced that he will be campaigning for that cause.

On Oct. 20, 1989, the *Washington Times* reported that “certain officials” of the Bush administration were preparing “contingency plans” to negotiate with the drug-trafficking mafia should the Colombian government which takes office in August 1990 decide “to make a deal with the narcos.” The daily also said that “the U.S. would entertain Colombian proposals for commutation of sentences, or partial amnesty in specific cases, as long as that would satisfy the objective of halting the flow of drugs to the United States.”

One week later, on Oct. 25, Secretary of State James Baker weakly told reporters, “As far as I know, that is not the government’s policy.” Bush’s official spokesman Marlin Fitzwater told another journalist inquiring about the *Times* report, “I don’t know, I refer you to the office of [national anti-drug coordinator] William Bennett.”

said that in the matter of kidnaping people, killing politicians, they have killed two presidential candidates. They have said they would set off bombs. They have set off bombs. They have told us they would carry out terrorist acts, and they have carried out this series of terrorist acts.”

Attorney General Carlos Mauro Hoyos was a different matter. When his kidnapers dragged him wounded from his car, he was heard to shout, “Kill me, you bastards!” Carlos Mauro Hoyos preferred to die a martyr than become a mouth-piece for his bitterest enemies. His corpse was found later that day.

Pastrana, who was freed that same day, told the press that Carlos Mauro Hoyos’s assassination had been “an error by the Extraditables. I am sure that their intention was not to kill him.”

After a failed kidnaping attempt and numerous mafia efforts to destroy his newspaper, Medellín’s Juan Gómez Martínez practically begged pardon for anything his newspaper might have published against the drug traffickers. He went on to become Medellín’s mayor and, after the mafia

murder of presidential front-runner Luis Carlos Galán in August 1989, became one of the most dedicated proponents of drug legalization and of dialogue with the cartels.

In December 1989, the Extraditables kidnaped the son of Germán Montoya, the general secretary and leading adviser to the Barco presidency. Montoya’s efforts to involve the entire Barco government in peace negotiations with the drug traffickers became a public scandal. The outcome of his efforts are dealt with elsewhere in this report. On April 3, 1990, the Extraditables kidnaped Sen. Federico Estrada Vélez, after he issued several statements opposing dialogue with the traffickers. Three days later he was released, and his first statements were to propose creation of a high-level commission to institutionalize dialogue with the cartels.

After the kidnaping of Alvaro Gómez Hurtado, the drug traffickers were fully convinced that if one can kidnap and break the will of a political notable, one has every right to belong to the political elite. The families of the drug traffickers would—per force—become as respectable as the Kennedy family in the United States.

On Feb. 7, 1990, U.S. Ambassador to Colombia Thomas McNamara told the Colprensa news agency that “extradition is not the solution” for the drug trade. On the eve of the presidential “anti-drug summit” in Cartagena, Colombia, McNamara added that the United States would not interfere if the Colombian government were to opt for a deal with the drug cartels.

In March 1990, the State Department’s Bureau of International Narcotics Matters issued its annual report, stating: “While extraditions of major traffickers should continue *during the next year*, success ultimately rests on Colombia’s ability to prosecute and jail traffickers in Colombia.” The implication: The U.S. is willing to concede that extradition should be phased out, if that would facilitate a deal with the cartels.

On March 29, 1990, the *Washington Times* published an interview with David Wilson, the head of financial investigations of the U.S. Drug Enforcement Administration, who declared that U.S. policy is to urge Colombia’s President Barco *not* to concentrate anti-drug efforts on closing down money-laundering operations, for fear this would “detract” from efforts to capture drug traffickers and destroy their infrastructure.

The March 1988 issue of the State Department’s International Narcotics Control Strategy Report had stated outright that the profits of the drug trade could be positively “beneficial” for otherwise debt-burdened Third World economies: “From different vantage points, there are both positive and negative perceptions of the effects of narcotics money laundering. Proceeds from drug trafficking are

used to finance other criminal activities . . . to threaten governments . . . and support insurgencies. . . . Despite these serious problems, laundering criminally derived money can provide benefits to some otherwise economically unattractive countries. Such monies create an influx of capital which can lead to a stimulation of the country’s economy. The increase in capital created by the criminally derived money increases money reserves, lowers interest rates, creates new jobs, and, in general, encourages economic activity.”

On April 28, 1990, the Bush administration reported that it was “angered” by a Republican congressional move to supply four Cobra helicopter gunships to the Colombian Armed Forces, to assist in their battle against the drug traffickers. John Walters, chief of staff to drug czar William J. Bennett, said, “We do not consider it an appropriate piece of equipment. We are very concerned that lethal aid be limited in a manner that prevents excessive use beyond what is necessary for programs we’re proposing in conjunction with the Andean countries. This particular weapon system involves firepower in excess of anything [government experts] believe is appropriate.”

“Excessive” firepower against the narcos? On May 8, it was revealed that the Colombian drug cartels had attempted to purchase 120 anti-aircraft Stinger missiles on the U.S. black market, and were willing to pay millions in cash for their purchase. The missiles, which use infrared heat-seeking mechanisms to hone in on their targets, were allegedly wanted for terrorist assaults on the aircraft of the President and his cabinet.

## New nationalist challenge to Gorbachov on eve of summit

by Konstantin George

Mikhail Gorbachov finds himself confronted with the greatest domestic political crisis he has ever had to face, as he prepares for his May 31-June 3 summit talks with President Bush in Washington. The stage for this crisis—which will not be in the Baltic, in Transcaucasia, or Central Asia, but in Russia itself—has been set by the resurgence of “Russia First” nationalism in the Russian Federation.

Grabbing the international headlines was the power bid of maverick populist Boris Yeltsin, who on May 26 was narrowly defeated in his bid to become the new President of the Russian Federation. His speech to the Russian Congress of People’s Deputies set the tone for the “new” nationalism, and even his opponents in the election race picked up the themes which he established. Since no candidate emerged with an absolute majority, a new election is expected to take place during the last week in May.

The Russian Congress of People’s Deputies, the parliament, is also expected to pass overwhelmingly a declaration of Russia’s full political and economic sovereignty. This does not mean that Russia will follow the Lithuanian example and leave the U.S.S.R.; quite the contrary. It means that Russia will give itself the power to veto any Soviet federal laws or decrees. Although this Russian move presents Gorbachov with the greatest challenge ever to his rule, it could also afford him the chance to proclaim himself squarely on the side of Russian nationalism, as the only means of securing his power.

### Yeltsin’s power bid

On May 22 in the Russian parliament, with Gorbachov sitting in the gallery observing, Yeltsin gave a 10-minute address, presenting, to tumultuous applause from the deputies, a 14-point program for Russian sovereignty, as a bill to be voted and passed by the Russian parliament. “All existing

laws, statutes, and decrees,” he said, “including those of the highest legislative bodies of the U.S.S.R., are valid on the territory of the R.S.F.S.R. [Russian Federation] only in so far as they do not contradict this declaration, the Constitution, and the legislation of the R.S.F.S.R.”

Yeltsin’s program included the following planks: Russia’s complete economic independence; the creation of Russian statehood, with Russia to become politically sovereign, and the creation of a separate Russian citizenship; “complete political pluralism with a multi-party system regulated by law.”

In a separate draft declaration, Yeltsin proposed that Russia take the initiative in convening a conference of all 15 Soviet republics to draft a “new Union Treaty . . . on an equal and voluntary basis,” to replace the 1922 Treaty of Union which created the U.S.S.R. Yeltsin added that the new treaty would redefine relations between Russia and the U.S.S.R., including with the Soviet President (namely, Gorbachov).

Yeltsin concluded with a “declaration of principle” for “unity and consensus . . . at this difficult and tense time in our history.” But Russia’s “independence,” as Yeltsin understands it, does not mean that Russia would surrender its hold over other republics, as he emphasized by rejecting any idea of “confrontation with the Center,” or of “Russian separatism.” His intent is not to accelerate the breakup of the empire, but a desperate short-term strategy of making enormous concessions to national unrest, to mollify and preempt the storms that have hit the non-Slavic republics, and the far bigger storms that will soon hit in the Slavic heartland.

The coming to the fore of a nationalist-populist Yeltsin opens the floodgates for a resurgence of Russian nationalism. This is intertwined with the panoply of Russian mass movements, or movements with mass support potential, ranging

from the movement Democratic Russia, which wants to revitalize Russia by aligning it with the democratic revolutions of Eastern Europe, to the outright fascistic, virulently anti-Semitic movements of the Pamyat stripe, and, in between, recently constituted right-wing political parties, such as the rebirth of the pre-revolutionary Constitutional Democratic, or "Cadet" party, and even a newly formed Association of the Nobility and a Monarchist Party.

The core of Yeltsin's policy can be summarized in the expression, "No strong Russia, no empire." Further, Yeltsin says, a "strong Russia" is impossible unless the present system is overhauled. On this basis, his presentation received an enthusiastic endorsement from the next speaker at that day's session, Gen. Col. Dmitri Volkogonov, head of the U.S.S.R. General Staff's Military History Institute. Volkogonov minced no words in proclaiming the end of the Bolshevik era:

"Our 70-year historic experiment has ended—in historic failure. . . . If we had a strong Russia, then we would have none of the problems we now face in the Baltic, in Transcaucasia, or Central Asia." Volkogonov declared that Yeltsin's proposals "could form the good basis for national harmony."

### **Tightrope act**

Gorbachov had to respond to these direct challenges, and respond he did the next day, in a speech to the Russian Congress of People's Deputies. He attacked Yeltsin in strong language. Yet the attack had to be couched in such a way that, at least verbally, Gorbachov would appear to be as great a champion of Russian sovereignty as Yeltsin, and an even stronger exponent of keeping the U.S.S.R. intact. Finally, Gorbachov had to mix his attack with at least partial praise for Yeltsin's proposals, as the Soviet leader cannot afford to burn his bridges to the man likely to be the next President of Russia.

Contrary to the one-sided accounts in Western media, which only focused on the anti-Yeltsin statements, Gorbachov was careful not to reject Yeltsin's 14 points out of hand. As reported by Radio Moscow May 24, he told the deputies that he found Yeltsin's proposals "interesting," citing the goal of establishing Russia's sovereignty, though "needing improvement." "Russia must control its own resources," he said. He announced, as Radio Moscow stressed, "that he expects from the Russian Federation proposals for a new Union Treaty," thus conceding that the initiative for what is planned as the future configuration of the Soviet Union should come from Russia. Gorbachov conceded "the need" for Russia to set up its own Communist Party.

Gorbachov condemned that part of Yeltsin's plan which would decentralize Russia into several autonomous regions, saying this would weaken Russia and lead to "principalities, antagonism, and internecine strife." Gorbachov concluded by warning that Yeltsin's plan could lead to "the collapse of the union."

### **Referendum on economic reform**

The other main event of that day in Moscow was the press conference given after the Presidential Council meeting that finalized the economic reform package, by U.S.S.R. First Deputy Prime Minister Yuri Maslyukov. He announced that a national referendum would be held on the economic reform package after it was finalized by the U.S.S.R. Supreme Soviet. This was an unprecedented admission of how close mass eruptions are in the Slavic core. The Soviet leadership preferred the risk of being humiliated in a referendum, to going ahead with price rises and igniting mass protests and strikes.

Maslyukov put it squarely: "The population will have to make the choice. If the people vote in favor, we think that in two years they will notice improvement," though for these two years, the plan would force a lowering of living standards. Maslyukov emphasized that the plan was no copy of "shock therapy," such as has been applied in Poland, saying that "shock therapy" would lead to a "steep fall in production" and "unmanageable unemployment . . . to the brink of an economic crash."

Compared to the uncontrolled "floating" of prices that has occurred in Poland, the Soviet planned price rises, at least as revealed so far, are quite modest. One of the plan's most crucial components has already been decreed and will not be dependent on the referendum—a 95% increase in procurement price for grain paid by the state to collective, state, and private farmers. The existence of a very low procurement price for grain, below the cost of production, was responsible for the collapse in state procurement in 1988 and 1989, with the resulting enormous food shortages in the state shops.

Asked what would happen if the electorate voted against the economic reform package, Maslyukov said, "It is my opinion that the government should resign."

The "government," of course, does not mean Gorbachov and the Presidential Council; it means the U.S.S.R. Council of Ministers, chaired by Prime Minister Nikolai Ryzhkov, or, the next round of personalities and institutions that Gorbachov will throw to the wolves.

The entire economic reform package could have been enacted by presidential decrees, the means which Gorbachov had threatened back in March to employ. Gorbachov at present, however, has shied away from using his presidential powers on such explosive issues, in fact on most domestic matters, preferring that inevitable popular backlashes strike at other figures and institutions. Thus, even the post-May 1 *lèse majesté* laws—put forward by Gorbachov after the huge May Day Moscow demonstration which had attacked him, laws which provide for huge fines and prison or labor camp sentences ranging from three to six years for anyone "guilty" of "insulting" the U.S.S.R. President verbally or in writing—were not issued by presidential decree, but were passed by the Supreme Soviet.

# Middle East time bomb is ticking

by Thierry Lalevée

As a direct result of the outbreak since May 20 of what is being called the second Intifada in the Israeli-occupied territories, George Bush and Mikhail Gorbachov are putting together a joint peace initiative for their summit in Washington. Despite a number of unpredictable factors, the chain of events on the eve of the summit arouses suspicions.

The new flareup of violence in the occupied territories, sparked by the killing of seven Palestinians by a crazed Israeli, comes just on the eve of important diplomatic meetings. For example, in a climate of tension over Soviet Jewish emigration to Israel, and a U.S.-Iraqi crisis over the regional arms race, the Arab League finally convened a general summit of the Arab nations on May 28 in Baghdad, in order to produce militant and militarist statements just before the Washington summit.

Until May 20, the gathering had been weakened by Syria's refusal to get involved. But the Tel Aviv massacre created a climate in which Syria could not fail to show up. Similarly, the exceptional meeting of the United Nations Security Council in Geneva on the subject of the May 20 events, will further dramatize the situation.

## Following a superpower script?

Since the Malta summit, which was essentially dedicated to Central and Eastern European affairs, the two superpower leaders agreed to put off regional crises, particularly the Middle East, to the next summit. That is exactly what happened—as if the events were following a script. For example, in early February, just when Israel was supposed to give its response to the U.S. "Baker Plan," terrorists attacked a busload of Israeli citizens in Egypt. Two weeks later, the crisis provoked by this event having passed, negotiations were being pursued among Jerusalem, Cairo, and Washington. As soon as Prime Minister Yitshak Shamir had privately accepted the Baker Plan, but had not yet made public his decision because of the internal debates in his Likud party, Bush decided to remind everyone that East Jerusalem was an occupied territory.

True—but why say this now? It was manna for the most extremist factions of the Likud party, who reject any negotiations with Palestinians. The ensuing political crisis toppled the national unity government and brought the Israeli-Palestinian and Israeli-Arab talks into a long-term impasse.

Was it just a gaffe by the American President? Or was the real purpose to ensure that Secretary of State James Baker would have free energy to focus on Europe and U.S.-Soviet

dealings rather than shuttle between Washington, Jerusalem, and Cairo?

## License to meddle

Faced with a crisis which had ripened to the point of degenerating into a regional military explosion, Bush and Gorbachov now have the pretext to meddle, with the blessings of the international community and the Arab world. The content of their initiative will likely touch on several areas. One will certainly be an "INF"-style treaty, like the one Gorbachov and Reagan signed for intermediate-range nuclear forces in Europe, to curb the proliferation of missiles, chemical weapons, and nuclear research in the region. We can expect a growing showdown between Washington and Israel, with the United States toying with the idea of sending U.N. observers into the occupied territories and proposing an international peace conference under U.N. auspices, as Moscow and most of the Arab states are demanding.

Months of political manipulations on all sides have resulted in an all too predictable outcome: the growth of religious and political extremism on all sides, at the expense of the moderate elements willing to talk. The only positive note on the May 20 crisis is that it will allow renewed diplomacy by the Palestine Liberation Organization in the international arena, thanks to PLO chairman Yassir Arafat's May 24 speech to the Security Council.

These past months, it has been the Muslim fundamentalist groups Hamas and Islamic Jihad and the Palestinian extremists George Habash or Abu Musa who have been on the upswing. These forces took the lead in the latest Palestinian demonstrations in the Israeli-occupied territories. They are also the forces that clashed with Jordanian police during the uprising, ignoring PLO appeals for calm.

Jordan and Egypt are the two countries seen as most vulnerable during the present crisis, which combines religious and political radicalization with an ever-worsening economic crisis. Egypt has entered the end-phase of negotiations with the International Monetary Fund, which will be ratified on July 1. Aside from long-term changes in the Egyptian economy, they will bring price rises of up to 130% within months. Petroleum products rose by 40-60% in April and May. The specter of the hunger riots of January 1977, which forced Sadat to sign his first pact with the IMF, is about to reappear.

Other countries are also prey to this radicalization process. Early June will see key elections in Kuwait, Tunisia, and Algeria. In Kuwait, opposition forces tied to Palestinian radicals are calling for a boycott of the elections, the first since parliament was dissolved in 1986. In the other two countries, Muslim fundamentalists are expected to make big advances. Events in Gabon, Ivory Coast, and other African countries point to the general trend: revolts against IMF-imposed austerity. No "peace process" will resolve these crisis without a major economic plank.



# Superpowers converge on Indian subcontinent

by Ramtanu Maitra and Susan Maitra

Washington and Moscow are now seizing the opportunity of the extreme tensions between India and Pakistan over the contested border region of Kashmir to insert their superpower condominium into the Indian subcontinent. As the house organ of the U.S. Eastern Establishment, the *New York Times*, opined May 24, "It is urgent that Washington and Moscow intervene as peacemakers. . . . A united superpower stand could help strengthen the two governments [of India and Pakistan] and isolate their hawkish challengers as well as the extremists who have long exploited U.S.-Soviet rivalries to sustain murderous and unwinnable local conflicts."

With this mission of creating a superpower peace over the subcontinent, on May 19-21, a three-member U.S. delegation, led by President Bush's special envoy, Deputy National Security Adviser Robert Gates, came straight from Moscow for discussions in Islamabad and New Delhi. The ostensible mission of the delegation was to tell both India and Pakistan to find means to defuse border tensions immediately, before they lead to war. President Bush, in letters to the respective heads of state, has urged both countries to enter into negotiations, in the spirit of the Shimla Agreement to resolve the four-decade-old Kashmir dispute.

The White House initiative came in the midst of growing awareness that the ongoing violence in Kashmir, along with tough rhetoric and movement of troops close to the borders by both sides, are sliding the subcontinent into a state of war.

The delegation—which, besides Gates, consisted of John Kelly, assistant secretary of state for Near Eastern and South Asian affairs, and Richard Haass, senior director in the U.S. National Security Council—told the Indians that the White House initiative had Moscow's blessings and that the recent talks between U.S. Secretary of State James Baker and Soviet Foreign Minister Eduard Shevardnadze also included on the agenda the growing tensions between India and Pakistan.

### A talk-and-listen mission

From the outset, the U.S. mission made it clear that it would not mediate between India and Pakistan, but instead would deliver President Bush's messages to both leaders. Just prior to the team's arrival, the Indian Foreign Office had told newsmen that India would not allow any third party to

interfere in the Kashmir dispute, but would welcome the "concern" of others.

In Pakistan, the Gates mission met with President Ghulam Ishaq Khan. In the absence of Prime Minister Benazir Bhutto, who is on a whirlwind tour to eight Muslim countries to drum up support for the Pakistani position on Kashmir, the delegation met with her national security adviser, Iqbal Akhund.

President Khan reiterated Pakistan's moral support to the people of the Indian state of Jammu and Kashmir in their "legitimate right to self-determination." The Pakistani President also denied allegations that Pakistan is arming and training Kashmiris against India. If President Khan suggested to the Gates delegation a way to defuse the crisis other than granting the right to self-determination through the United Nations in a plebiscite in Kashmir, it has not been made public.

However, while in New Delhi, during his talks with Prime Minister V.P. Singh, Gates proposed withdrawal of troops by both sides to their "peacetime locations"—a proposal believed to have originated in Islamabad. Prime Minister Singh pointed out that it was the Pakistani action "in aiding and abetting terrorism" in the Kashmir Valley along the borders, which has led India to deploy its forces in a "suitable defensive position near the borders." India effectively suggested that the withdrawal of troops be coupled with the dismantling of alleged terrorist camps within Pakistan.

### Regional crisis management

The Gates mission offered U.S. satellites to monitor the proposed troop withdrawal, and offered U.S. aid to help avert war when both sides carry out their military exercises. Much of the formulation offered by the delegation comes from a book penned by Richard Haass, one of the delegates, titled *Conflicts Unending: The United States and Regional Disputes*, where the author has addressed the Kashmir dispute.

In his book, Haass states that tension persists in South Asia because rivalry and mistrust form the core of India-Pakistan relations. Constructive American diplomacy in this case would be to push for a series of confidence-building measures, he suggests. "This would include limiting the size, number, and locale of military exercises, and arrange for the exchange of observers so that each could confirm the activities of the other," he added. Among other measures recommended by Haass are demilitarizing contested border regions, cooperation in law enforcement, and sophistication of control commands and communications to avoid an accidental conflict.

The Gates mission did appear to acknowledge the existence of Pakistan's terrorist-training activities and called upon the Islamabad government to put an end to such activities. The mission reported that Pakistan had recently closed

down some 30 "posts" (i.e., training centers).

Pakistan was also on the receiving end of criticism from another U.S. politician: Sen. Daniel Moynihan (D-N.Y.), former ambassador to New Delhi and currently chairman of the powerful Senate Foreign Relations Subcommittee on South Asia. Moynihan advised both India and Pakistan—"perhaps especially the Pakistanis," he said—from the Senate floor to pay close attention to the Gates delegation. Reviewing the likely scenario in case of an India-Pakistan war, he said, "A move into the vale of Kashmir [by the Pakistani Army] would be countered with a thrust [by the Indian army], into the Punjab, a dash for Karachi, the loss of the Navy, rebellion in Baluchistan, chaos all around, ruin all around. And, above all, no sympathy, no assistance from anywhere save Beijing, which is much too occupied with reestablishing relations with the Soviet Union to risk them over Pakistan."

### The nuclear aspect

In addition to these veiled threats against both India and Pakistan, should the crisis move closer toward war, there are also reports that the Kashmir issue is going to figure prominently in the Bush-Gorbachov summit. Rep. Stephen Solarz (D-N.Y.), who chairs the House Subcommittee on Asia and Pacific Affairs, and Peter Galbraith, chief policy South Asia adviser on the Senate Foreign Relations Commit-

tee, said there could be a "superpower consensus" to urge India and Pakistan to de-escalate the present warlike posture. Galbraith, assuring the Indians that the Gates mission was not designed to internationalize the Kashmir issue, said, "We are simply trying to make our good offices available because we are concerned over a situation in which two friends of the United States might enter into a conflict."

Solarz, who will be visiting the subcontinent beginning May 30, said the issue must get into the Bush-Gorbachov meeting agenda, because it has a nuclear dimension as well. "It is a major issue. It is for the first time where two developing countries—both of whom have nuclear capabilities—appear to be, are likely to go to war," he said. A similar concern has also been voiced in Moscow.

Earlier in May, *Izvestia*, the Soviet government newspaper, strongly criticized India for not signing the Nuclear Non-Proliferation Treaty and supported Pakistan's campaign to declare South Asia a "nuclear-free zone."

It is agreement on this issue, as much as any immediate war danger, some observers conclude, that has brought the United States and the Soviet Union, the two signatories of the treaty and the biggest proliferators, together to try to pose as moderators of the Indo-Pakistan dispute. The Gates mission, therefore, may have more than one dimension, and that will be revealed sooner rather than later.



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# U.S. congressmen back separatists, demand aid cutoff to India

by Ramtanu Maitra and Susan Maitra

As the crisis in Kashmir continues to slide steadily toward a war between India and Pakistan, a posse of U.S. congressmen, funded by separatist Sikhs and the Pakistan lobby, has introduced a bill into the U.S. House of Representatives to cut off aid to India because of alleged human rights violations by the government in Punjab and Kashmir. The first victim of the U.S. Congress-led boost to the terrorist network run by American Sikh leaders is a veteran Sikh politician, Gurcharan Singh Tohra, who miraculously escaped an ambush by terrorists on May 14.

The Sikh separatists are partisans of a non-existent "state of Khalistan"—a concept coined by the British in 1947, as part of their divide-and-conquer strategy for India.

The bill, sponsored by Rep. Dan Burton (R-Ind.), orders President Bush to cut off the economic assistance of \$25 million the administration had earmarked for India for the present fiscal year if New Delhi continues to refuse permission to Amnesty International and other human rights groups to visit the troubled Punjab and Kashmir. It is obvious that the measly \$25 million economic assistance for India is not the target of the Khalistanis; they want to use the bill to revive the flagging pro-Khalistan and pro-secessionist movements in India. It is more like sending a message of assurance that the U.S. congressmen are doing their best to support their "good work."

A similar bill, entitled the "Indian Human Rights Act of 1989," co-sponsored by Rep. Wally Herger (R-Calif.) and then-Rep. Tony Coelho (D-Calif.), introduced into the House last year, was defeated by only eight votes in a House of 435 members. The bill called for denying Most Favored Nation trade status to India unless it alleviated human rights violations alleged in an Amnesty International report, released in August 1988, entitled "India: A Review of Human Rights Violations." The bill secured 15 co-sponsors, including Rep. Les Aspin (D-Wisc.), chairman of the House Armed Services Committee.

The 1990 bill, from which the Britain-based Amnesty International has disassociated itself because the human rights group's mandate "prohibits supporting or opposing any economic sanctions," is prefaced with a report by Max Madden, a British Labour Party Member of Parliament who visited Punjab at the head of a delegation of four people. Citing the Madden report, Representative Burton charged that "unprecedented and barbaric atrocities" were being com-

mitted "against Sikh and Kashmiri communities by the Indian regime."

The debate on the bill took place in the House on May 8 and the transcript of the debate makes interesting reading. Delegate Ben Blaz (R-Guam), a supporter of "Khalistan," urged Indian Premier V.P. Singh "to grant freedom to the Sikhs and Kashmiris." Rep. Robert Lagomarsino (R-Calif.) suggested peaceful dialogue "to resolve the differences confronting those who are being persecuted and those who are abusing the human rights of a significant minority." What Lagomarsino meant is that the government should negotiate with the terrorist secessionists.

The strongest blast was made by Rep. David Dreier (R-Calif.), who likened the developments in Punjab and Kashmir to those of Beijing's Tiananmen Square in June last year. Dreier said, "It is my hope that in the future the international community will give the kind of attention to India that it has given to China." Reps. Vic Fazio (D-Calif.) and Dana Rohrabacher (R-Calif.) joined Dreier's call against India.

## Congressmen ignore terrorist atrocities

During the debate, however, no one cared to mention the fact that more than 90% of the killings that are taking place in Punjab are committed by Sikh terrorists, and that the victims are also Sikhs. No one pointed out that veteran politicians like Sant Harchand Singh Longowal and a dozen others less well known, have been felled by terrorist bullets because they tried to oppose terrorism. As a result, the terrorists' firepower, duly boosted by the U.S. congressmen's indulgence, sought to liquidate Gurcharan Singh Tohra just when there were indications that time was ripe to restart the political process in Punjab. The ambush, which Tohra escaped miraculously, killed Tohra's driver and an Akali politician accompanying Tohra—both of whom are Sikhs.

Similarly in Kashmir, elements in Pakistan reportedly within the Inter-Services Intelligence department of the Pakistan Army, are involved in training Kashmiris, supplying them with arms, and sending them over to the Indian side to commit terrorism. All Pakistani politicians, including the prime minister, are revving up the Kashmiris to sacrifice themselves to the religious war. There are also reports, substantiated by a documentary recently shown by the BBC, that unemployed and underemployed members of the Afghan Mujahideen have also been recruited to stir up trouble. All

this and more was left unsaid during the debate in the U.S. Congress on May 8.

Meanwhile, the eyeballing by Indian and Pakistani troops intensifies along the border. While the Pakistani strategy is to continue with the low-intensity irregular warfare in hopes of drawing India into a full-fledged war, India is busy trying to set its house in order and avoid a direct clash. If the measures that are now being taken to restore order and a political process in the state of Jammu and Kashmir do not work, there is no doubt that both nations will face an all-out war.

### Buying U.S. congressmen and arms

Over the years the Khalistanis' money power has bought not only congressmen from California and elsewhere, but also human rights groups and guns. There are eyewitness reports of Sikh youths with bags full of cash buying AK-47 assault rifles, rocket launchers, grenades, and pistols from arms dealers in Dara Adamkhel in Pakistan. The Jammu and Kashmir Liberation Front leader, Amanullah Khan, who is reportedly spearheading the Kashmir independence movement, said at a press conference in Washington recently that Pakistan is like "an open arms bazaar." Khan, who never divulged his source of financing, was trotted around in the United States by the "President of Khalistan," Gurmit Singh Aulakh and the California-based Sikh businessman Didar Singh Bains.

It is Bains's money that has helped to recruit a large number of "faceless" California congressmen. Rep. Wally Herger, the co-author of the 1989 bill, admitted to newsmen that Bains is his main financier and he had no choice but to back the demand of his "good friend."

On the other hand, Gurmit Singh Aulakh, is a good friend of Delegate Blaz. Sen. Barbara Mikulski (D-Md.), has also been recruited by Aulakh. Mikulski, drawing heavily upon the 1988 report of Amnesty International, went on record saying that the Indian government "overreacted" in sending the Army into the Amritsar's Golden Temple in 1984. She has also accused the Indian government of "holding 326 Sikhs in jail under special security laws which deny the basic right of people to demonstrate peacefully."

In addition, these congressmen have also developed direct links with the Kashmiri terrorists. When Amanullah Khan was being escorted around by the pro-Khalistan Sikhs during his recent visit to the United States, he admitted that his group was involved in the kidnaping and murder of the vice chancellor of Kashmir University as well as of a top executive of Hindustan Machine Tools. Khan's statement came a day before their death. Khan, whose visa was revoked by the U.S. State Department for his open promotion of terrorism, also admitted during his press conference in Washington that his group is running training camps, not only in Pakistan-occupied "Azad Kashmir," but also in India.

### Human rights groups promote terrorism

Behind these congressmen and globe-trotting terrorists like Amanullah Khan and Gurmit Singh Aulakh, are a number of human rights groups eagerly promoting secessionism and terrorism. A recent report prepared by V.M. Tarkunde, a high-profile human rights activist based in the Delhi's People's Union for Civil Liberties (a group that provides succor to various environmentalist movements against large infrastructure projects, among other things), on the alleged atrocities committed by Indian security forces in Kashmir, is making the rounds in Pakistan following its publication by the news service Agence France Presse. Tarkunde, who has developed strong links with various international human rights groups, acts as a stooge of Amnesty International and similar ilk.

Tarkunde's report on Kashmir skillfully avoids the issue of the violence unleashed by the secessionists, including the large number of kidnapings and killings they have been involved in. His report claims that about 400 people have been killed in Kashmir during the recent spate of violence, but he cites only three cases, each of which puts the accusing finger on the "ruthless killers"—security force personnel. The kidnaping and subsequent killing of academics, politicians, broadcasters, and businessmen by the terrorists were not deemed brutalities. Similarly omitted from mention is the terrorism in the Kashmir Valley which has forced thousands of families to leave their homes and seek shelter in relief camps in Jammu.

In 1985, Tarkunde wrote the foreword for a report by the Chicago-based Citizens for Human Rights and Civil Liberties on human rights violations in Punjab. The report, based on interviews with alleged victims, presented a prejudiced commentary which blames the state alone for terrorism in Punjab. As one would expect, Tarkunde lauded the report and wrote that "it deserves a careful perusal by the discerning reader."

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# Gorbachov must let the Baltics go, or face civil war, Scherer warns

*Below are excerpts from a press conference given by West German Gen. Paul-Albert Scherer (ret.) on May 16 at the National Press Club in Washington, D.C. General Scherer is the former director of West Germany's military intelligence service, the Militärischer Abschirmdienst, and is one of the world's leading experts on the Soviet empire, the Soviet Union, and Eastern Europe. Last autumn, General Scherer predicted the fall of the East German regime by the end of 1989, and Gorbachov's demise by the end of 1990. His comments, delivered in German, were translated by Webster Tarpley.*

My starting point is that in the last two years, the situation in the Soviet Union and in the entire Soviet bloc has changed in a very basic way.

The Yalta period of world history has come to an end this year at the latest; perhaps it will be seen to have come to an end in 1989. Yalta, of course, meant the division of Europe through Central Europe. Yalta meant the victory of Stalin; and this victory by Stalin psychologically seduced the Great Russians and the Soviets to develop a fundamentally wrong picture of the world. . . .

We have two very bad preconditions in the Western world. We have a smokescreen of psychological warfare that has been wrapped around us, and we've also been blinded. I assume that everybody in the room has a driver's license and that you know that this combination of a smokescreen and blindness is a very bad combination for somebody who wants to stay on the road.

I would also point to the fact that the Gorbachov group, since March 10, 1985, has had a very strong public relations radiation effect in the Western world. This goes for the public side as well as for the underground or less public side of things. For the preservation of the Soviet empire, and for the saving of the Soviet system, the Gorbachov group has launched three approaches, three tactics to give them leverage, which I would now mention.

The first is the Soviet pretension that Gorbachov is a founder of world peace. With this, anti-communists were deprived of the ground under their feet, and the peace movement was greatly favored. The second point of Soviet leverage was to hype the question of nuclear madness, the danger

of nuclear war, and to exploit that. I would regard this as a partial hypnosis of all of us in the West. And the third point of Soviet leverage was the slogan that the Europeans and the Great Russians live in one European house. . . .

What we've seen in the Soviet Union since March, with the beginnings of pluralism and the creation of parties, really takes us back to a time in the Russian world, let us say, before World War I, back to about 1908, with the foundation of the Duma [the Russian parliament]. What we've had in the Soviet Union since the March 31 of this year has been a small beginning of a pluralistic process. Parties have been founded; the first of these parties is called the Liberal Democratic Party, and it seems to be spread over the 15 Soviet republics. This party is already represented in the Supreme Soviet, with three votes; that's not much, but it's there. Then we have the party calling itself the Social Democratic Workers' Party, or Social Democratic Labor Party, which came out of an underground phase, a clandestine phase, and which is now public. The Social Democratic Labor Party says that it has 40,000 members in 15 Soviet republics. . . .

There are now between 180 and 200 organizations, which are attempting to obtain the status of political parties. And there are six of these that have already received some kind of an official approval, and I would like to mention one or two more of these. That is, first of all, the Christian Democratic movement. One member of this Christian Democratic party was actually the only opposition to Gorbachov in the Council of People's Deputies, when Gorbachov was elected President most recently. There's one more party, which is a right-wing extremist party with fascist or fascistoid characteristics; this is called the Republican Party of the Soviet Union. . . .

## **Jumping off the Soviet ocean liner**

At the same time, we can observe in the Soviet Union a paralysis of the Soviet sovereignty of the central government through the secessionist attempts that are now emerging on the borders of the empire. I would beg your indulgence as I compare the situation in the Soviet Union today to a giant ocean liner.

Now, imagine, if you will, this very large transatlantic ocean liner, and imagine that the railing around the edges of the deck is filled with passengers who are standing there;

they've put their life vests on, they've gotten their life savers under their arms. On the bridge of this ship, among the commanding officers, a dispute has broken out among the people who are allowed to participate in such a dispute. There's a great disorder on the top decks, and the military police, or the constables of the ship, have been sent into action to try to quell the chaos on the decks, and also to keep people in their cabins below.

By the end of 1989, we've got the situation where some of these passengers actually jump off the ship, and they're now in the water. At that point, the submachine guns of the guards on the ship begin to have their say, and they begin to shoot at the passengers who are attempting to swim away from this ship in the water.

With this metaphor I am indicating the peoples of the Transcaucasus. And in January, February, March of this year, further passengers jumped overboard, although the captain had already gone down into the steerage and had tried to convince them not to do this; he'd given them a speech, but they jumped overboard anyway. And they are now swimming in the water; and these are the Baltic peoples, the Lithuanians, the Latvians, and the Estonians. The guards have now been mobilized, and they've got their submachine guns ready, they're pointing them at these three Baltic swimmers, but they haven't opened fire yet.

Now, to fill out this metaphor, just imagine what happens when a large tanker lets out a large quantity of crude oil. What seems to be happening is that the commanders of the ship, up on the bridge, are telling people to let out a large amount of crude oil into the water, so that the passengers will either come back on board ship, or they're going to be drowned in the oil slick.

There are 15 decks on this ship; and down in these other decks, in the brig, if you will, too, there are passengers who have been locked up there, and they are now screaming their protests. These are the nationality conflicts in the 15 Soviet republics, but also, in addition to that, in the various autonomous regions and so forth. . . .

### **Will the U.S. remain a paper tiger?**

For the year 1990, the Baltic question is the life-and-death question for the entire Soviet Union, and you can see that clearly in Gorbachov's reactions.

The wrong evaluation, which is based primarily on the smokescreen, has led to this idea that Gorbachov is indispensable; and that is what leads us to this wrong conception, despite the fact that Gorbachov does nothing positive.

At the end of this month, we'll have another summit here in Washington. And this will be the test of whether the West is able to resist the Soviet countermeasures against the independence movements, or whether the West is incapable of resisting those Soviet pressures.

Now, imagine that you are a member of the Soviet elite, in one of the four principal pillars of power that make up that

Soviet elite. The big question that is now being debated in these four Soviet power elites . . . is, "Is the United States, and is the Atlantic Alliance, a paper tiger, as Mao had asserted that some years ago?" I would say that the answer to that question . . . is, first of all, the life-or-death question for the 1990s. And that question about the paper tiger will also decide, during the 1990s, whether the Soviets are willing to change their policies even more, or not.

### **Gorbachov cooked up 'Bonapartist threat'**

I now have to treat the question that has come up in the Western world about the alleged Bonapartist tendencies inside the Soviet Union. What I understand, under this heading of Bonapartism, is the readiness of leading soldiers to attempt to solve political questions through conspiracies or through a military coup d'état, a putsch.

There are many dramatizations or exaggerations that are circulating in regard to this point, so we have to very carefully examine the question I would pose, whether the Red Army, the military establishment . . . is considering or attempting to overthrow Gorbachov.

I would start with the idea that the military elite of the Soviet Union, the Red Army, and all of the service branches, have suffered under a tremendous increase in their burdens in the last 10 to 15 years.

Things have gotten much worse for them. I would mention the example of Afghanistan, stressing that this was a rout of the Red Army. . . . Back in the days of [Soviet Defense Minister Dmitri] Ustinov, in the early 1980s, the group around the Defense Ministry already showed signs of intense consternation about the very poor performance of the Red Army in Afghanistan. And the cost burden that the Soviets had to bear in this area, was simply tremendous. And the Soviets began to reflect very early on: How could they liquidate this war, and get out?

It turned out that the new Red Army was simply incapable of mastering the techniques of partisan warfare which the Red Army had understood several decades earlier. So I am mentioning this in order to stress that the Soviet military, because of their very bad experience in Afghanistan, has suffered a great deal, primarily because they simply failed to bring home victory. They lost. . . .

Gorbachov himself has conjured up this picture of a plug-ugly of the Red Army with the big grim face, who comes in and saws off the legs of Gorbachov's chair and then takes over that chair itself. The Soviet top leadership is obviously busily at work with a deception operation, which is designed to convince the West that there is a Bonapartist threat from the military forces. I think that this development is extremely improbable. . . .

### **Heading toward civil war**

The Russians cannot live through 400 years of Western history that they've missed, or even 70 years of Western

history that they've missed; they can't live through that in four months. The economic catastrophe is there now, you can see that in their inability to pay. . . . At this point the Russians have reached the end of their rope. And, at this point we've got to mention the two principal scenarios for the immediate future.

Let us assume that Gorbachov is still capable, when he comes to Washington for the summit at the end of the month, of giving up the Baltic—giving up the Baltic in the sense of a very liberal autonomy, independence, on the model of Finland: the Finlandization of the Baltic states, if you will, with independence. That, in my view, is Gorbachov's absolute last chance. That was the point about the ship, and the shipwreck metaphor, of earlier on. There is simply no way to drag those people out of the water and back on to the decks of that sinking ship.

I would say that there is no reversibility in the Baltic. It's irreversible. The unification of Germany is already irreversible as well. There is complete irreversibility in the Transcaucasus also. The only way you get these people back in the brig, is you can get them back into the brig for a very short period, if you're willing to pay the price of an all-out civil war.

Does the West intend to give up all of its principles, and all of its convictions? Do we want to give up all of our principles, and convictions, because we're not tough enough, or because we're cowards? I am in touch with quite a number of people in the Baltic States and the Transcaucasus and other areas that I've been talking about today. You should hear what the people there are saying. There is no more bitter disappointment anywhere than in those areas. And especially in regard to the policies of the United States of America. Unfortunately, I have to say that with great seriousness, because these are the reverberations that are now propagating in those areas.

There's still a chance to make good these things at the Washington summit. But, when we get into the summer, and into the autumn, we will certainly have the first general strikes throughout the Soviet Union, because of the collapse of the transportation system, and because of the scarcity of food: the famine. . . .

The year 1990 is decisive, and not any successive or later year. I would say that if Gorbachov proves to be incapable of using these last chances that are still offered, or if a successor group to the Gorbachov group proves to be incapable of exploiting these opportunities, then my prediction is a civil war in the Soviet Union, under extremely bloody circumstances that will last from three to four years.

Concerning the disarmament exertions that are now still taking place in the Western world, I would say that with a view toward that very likely coming civil war, a diminishing amount of weapons is not the way to make peace more secure.

I would like to conclude by giving you a quote from the German poet Hölderlin. This was Friedrich Hölderlin writing

in 1797, at the time when he had not been introduced to communism, of course:

"Those people always make the world into hell; and the ones who do it, are the ones who claim that they're trying to create a paradise on Earth."

### **The signals the West ought to be sending**

*In response to a question from Voice of America on what the U.S. reaction to Gorbachov ought to be:*

. . . I would say that the only serious policy is to put the Russians under pressure: not military pressure. What kind of pressure is meant? That would be, on the one hand, to make very precise offers to the Russians, offering them things that they need to come out of their extreme, desperate, situation, their scarcities. There are, in the course of being formed, as I was pointing out before, perhaps 200 different party initiatives, associations, and parties.

If you look at the Soviet population, there's a very large group, and it's a growing group, concentrated in particular in the large cities, as a result of the postwar modernization, urbanization. These people, in the large Soviet cities, are essentially pro-Western; they're Westernizers. And those are the people that you've got to engage in a dialogue. . . .

What are we doing? What was Malta?

I would say that Malta was something extremely unpleasant, and it reminded me immediately of Munich 1938, which I lived through as a young officer in the German Army. These are very unpleasant feelings that are evoked by these things today also. What I can't go along with, is appeasement. . . .

You've got to engage these Westernizing groups in a dialogue. Your dialogue is not with the Russian Orthodox Church—that's your enemy. Your dialogue is not with the military—that's your enemy. You've got to get in touch with these Westernizing groups, and you've got to say, "Guys, we want to cooperate with you, work with you."

And still on Gorbachov: Can Gorbachov stop a civil war? He absolutely cannot stop a civil war. So, why support him? It is simply a wrong evaluation that has taken root among us. We have got to stop seeing the Soviet Union exclusively through Western eyes. I would say that the development of civil war could still be stopped. . . . But in order to do that, you would have to have some courage; you would have to be willing to run certain risks.

You would have to have a very fine tactile sense for these new pluralistic developments that are emerging. For example, what stops us from taking a trip to Leningrad, to Moscow, to Kiev, to Minsk, and so forth, and getting into contact with those pro-Western groups? You can go there now, you're not going to be immediately arrested and thrown in jail. What prevents the West from getting in contact with these Westernizing groups? That would be worth some work; in other words, people of good will ought to begin thinking about this stuff, to try to avoid an all-out civil war. . . .

# 'Mad Max' unleashed on Argentina

by Peter Rush and Cynthia Rush

The Bush administration sent Gen. "Mad Max" Thurman, the butcher of Panama, on a tour of South America's Southern Cone in the middle of May, to peddle the Trilateral Commission's recommendations that the armed forces of the continent begin to dismantle themselves. As reported by the Argentine daily *Clarín* May 17 and 18, Thurman recommended that all of the Ibero-American armed forces slash their budgets and reduce their costs, and that there should be a "re-dimensioning" of each country's armed forces. There are only two main enemies in Ibero-America, Thurman explained—drug traffickers and internal subversion—and armies should reorganize themselves accordingly.

*Clarín* commented that some local analysts see Thurman's proposals as a rewarmed version of the "McNamara Doctrine" of the 1960s, which demanded that Ibero-American militaries be organized and equipped only as counterinsurgency forces, since U.S. military might would take care of any extra-hemispheric threat to these nations. Defying U.S. advice, at that time Argentina beefed up its armed forces in order to be able to defend itself from any external or internal threat. Now, the U.S. administration wants to make sure that this institution is eliminated altogether, citing "an end to the Cold War" as its rationale.

Today's policies are part of the broader project being carried out in the economic realm to eliminate all effective economic sovereignty from every country, making the entire continent "safe for American investment"—meaning not productive investment, but arrangements to make Ibero-America little more than a slave labor haven for U.S. run-away shops. The strategic context for Thurman's proposals are the condominium arrangements between Washington and Moscow, which see the existence of sovereign national institutions in the Third World as unnecessary and unwanted. And so, the Anglo-American policy elites are determined to reduce Ibero-America's military institution to a mere constabulary—Panama-style—whose role will be to wage war against its own population. This is what the Trilateral Commission calls "defending democracy."

Thurman's tour also made clear that, using the pretext of the anti-drug fight, the United States intends to station its own troops in as many Ibero-American nations as possible. U.S. Green Berets are already scheduled to be sent to Peru, to train Peruvian commandos in anti-subversive techniques.

While he was in Argentina, Thurman, who is the U.S. Southern Command's officer responsible for anti-narcotics policy, arranged for a company of U.S. Army commandos to carry out "anti-drug" exercises with their Argentine counterparts in June, centered around techniques for fighting narco-terrorists such as Peru's Shining Path subversives. A May 20 communiqué of the U.S. Embassy in Buenos Aires admitted that there were already U.S. troops inside Argentina carrying out exercises, and that 40 Green Berets will arrive in September for further anti-subversion maneuvers in Argentina's northern jungle region.

## Panama is just the beginning

The justification for this is the Thornburgh Doctrine, which says that U.S. law enforcement and military personnel can hunt down those whom the U.S. deems criminals in other countries, in total disregard of national sovereignty or international law. One proof that the U.S. is planning to introduce its own troops came from the May 13 crash in Panama of a U.S. helicopter, participating in what was admitted to be "classified maneuvers to prepare offensive incursions into the jungles of South America." The exercises, in Panama's Darien jungle, were carried out by the U.S. Special Operations Command involving Green Berets, the Delta Force, and other U.S. special forces out of Fort Bragg, North Carolina.

In Argentina, as reported by *Clarín*, and despite earlier denials by President George Bush, General Thurman let slip out that the United States intends to intervene "practically directly" into Colombia, because the situation there is considered to be so "grave."

Similar proposals have recently been aired in the U.S. media. *New York Times* columnist Flora Lewis on May 21 argued that there was no reason for the Argentine—or any other Latin American—military to exist. The Public Broadcasting System's program "Frontline" May 23 featured a call for an international police force, and attacked the Colombian military for allegedly misusing U.S. military equipment in a "dirty war" against civilians.

After Thurman's departure, reflecting dissatisfaction from Argentina's top brass, Foreign Minister Domingo Cavallo and Defense Minister Humberto Romero both tried to downplay the arrival of Green Berets, saying that no joint maneuvers were even planned. Argentina's military leaders see any Green Beret deployment to their country as U.S. intervention into their internal affairs; but according to local press reports, no one dared to tell that to Thurman when he was in Buenos Aires. The May 11 *El Informador Público* reported that U.S. troops already in Buenos Aires, many of them veterans of the Panama invasion, have been granted a surprising degree of freedom to take pictures and film military installations, including air strips, shooting ranges, and layout of the large Campo de Mayo army base in Buenos Aires.



# Another 'China expert' misses the mark

by Mary M. Burdman

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## **Legacies, A Chinese Mosaic**

by Bette Bao Lord

Alfred A. Knopf, New York, 1990

245 pages, hardbound, \$19.95

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Mrs. Bette Bao Lord wrote this book about Chinese who lived through the Cultural Revolution, and about her own reunions with family when she returned to China as an adult, after leaving Shanghai for America as a child of eight. She returns to China again in 1985, as the wife of U.S. Ambassador Winston Lord. There, she makes many friends who confide to her the unspeakable things which they suffered. The people whose lives she recounts emerge vividly on the pages. But something is not right.

Mrs. Lord is the wife of one of America's leading "China card" players. It was Winston Lord, she boasts, who accompanied Henry Kissinger (that evil, greedy profiteer) as his special assistant on Kissinger's first secret trip to Beijing in 1971—when the Cultural Revolution was at its depth, something which did not deter Kissinger.

Lord served with Kissinger again in 1972, and finally was appointed U.S. Ambassador by Ronald Reagan. Winston Lord, whom his wife describes as "the quintessential WASP," left his office in April 1989. There are indications he did not appreciate President George Bush's claims to be a "China hand." Lord deplored the Brent Scowcroft mission to Beijing in December 1989, but only because, Lord said in January, it "has also stirred up passionate and damaging debate in the United States about China policy for the first time in 20 years."

This is the problem. With all her horror at what her friends in China had suffered, the last thing Mrs. Lord would want to do is stir up debate about U.S. China policy. She is proud of being "devoted to forging links between China and America," because she, like so many others in the Anglo-American Establishment, ultimately considers the communist regime in China inevitable. For all her tributes to the courage of so many Chinese people, she misses entirely the real lesson of 1989: The revolution that began in China spread to Eastern Europe, and is now spreading to the Soviet Union itself. Tiananmen Square gave the East Germans the

determination to win.

The greater lesson behind this, is how Tiananmen Square happened at all. The real story of the Cultural Revolution—given the far better name "Cultural Holocaust" by Belgian writer and anti-"China expert" Simon Leys—is yet to be told. Not only were millions of human beings maimed, tortured, and murdered; this was an all-out effort to murder one of the world's great civilizations, by its own youth. How could the young people become Red Guards, and imprison and torture their teachers, their relatives, their elders? How could they, as Mrs. Lord describes again and again, ransack houses, destroying families' every work of art, every photograph, every possession, in an insane attempt to eliminate China's history? These youth were brutalized by their own profound ignorance and by growing up in a China in which tens of millions had already been murdered by the insane economic policies of Maoism. But it is not only Maoism that is to blame.

Mrs. Lord leads each chapter on each Chinese life, with a short "news" flash on the events of the Beijing Spring. She cannot, however, account for how, after the Cultural Holocaust, the Beijing Spring could have ever happened. Was it due to Deng Xiaoping's decade of "reforms" as she claims? I doubt it. "One of the boldest experiments ever tried—the transformation of a billion lives," she writes. "Deng Xiaoping was steering the country away from fanaticism and dogma towards pragmatism. . . . How tragic that the architect of reform had become a victim of the very success of his policies."

This is the flaw of all the Establishment's China experts, Chinese or otherwise. Deng did not make a bold experiment; he attempted to apply the worn-out "free-market" policies which are failing so appallingly in the United States and Britain, and unleashed what one Thai observer called "corruption unprecedented in world history" in China. Forty years of communist rule, capped with Deng Xiaoping's "pragmatism," have created the greatest crisis in modern Chinese history.

Mrs. Lord left China days before the massacre, she wrote, sure that bloodshed had been averted. Friends from Beijing called after the massacre, and said: "Please tell Americans that after the sound of gunfire has ended, and the fires have been extinguished, Chinese will be dealt a fate far more agonizing. The party has had no previous experience in crossing the river of reforms. It has groped for stepping-stones along the way. But in what they plan, once the fighting has stopped, the party has had a lifetime of experience. Warn Americans not to be fooled. . . . Those men are masters at orchestrating a misery all the more insidious because it is silent and invisible."

She and her husband, Mrs. Lord wrote, were "profoundly touched" by the Chinese people's "capacity to endure. . . . They lived in a country of limits," the limits of scarcity, of traditional China, and of communism. Enduring limits, however, is not what gave birth to the Tiananmen demonstrations.

# Catholics' situation in China worsens

by Maria Cristina Fiocchi

The situation of the Catholic Church in China, subjected to a new wave of persecutions and arrests, has become increasingly critical. Particularly after the Tiananmen massacres, the Chinese leaders have fully implemented the directives put out on Feb. 17, 1989, in what is known as "Document No. 3," which detailed to Communist Party cadres the aims and methods of a new persecution to be launched against Catholics.

The document expresses concern over the Catholics' growing numbers and the expansion of the clandestine church, which is not subject to the "Association of Patriotic Catholics," the tame, party-run church which tries to control Catholics' activities by keeping them divided from Rome and the Pope.

All local authorities are admonished to reinforce the structure of the Patriotic Association both organizationally and economically, and to step up "the ideological formation of the clergy and the masses of believers." The document is very harsh toward Catholics who remain faithful to Rome. Government estimates are that 25 bishops have been consecrated and 200 priests ordained clandestinely.

Since the end of 1988, and continuing throughout 1989, more than 30 bishops and priests had been arrested in a nationwide police dragnet by spring 1990. At the end of 1989, in the province of Hebei, the manhunt led to the arrest not only of priests, but also of the most devout lay people. Monsignor G. Fan, former bishop of Baoding, already under tight surveillance, suddenly vanished from his home. At the outset of 1990 another six bishops were arrested, including Monsignor G. Wenzhi, bishop in the province of Heilongjiang, an elderly prelate hated by Mao, who included him among the "five black categories" during the Cultural Revolution. The aim of such a ruthless attack is to disperse and annihilate the Catholic Church, such that in the event of a possible future liberalization, the Chinese authorities will only have to talk to the hierarchy of the subservient "patriotic" church.

The Beijing clique also believes that the Holy See will be forced, at that point, to deal with the regime's church. But the calculations of the Chinese rulers do not take into account the irrepressible desire for freedom which inspires that immense people, still held hostage by the Communist dictatorship.

Meanwhile, the Catholic Church is living through its own

"Tiananmen" under the most incredible silence from Western governments. Even the Holy See, at the moment, is saying nothing about the new wave of arrests. One reason is that the Vatican authorities, in an excess of caution, do not wish to give credence to the Beijing regime's thesis that the Pope and the Holy See are pulling the strings of the clandestine Catholic forces.

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## U.S. arming Colombian mafias

*Israeli weapons found at ranch of slain Colombian drug lord were part of Contra operations, reports suggest.*

Official U.S. government agencies were more closely involved with the network that supplied Israeli weapons to the Colombian drug cartels than was first reported. Information now available indicates that individuals and agencies tied to the Iran-Contra drugs-for-arms operations, played a role in the illegal shipment of Uzi automatic weapons and Galil rifles from Israel found at the ranch of Colombian drug lord Gonzalo Rodríguez Gacha. Rodríguez Gacha died in a shootout with Colombian authorities last December.

The weapons were obtained in the spring of 1989 by Israeli Lt. Col. Yair Klein (ret.) for a group of Panamanians organized by the CIA to oust Panama's Gen. Manuel Noriega. That group, led by Col. Eduardo Herrera, Panama's former ambassador to Israel who is now chief of police in the U.S.-installed government of Panama, was already undergoing training at a school Klein had set up in Colombia, according to reports published in Antigua. The school in Colombia, also used by Klein for "the training of groups of hired assassins of the Colombian drug cartels," according to the international police agency, Interpol, was already coming under the scrutiny of the authorities. So Klein, with the help of another Israeli, Maurice Sarfati, who had purchased a melon farm with U.S. government financial guarantees on the Caribbean nation of Antigua-Barbuda, tried to move his operations there.

Antiguan authorities sought to establish his bona fides before granting approval for the school, Spearhead Ltd., which Klein claimed would train

"VIP security guards." In an affidavit published by Antigua's *The Nation* on April 13, the former commander of the islands' 90-man defense forces, Lt. Col. Clyde Walker, said he met with Klein in January 1989 and prepared a report on Klein and on the staff listed on the brochures of the proposed school, all of whom were reserve officers in the Israeli Defense Forces. He then gave the report to CIA agent Robert Hogan in Antigua and to Hogan's superior, Robert Kenning, CIA station chief for the Eastern Caribbean, stationed at the U.S. Embassy in Barbados, with the request that the CIA conduct an "investigation into Spearhead Ltd. and the colonel and his trainers."

The CIA vouched for Klein and his operation, according to Walker, who said in his affidavit that he was told by station chief Kenning: "Spearhead appears to be all right."

Despite the CIA endorsement, Antigua said no, but by this time, March 1989, the weapons for the Panamanian anti-Noriega forces had been loaded at the Israeli port of Haifa aboard the Danish ship *Else TH*.

In an affidavit submitted to Antiguan authorities, published by *The Nation* on May 4, Klein said: "When I was informed that the training school was not approved I was most disappointed and shocked and had no other alternative but to divert the equipment to the Panamanian entity who paid for it. For the sake of clarity, the equipment consisted only of 200 Uzi and 200 Galil rifles which initially were intended for the Antigua Training School and were shipped to Panama. All costs for the transshipment were

paid by us from the Panamanian funds."

The weapons, which traveled aboard the *Else TH* accompanied by an officer of the Israeli Defense Forces, Eron Filip, were not transshipped to Panama. Instead, they were illegally off-loaded in Antigua and transferred to the *Sea Point*, a Panamanian-registered vessel, which delivered them to Colombia in April 1989 to drug lord Rodríguez Gacha.

Why did the CIA tell the Antiguan authorities Klein was "all right"? For one thing, the anti-Noriega operation headed by Colonel Herrera, an admitted employee of the CIA, was a project sanctioned by the U.S. government.

Klein was also one of the trainers of the U.S.-sponsored Nicaraguan Contras, according to reports published in Colombia. The Contra resupply operation, run by National Security aide Ollie North out of the Reagan-Bush White House, involved drugs-for-arms transactions, as has been proven in U.S. court proceedings. North and his Project Democracy operatives frequently obtained the weapons in Soviet bloc countries with the connivance of communist governments. This was demonstrated in 1986, when the Danish ship *Pia Vesta* was captured by Panamanian authorities with a cargo of weapons purchased in East Germany for the Contras.

Sources familiar with Klein say that Israel is being unfairly singled out in the case of Rodríguez Gacha. According to them, the 400-500 Israeli weapons at the ranch of the Colombian drug lord were but a small portion of thousands of weapons found there—enough to arm a medium-sized army—from the United States, Great Britain, France, East Germany, Czechoslovakia, Poland, and the Soviet Union.

## Political storm over Pope's visit

*John Paul II's call for Mexico to reform the anti-clerical portions of its Constitution is causing an uproar.*

**T**he visit of Pope John Paul II to Mexico May 6-14 left in its wake a trail of factional battles in various political parties and within the government. In a May 9 address in the city of Chihuahua, as *EIR* reported last week, he proposed a reform of Mexico's 1917 Constitution, to guarantee the parents' "natural right" to "freely educate their children in accordance with their convictions." Mexico's Constitution prohibits religious education, even in private schools.

Sources close to the Mexican presidency confirmed to this author that Mexican President Carlos Salinas de Gortari reacted "hysterically," since the Pope had departed from the pre-arranged program and forced Salinas to formally define the government's position vis-à-vis the demands of Mexico's Catholic hierarchy for such a constitutional reform, and for reestablishment of relations with the Vatican.

On May 10, Government Secretary Fernando Gutiérrez Barrios gave the official line in stating that no change in the Constitution was contemplated, although the government would maintain an approach of rapprochement with the Church. Dozens of newspaper editorials backed this position, and on May 14, the day of John Paul II's departure from Mexico, the official daily *El Nacional* emphasized in its editorial that during his tour, the Pontiff had "various times failed to respect the distances between political and religious matters, consolidated as historic conquests of the Mexican people in the Magna Carta. He particularly used a defiant tone of

voice during his visit to Chihuahua, in demanding religious education."

John Paul II performed at least one miracle during his visit to Mexico by causing agreement between such fierce enemies as Cuauhtémoc Cárdenas, leader of the leftist opposition PRD party, and the Salinas government. Cárdenas said the Pope's statements were "belligerent," and an attempt to "revive hatreds that had been dissolving." The National College of Masonic Rites published ads in the press consisting of misplaced diatribes in defense of "national freedom and sovereignty," and the Popular Socialist Party (PPS) reached the extreme of demanding the Pope's expulsion from the country, "for violating the Constitution."

During his Mexican pilgrimage, the Pope demonstrated a great familiarity both with the history and culture of the country, and with its current disastrous economic situation. He attacked not only the "liberal capitalism" promoted by the Salinas administration, but also offered a dramatic picture of the catastrophic effects of this inhuman economic model on Mexico's national economy: a collapse in buying power, mass unemployment, extreme poverty, corruption, and drugs.

The rallying cry of his Mexican tour was "Mexico Always Faithful," a reference to the Cristero War of 1926-28. That civil war was triggered by President Plutarco Elías Calles's efforts to destroy the Catholic Church, through constitutional prohibitions imposed by a faction associated with the financial and banking friends of

U.S. President Theodore Roosevelt.

The great irony of the 1917 Constitution is that its general principles, above all those which refer to protection of workers' rights, definition of strategic natural resources as the property of the nation, and the "dirigist" role of the state in guiding economic development, are all fully congruent with the social doctrine of the Catholic Church—today known as "the Third Way," meaning that it is neither Marxist collectivism, nor liberal capitalism.

Those principles, as they appear in the Mexican Constitution, in fact reflect the influence of the 1891 encyclical of Pope Leo XIII over the Catholic majorities of all the sides that fought in the Mexican Revolution. Those principles are what made Mexico, for a time, a shining example of the "Third Way" for Ibero-America and the entire Third World, and are precisely the principles which the Salinas de Gortari government has tossed into the dustbin, in order to comply with the liberal economic prescriptions of the International Monetary Fund and the creditor banks.

The Pope was perfectly aware of the reactions his statements would provoke, but he also knew he would find tremendous support within the ranks of the ruling PRI party. On May 10, small business confederation leader Jesús González Gortazar, also a PRI state deputy from Jalisco, came out in favor of the proposed reforms, and suggested that the Congress would support President Salinas were he to undertake to implement them.

The president of the Episcopal Commission on Social Communication, Gebaro Alamilla, was right when he said on May 11 that "as of this second visit of Pope John Paul II, the waters have parted. Here, history divides in two."

## Suicidally propitiating the banks

*The government dropped its opposition to debt-for-equity swaps, in a blow against Brazil's national sovereignty.*

In at least one very sensitive area, the privatization of the state sector, the government of President Fernando Collor de Mello has opted to cede to heavy international pressures from the creditor banks and from the families who are the Anglo-American oligarchy's local stooges. The government's behavior is based on the pragmatic reasoning that by shedding just a little blood, one can quench the thirst of a vampire.

In a May 21 meeting of David Rockefeller's Council of the Americas, organized as a reception for Brazilian Economy Minister Zelia Cardoso de Mello, she told the group that her government had decided to adopt the mechanism of swapping foreign debt paper for state company stocks—Henry Kissinger's favorite looting plan. She said, "The program will be open to the foreign investor, including through the conversion of the foreign debt," and added the expectation that this would yield \$7 billion.

The Eastern Establishment audience was, however, far from appreciating Brazil's painful capitulation. Especially noteworthy was the aggressivity of Council of the Americas president and former U.S. Ambassador to Venezuela George Landau, who helped write the recent Trilateral Commission report *Latin America at the Crossroads: A Challenge to the Trilateral Countries*. That report is a witch's cookbook filled with "free market" recipes for dismantling the continent's armed forces. Landau demanded that the minister explain why Brazil's central bank was still blocking nearly \$2 billion worth of

foreign company profits and dividends that were to have been remitted abroad. The minister answered that this had been done as a preventive measure, since the government had detected an "absolutely atypical movement" to send capital out of the country.

While the Brazilian Congress and other organized sectors of the country had given the green light to President Collor's economic measures, especially those which punish financial speculation, the future of the proposed privatization program had been left pending. Now, it would seem that to pave the way for debt renegotiations, the government is pushing up the timetable on its privatization scheme by announcing the available number of target companies.

This strategy risks provoking a showdown with the Congress and the country's leading trade unions. For example, on May 21, the president of São Paulo's metal workers union, Luis Octavio Medeiros, declared that the government was breaking its deal with the unions with its disastrous privatization program. President Collor had promised to hear from all interested parties *before* taking any action, said Medeiros, a former government ally.

Besides a clash with the government's own allies, there is the potential for a revolt by the domestic banks, which fear the impact of shutting down the carousel of financial speculation that has so corrupted the Brazilian financial system. On May 17, Bank Federation president Leo Wallace Cochrane attacked Collor's mon-

etary reforms for the first time, denouncing them as "state interventionism." He was especially referring to \$3 billion worth of government privatization certificates, which the domestic banks are obliged to purchase.

Various monetarist economists who serve as advisers to the banks have suddenly discovered that such a measure will trigger a recession, by leaving the banks without resources to invest in production (although productive investment was hardly the common practice of Brazil's financial institutions in the past).

Two weeks earlier, the first military crisis of the Collor government—in fact, of the last five years—took place. On May 4, during a ceremony upon assuming the important southeast command, Gen. Pedro Luis de Araujo Braga revealed the military's distress over the direction the country's intelligence capability will take following the dismantling of the National Information Service (SNI), the Brazilian equivalent of the CIA. Intelligence gathering, protested the general, "is being described as undignified, amoral, abominable."

These apparently unconnected developments in the economic, political, and military arenas may have an underlying coherence. On May 20, the daily *O Estado de São Paulo* reported that the general secretary of the presidency, Marcos Coimbra, who comes from the diplomatic apparatus of the Foreign Ministry, is the man charged with stripping away military influence over the Presidential Palace of Planalto. Included in that "influence" is the SNI. He is also said to be the author of a program that would redirect Brazil's foreign policy toward the kind of subservient "special relationship" with the United States, in violation of national sovereignty, that Henry Kissinger has consistently espoused.

# International Intelligence

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## ***Mubarak sees growing Mideast war threat***

Egyptian President Hosni Mubarak told world socialist leaders in Cairo on May 22 that an influx of Soviet Jews to Israel "threatens to blow up the peace march and put the whole region on the verge of a new bloody confrontation," Reuters reported.

Mubarak was speaking to the opening session of a conference of socialists to "confront the danger of immigrating Soviet Jews to the occupied Palestinian territories." President Mubarak had discussed the question of Soviet Jewish immigration to Israel the week before in Moscow with Soviet Foreign Minister Eduard Shevardnadze and U.S. Secretary of State James Baker.

The Egyptian leader spoke following a bloody resurgence in a 28-month Palestinian uprising against Israeli rule in the West Bank and Gaza Strip.

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## ***Will Wolf be named to guard chicken coop?***

Peter-Michael Diestel, the new East German interior minister, announced on May 11 that he has asked Gen. Markus "Mischa" Wolf, the former head of East Germany's communist foreign intelligence service, if he would like to join the independent commission that is to supervise the dismantling of the old Stasi secret police structure.

Diestel said he needs "competent advice to do this job" of dismantling the remains of the Stasi apparatus.

Wolf, as *EIR* reported last week, is overseeing—from his new base in Moscow—a plan to rebuild communist intelligence penetration of the West, dubbed "Operation Trojan Horse."

Diestel's statement created an uproar in East Berlin and Bonn. Eduard Lintner, spokesman of the parliamentary group of the Christian Democrats in Bonn, called on Diestel to either resign or for Minister President Lothar de Maiziere to "correct" Diestel's plans.

Diestel has also come under heavy attack from the East German Social Democratic Party, not least because he just rejected Social Democrat Danward Brinksmeier for the post of assistant interior minister on grounds of "incompetence." Instead, he appointed a former member of the communist SED to the post, a man who is accused with having been in control of the SED party security apparatus in Chemnitz.

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## ***Venezuela's Army gears up for riot control***

Venezuelan President Carlos Andrés Pérez has ordered the Army to carry out military exercises in all Venezuelan cities, in order to be ready to suppress possible riots in the coming weeks, since he is planning to raise gasoline prices 80%.

The Joint Chiefs of Staff of the Army appealed to people not to be alarmed if they see soldiers in the streets, since they are conducting "training exercises in the streets, due to possible situations of civil riots." The head of the Army, Gen. Juan Bastardo, said that the "exercises" will take place all over the country.

The military mobilization has been accompanied by a media campaign calling for "calm" and announcing that on June 1, the first increase of 30% in gasoline prices will take place. After that date, gas prices will be raised every month until December, when they will be 80% higher than they are today.

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## ***Vatican hits U.N. anti-population policy***

High-level officials of the Catholic Church have denounced a new United Nations report against population growth, calling it racist, obscurantist, and anti-scientific.

Cardinal Eduard Gagnon, president of the Vatican's Council of the Family called the report "a maneuver of the multinationals; behind such statements there is always the money of the big multinationals."

Msgr. Elio Sgreccia, theologian and Vatican expert on morality and science, was quoted in the Italian daily *La Repubblica* on May 17 calling the study "an obscurantist and anti-scientific perspective." "This is like the old anti-birth colonialist policies promoted by the World Bank of [Robert] McNamara, that imposed on the developing countries an anti-birth package, including sterilization, in exchange for food," he charged.

According to Monsignor Sgreccia, the U.N.'s malthusian theory is anti-scientific, because it was based on the prediction of a collapse of the energy equilibrium as a result of population growth, something which has been proven wrong by the discovery of new energy sources, like nuclear power. "Procreation cannot be left in the hands of chance, politics, or ideology," he said, "but to the responsible decision of parents, so that the number of children be regulated on the basis of respect for human life, for the dignity and the unity of the family."

Msgr. Franco Costa, of the Italian Bishops' Conference and responsible for family affairs, called the report a "manifestation of hypocritical racism." The right way to approach the population issue, he said, is to implement the teachings of Pope John Paul II in the encyclical *Sollicitudo rei socialis*.

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## ***Knives are out between U.S., French intelligence***

Warfare is raging between the CIA and the French intelligence service DGSE. At the beginning of May, the Paris magazine *L'Express* reported, on the basis of secret documents from the DGSE, how American intelligence is being blamed for systematic sabotage of the French rocket Ariane. According to the exposé, in the summer of 1986, then Defense Minister André Giraud had a very stormy meeting in Washington, D.C., confronting the Americans with the DGSE file proving American sabotage.

The most recent explosion of the Ariane is being blamed on American intelligence, working through an American journalist

who had visited the site just prior to launch. The official version of the explosion blamed a technical failure; however, a more precise report states that a piece of cloth was put inside a crucial pipe of the engine.

*L'Express* also revealed that the CIA and the DGSE have been at each other's throats concerning industrial espionage. A DGSE network operating at the highest levels of the French subsidiaries of firms like Texas Instruments was recently dismantled by the CIA and the FBI. However, questions have arisen as to how the CIA knew of the precise meetings between the DGSE officers and their informants, implying that the CIA had deployed its own counterintelligence operation in Paris itself, infiltrating DGSE networks.

## **International outrage at Demjanjuk conviction**

Britain's Independent Television (ITV) ran a documentary on May 15, providing clear indications of mistaken identity in the case of John Demjanjuk, the retired Cleveland auto worker who was illegally deported to Israel and convicted of being the Nazi death camp butcher known as "Ivan the Terrible." The program exposed the illegal and unscrupulous methods of the U.S. Justice Department's Office of Special Investigations (OSI) in the case. Demjanjuk's appeal of his death sentence was filed with Israel's Supreme Court in May.

The *Independent* newspaper on May 16 notes that the TV show "suggested the whole thing has been a matter of mistaken, even forged, identity. Information seems to have been suppressed (vital documents were found in a McDonald's dustbin opposite the Office of Special Investigations in Washington). An ID card looks to have been forged. Even eyewitness evidence, shaky and contradictory, is probably blurred by 40 years of time and remembered pain. On top of this, posit the suspicious death of the lead defense lawyer three days before the first appeal, the complete denials of villagers living near Treblinka (one of whom regularly slept with Ivan), and Demjanjuk's plea that

he spent most of the war digging peat in Poland, and it is hard not to bend before a conspiracy theory."

"If the Israelis execute Demjanjuk, Hitler will have had the last laugh," declared British Jewish writer Barbara Amiel in the *London Times* on May 18. "When the Demjanjuk case first surfaced in the United States, Office of Special Investigations officials made two statements: First, that the OSI had total confidence in Soviet evidence and, secondly, that if the Soviets ever forged a document, the OSI would be able to detect it. Both statements were individually untrue and mutually exclusive."

## **East bloc spies fomented anti-Semitism in West**

A Czechoslovak defector admitted years ago that East bloc intelligence services were behind "Western anti-Semitism," according to a commentary in the West German daily *Die Welt* on May 17. The author, Israeli citizen Michael Wolffsohn, a history teacher at the West German Army College in Munich, investigates what may be behind recent anti-Semitic incidents in Western Europe and Israel.

"Especially striking was the fact that the [East German communist] SED of [Erich] Honecker presented itself as anti-fascist on the one hand, but tolerated the skinheads, whose public marches could hardly be overlooked. Skinheads from West and East Berlin repeatedly collaborated, in a weird efficiency of these otherwise mentally disturbed people, while the SED/PDS [communists] bemoaned their rise as a bad result of the fall of the Wall.

"Well, there have been paintings of swastikas for several years now in the Federal Republic [of Germany], also in Jewish cemeteries. There was much speculation about the criminals; in 1970, however, a former leading functionary of the Czech secret service, Ladislav Dittmann, reported that his agents had orchestrated these paint jobs, in order to libel the Federal Republic as a neo-Nazi state."

● **POPE JOHN PAUL II** has called a meeting of the presidents of European bishops' conferences in Rome June 5-7, to prepare an extraordinary synod on the continent's democratic revolution.

● **SOVIET SUBMARINE** activity is increasing in the Baltic Sea, according to the Finnish daily *Uusi Suomio*, citing Finnish Defense Ministry sources. The submarines have approached so close to Finnish territorial waters that Finnish naval forces have been forced to fire warning shots.

● **ROBERT MAXWELL**, media baron for the Anglo-Soviet condominium, is buying up the Berliner Verlag, publishing company of the East German communists' Party of Democratic Socialism. He made the announcement at a joint press conference with PDS chairman Gregor Gysi. Maxwell was born Jan Ludwig Hoch in pre-war Czechoslovakia.

● **EAST GERMANY** is using former Stasi security police experts to set up a military counterintelligence service that will have contacts with West Germany's equivalent organization, according to Reuters. "This military counterintelligence has no espionage role," Disarmament and Defense Minister Rainer Eppelmann said. "It has a passive role in hindering espionage against the National People's Army (NVA) and terrorism within or against the NVA."

● **BULGARIAN** opposition leader Zhelyu Zhelev warned on May 21 that the vote fraud which characterized the recent elections in Romania may be repeated in his country. Zhelev's Union of Democratic Forces, which represents more than 30 opposition groups, refused to sign a pre-election agreement, citing violence, falsification of electoral lists, and other "irregularities" by communist officials.

# Bush arms control sellout will leave Europe disarmed

by Leo F. Scanlon

The weeks leading up to the May 31 summit meeting between George Bush and Mikhail Gorbachov have provided the opportunity for the Soviets to wring humiliating diplomatic and strategic concessions out of the Bush administration, in return for which the Soviets have "agreed" to maintain their current military superiority on the European continent. The ludicrous spectacle of Secretary of State James Baker groveling before Gorbachov in Moscow, insulting Lithuanian Prime Minister Kazimiera Prunskiene, and then claiming victory in the negotiations, has provoked loud protest against the Bush men from their heretofore docile conservative supporters. News articles and editorials have attacked Baker's performance, and a group of congressmen has written a letter demanding that the White House put an end to the charade.

But outrage alone will not derail the Bush administration's plans for the upcoming summit, since that script is written without consideration for military or strategic matters. The Soviets are well aware that the military policy of the Bush administration is subordinate to budgetary considerations, and the Soviet high command is satisfied to let the ongoing collapse of the U.S. economy do their "negotiating" for them. This circumstance has reduced Bush to begging the Soviets for an arms control agreement which will provide cover for the next ratchet collapse of the U.S. defense infrastructure. In return, Bush has agreed to sabotage the anti-bolshevik resistance movements in East and West which pose the immediate threat to the tyrants in the Kremlin.

The clock is now running on events out of the administration's control. It may be that the upcoming summit sellout will trigger the destruction of the political consensus which has supported Bush's treachery.

## **Soviets snooker Bush negotiators**

Even the most cursory examination of the record of negotiations leading up to the latest summit meeting shows that the Soviets have been using the talks as a means of securing support from the Bush administration for the crackdown and suppression of the resistance movements. In fact, there can hardly be any other purpose for the START talks, since the weapons systems involved (primarily mobile missiles and cruise missiles) are inherently concealable and not easily subjected to any counting or verification regimens cooked up in a treaty agreement. The fact that the administration has agreed to move ahead on negotiations over numbers of warheads, while leaving verification matters to be resolved at a later date, is evidence that everyone knows there never will be verification of the terms of the agreement.

The START treaty proposes to reduce land-based strategic missiles. For the Soviets, this means reducing their SS-18 force from its officially admitted size of 308, to 154. This is a 50% reduction—except that the Soviets intend to modernize the remaining missiles with modifications which will make the smaller fleet more lethal than the original 308. When Baker proposed to limit that modernization, he was told to get lost, and the U.S. has dropped this demand. The pathetic approach of the Bush strategists was to impose limits on flight testing which would prevent the Soviets from determining the reliability of the modified missiles, thus degrading their value as a first-strike weapon. Not surprisingly, the Soviet military has practically laughed out loud at this scheme. At the pre-summit meeting on May 19, Soviet officials told Baker that "the U.S. should be satisfied with the commitment to a 50% reduction" in numbers.

The fiasco further involves the SS-24 and SS-25 mobile Intercontinental Ballistic Missiles (ICBMs), which the Sovi-



ets have been producing in prodigious numbers. The Soviets have simply refused to entertain any discussion of limitations on these weapons, and Baker has no possibility or intention of changing that fact. For budgetary reasons, the U.S. Congress will not be funding development of comparable rail or road-mobile systems. Finally, the Soviets have made it clear they will not tolerate intrusive verification procedures necessary to monitor such systems, and have announced that they have been violating the INF provisions on this count.

A related matter is the question of non-deployed missiles. The mobile systems in question, and the heavy ICBMs, can be fired and re-loaded from stockpiles which are uncounted. Given the demonstrated Soviet position on intrusive verification, these stockpiles will remain uncounted, and the Soviets have given no indication of including the matter in the treaty on a face-saving pretext.

### **Baker surrenders cruise missile edge**

This entire issue becomes even more problematic when cruise missiles are considered. U.S. strategy relies heavily on the deployment of an array of highly accurate cruise missile systems, especially air- and sea-based, to provide deterrence in the face of Soviet superiority in other systems. The stand-off capability which cruise missiles provide is a critical aspect of the defense of the European theater in the post-INF treaty period. In early May, Bush put a higher premium on these systems when he told the NATO ministerial meeting that the U.S. had decided to abandon plans to modernize the Lance (short range, surface-to-surface) nuclear missile, and would also withdraw nuclear artillery from Europe.

The deployment of the 600-mile-range Air and Sea Launched Cruise Missiles (ALCMs and SLCMs) in the European theater was designed to offset the "no modernization" decision, a range which would allow these missiles to hit massed armor formations on Soviet territory in the event of conflict. But in the recent negotiations, Gorbachov agreed that the Soviets would not demand restrictions on the latest American cruise system, a long-range missile named "Tacit Rainbow" (and would exempt it from counting in the strategic column) if the U.S. would accept a 375-mile limit on cruise missiles ranges. On May 18, Soviet military negotiators announced that Tacit Rainbow would be subject to range limits as well. Desperate to secure the "deal," Baker sent a letter to Shevardnadze describing U.S. intentions with respect to planned modifications of the system, providing assurances which caved in to the range limits demanded by the Soviets. A number of Congressmen have pointed out that the letter sent by Baker was in fact a violation of law.

The Soviets followed up this victory with renewed demands for Naval Arms Control agreements, aimed at further limiting U.S. cruise missile capabilities. Within days of Baker's return, Soviet Marshal Sergei Akhromeyev told a U.S. Senate panel that "naval forces cuts negotiations are unavoidable," and identified naval aviation units and cruise

missiles as a top target. As Bush de-nuclearizes the European theater, the elimination of the nuclear warheads on sea-based cruise missile systems is a top priority of Soviet planners. Bush and Baker are moving them into the cross hairs.

The Soviet stunts during the negotiations were a replay of their usual tricks. Every one of the "issues" which Baker touted as resolved at the pre-summit meeting had already been settled in February! At that time, the Soviets began creating the image of a "military bogeyman" threatening peace-loving Gorbachov. As negotiations continued during April, a "previously unknown" military figure, General Omelichov, appeared in the Soviet delegation, and scotched all agreements on the cruise missile issue.

Immediately, U.S. media began a campaign to build support for an embattled Gorbachov, who was now facing a "resurgent" military. The actual purpose of the propaganda campaign is to build support for Gorbachov's bloody suppression of the rebellions breaking out in the Baltic States and elsewhere in the empire.

The same trick was pulled when Soviet negotiator Omelichov's agains intervened on May 19 destabilized Baker such that he left Lithuanian Prime Minister Prunskiene (in Moscow for simultaneous talks with U.S. and Soviet officials), waiting for two hours while he begged Gorbachov to give him a face-saving resolution of the impasse. When Baker finally met the representative of the only force which seriously threatens the Soviet empire, he refused support to her cause, and later had to deny rumors that he had in fact told her that the U.S. would support Gorbachov on the secession issue. Gorbachov met with Prunskiene on schedule, and reaffirmed his demand that the Lithuanian declaration of independence be suspended before Soviet economic warfare measures are lifted. This ukase, delivered virtually in front of the U.S. Secretary of State, supported the rumors of Baker's perfidy.

The upcoming START agreement will produce a larger ratio of Soviet weapons aimed at a smaller number of U.S. targets. The Soviets have over 40,000 tanks and 380,000 troops in Eastern Europe, and from this position of military superiority they are watching the U.S. prepare unilateral disarmament measures in the theater. The ominous reality of the consequences of the U.S. sellout is summed up by a participant in the negotiations who said, "Both Shevardnadze and Gorbachov were very clear that a united Germany could not join NATO. There's no loosening of their position at all."

The Bush administration stands impotent before a Soviet move to gain military mastery of Europe. Bush has secured no concessions removing Soviet military dominance of Eastern Europe, and has left the anti-bolshevik resistance movements to fend for themselves against Soviet thuggery. It is the collapse of the U.S. economy which is paralyzing the government.

Bush has his own "Man In The Iron Mask." The economic recovery program of LaRouche is the basis for a new consensus to replace the discredited Bushmen.

# LaRouche takes the stand in Roanoke, attacks ADL corruption of justice

by Our Special Correspondent

On May 23, Lyndon LaRouche took the stand in the Roanoke, Virginia courtroom of Circuit Judge Clifford R. Weckstein, and established, through his own, personal account, the truth about the prosecutions against him.

LaRouche was called as a defense witness in the ongoing hearing on selective and vindictive and bad faith prosecutions in the case of *Commonwealth v. Richard Welsh*.

Defense attorney Don Randolph first asked LaRouche to describe his personal history and his current profession. LaRouche said he is a physical economist, which he described as the field of economic science defined by Gottfried Leibniz in the 18th century. He said he views the essence of Leibniz's science as the prospect of increasing the productive powers of labor by the application of heat and other technologies to power the economy and advance the potential of the work force.

He stated that he published in this area, and, in fact, is the most published author on this subject in the world today. He said that in addition to this as his primary profession, he has been a candidate for public office, running for President of the United States in 1976 on the ticket of the U.S. Labor Party. In 1979-80, he ran for the Democratic Party's presidential nomination, and then he ran for the party's presidential nomination in 1984, and again in 1988. He told the court that he is currently a candidate for the United States House of Representatives in the 10th Congressional District in Virginia.

LaRouche explained that there are other significant functions which he has performed, such as being chairman of the National Caucus of Labor Committees (NCLC), which he characterized as a philosophical association in the tradition of Benjamin Franklin's American Philosophical Society. Since 1981, he was director of the Fusion Energy Foundation, a scientific association for which he provided ideas, and coordinated international scientific seminars.

He testified that his wife appointed him to be a trustee of the Club of Life, and his wife also gave him a significant role as director of a later organization which she had founded known as the Schiller Institute.

LaRouche testified that the NCLC formally came into being by that name in the spring of 1969; it grew around him,

as a group of gifted graduate students who were in the anti-war movement and who coalesced around him because of his opposition to the rock-drug-sex counterculture. He said the rock-drug-sex counterculture is best defined by the song, "The Dawning of the Age of Aquarius," and is based on the philosophy of Friedrich Nietzsche, Bertrand Russell, and Aleister Crowley.

He recounted how in 1968, he and his friends fought against the anti-labor, fascist tendency within the student movement, and also against the anti-Semitic attacks against the New York City teachers who were on strike. He said he discovered that McGeorge Bundy and the Ford Foundation were behind the anti-Semitic attacks on the teachers.

LaRouche emphasized that he works in the realm of ideas—excessive organization is an impediment—that he is opposed to the radical left, but that he is a Christian, and so believes that everyone is susceptible to redemption. He always strove to show respect for individual persons, however much he despised what they were espousing, and attempted to win them over. Many joined up with him.

In 1971, he said, more structure was added. In August 1971, as part of his teaching of economics, he had become convinced that the breakdown of gold reserve agreements and the International Monetary Fund, had come to a crisis point. President Richard Nixon, rather than raise the price of gold, took the dollar off the gold reserve standard. LaRouche had been right about the collapse of the postwar monetary system, others were wrong, and his association grew from hundreds into the thousands.

He testified that in 1971, he proposed to reorganize his association along the lines of an international news weekly, such as Time Research, and established a news intelligence bureau along with a national executive committee to guide it, to supply intelligence to publications, as well as to coordinate news intelligence activities. In 1973, fraternal organizations were formed in Central and South America, in Western Europe, and in Thailand. Beginning 1977, the NCLC ceased to solicit dues, or have any other regular business or business-like activities. Today, he said, the NCLC exists in the form he indicated, with a national committee, national executive committee, and members, by common consent.

LaRouche said his outlook had been shaped by the fact that he was raised as an evangelical Quaker. When he was 12-16 years old, he began to study 17th- and 18th-century European philosophy. He became an advocate of Leibniz.

He recalled that at the eruption of World War II, he looked around. There in the shoe factory where he worked were his friends, some of whom were Polish Jews. He felt he had to do something. He said at this point he abandoned the evangelical Quaker view that large matters were left in the hands of God, and adopted the Leibnizian view that God holds man responsible. He said his views have not changed, only expanded, ever since.

### **George Washington vs. King George III**

LaRouche confirmed that his views provoked controversy. The controversy was between the republican view of Solon of Athens and oligarchical slave law. In American terms, the republican philosophic current is typified George Washington, the oligarchical one by Britain's King George III.

He testified that all of his philosophic views are based on Western Christian belief and its antecedents in Judaic belief. He believes that there is an essential, fundamental difference between human beings and animals. Human beings have the capacity of creative reason. This is the essence of man. This bears on his policy. The creative abilities of man to transmit his discoveries into the economy, the faculty of reason, the sovereign act of the individual, is sacred—not social mush. The oligarchs believe in slaves, rulers, and social mush. He believes that the fruits of creative reason make every human being precious, and that the sacredness of the individual human being must be defended, to use the Latin phrase *imago viva Dei*, man is created in the image of Christ and God.

He was asked if he had opponents. He described how he defeated Queens College economics professor Abba Lerner in a fall 1971 debate on economics, by forcing Lerner to admit his support for the policies of Hitler's economics minister, Hjalmar Schacht. No one has dared debate him since.

He pointed out that as his economic proposals for world monetary reform became widely accepted among Third World nations, he ran into opposition from the Social Democrats and the Anti-Defamation League. But, he said, he could not figure out the content of the attack, because it did not correspond to what he was advocating. The type of attack was that of a gangster, who says, "We hate you. Get off our block."

He reported how, in the course of his global policies for world economic reform, for establishing an International Development Bank, and a new world economic order, an opposition to him coalesced, headed by those associated with Henry A. Kissinger, leading to various conflicts and clashes with Henry Kissinger on international policy questions.

Around the same time, he also determined that the best way to stop the international drug trade was to go after the banks and other drug money-laundering institutions. This led

to a clash with the drug-connected ADL and others.

### **LaRouche's authorship of the SDI**

Going into his role in the formation of the Strategic Defense Initiative announced by Reagan in 1983, LaRouche related how beginning in 1977, in the review of various proposals of Gen. George Keegan, he began to focus on the area of new physical principles, and felt that the evidence was sound for such a policy proposal. He became closely associated with the development which later became a strategic ballistic missile defense system, which he had first espoused in 1977 and had circulated in pamphlet form in 1978. This defense policy then became the principal plank of his 1980 presidential campaign. He testified how, in the early 1980s, his refined policies were assimilated directly by the Reagan White House and National Security Council. Throughout 1982 and 1983, he briefed various government agencies and others in Europe, in Washington, and elsewhere, in a personal campaign which led to the SDI.

LaRouche said that the opposition to his policies in the Reagan administration was associated with Project Democracy and the Kissinger crowd. Furthermore, he was an outspoken critic of the Contra operation, denouncing it in his writings and in his speeches as immoral, and against the interests of the United States.

He described how, as his influence grew, his opponents worked harder to stop him. The "Get LaRouche" task force, he said, was created and organized to stop his growing influence.

### **'You are corrupted, Mr. Russell!'**

LaRouche was cross-examined by John Russell, who heads the Virginia prosecution of LaRouche associates. LaRouche took an opportunity to develop the conception of the importance of fighting for the principle of law, even under Attorney General Richard Thornburgh, who right now is destroying all law in this country. As a political defendant, he reported he must play the game as truthfully as possible, and what's important to him is not sophistry, but truth—not plea bargaining and dirty, rotten deals.

Russell asked LaRouche if in fact it is he who is out to get the ADL. LaRouche said on the contrary, his intent is to break up an improper national "Get LaRouche" strike force of government, federal, state, local, including the Commonwealth of Virginia, which is polluted by the ADL's animus, and that that illegal strike force includes prosecutor Russell. Pointing his finger at Russell, he said that the government has allowed itself to be used and corrupted: ". . . you, as a member of a federal multi-state strike force, should not have allowed yourself to be associated with the ADL in framing investigations to be presented before a Grand Jury, in bringing indictments, in prosecuting indictments, in conditioning and preparing witnesses. . . . [Y]ou and your associates in the national strike force are corrupt and do not belong in government."

## Former NSC aide tells of LaRouche's input

Richard Morris, an aide to National Security Adviser William Clark during the first Reagan administration, testified in court in Roanoke, Virginia on May 21, that Lyndon LaRouche had given important policy advice to the administration in 1981-82, on issues ranging from the Strategic Defense Initiative and Soviet policy, to the Ibero-American debt and the Contras.

He said that the National Security staff found the information "useful" and that "it is possible, though I have no precise knowledge, that some of the input from the LaRouche people was integrated to the reports," written by Judge William Clark to the President.

The testimony came during hearings convened to determine whether defendant Richard E. Welsh, a LaRouche associate, is being "selectively and vindictively prosecuted" in a case alleging that he committed violations of the state securities law. The case is one of dozens set off by the national "Get LaRouche" task force as a political vendetta against LaRouche's ideas.

Morris testified that he came to Washington in January 1981 as Executive Assistant to Deputy Secretary of State William Clark, and assumed a similar position as Clark's Executive Assistant when the latter was promoted to the President's Adviser for Security Affairs in January 1982. He was in this position until November 1983.

Morris said that in 1982 he first met with a representative of Lyndon LaRouche, after having received material from LaRouche and his supporters reporting "intelligence that they had gathered themselves privately that they felt affect the national security." He determined that such "input had been ongoing at the time I arrived there" in early 1982.

"I met personally with Mr. LaRouche probably on three occasions," Morris reported, adding that he met LaRouche's representatives "probably every other month . . . six, seven times in the two years that I was there."

"The LaRouche people represented an organization, whatever their political views, that had demonstrated some proficiency in intelligence gathering," Morris said. "When they came to you and stated that they had a particular item that was of national security concern . . . why, it seemed to be in the interest of national security that we would at least find out what this item was and make a judgment on it later."

He added, "We had our own intelligence of course, far more expensive than Mr. LaRouche's, but we, nevertheless,

felt that it [was] prudent to hear all we could from some source that had some proficiency."

Morris said that presentations were made by various persons, "whatever the area was, whether it be economics or Soviet policies or the ballistic missile defense subject matters or whatever, somebody else would have that expertise in the LaRouche organization that would actually make the presentation."

In addition to these areas, he testified, "They often discussed . . . whether or not our government should support the Contra issue, Contras in Central America and, well, the national debt, the bank indebtedness . . . crises forthcoming, inability of Central American countries to pay off the bank loans. And on some occasions they discussed the South African issues. . . ."

Morris noted that LaRouche was "in general opposed to the aid to the Contras."

A key area of such input was "antiballistic-missile defense," Mr. Morris said. Mr. LaRouche, he affirmed, "brought in physicists who were doing work in this area. They presented the possibility of defending against ballistic missiles shot from Russia to the United States by defense mechanisms which relies on principles of physics that had not yet been developed."

"While the cost of the research and development would be large, they urged that it would pay for itself in the fallout for civilian use of the principles that were developed. For instance, laser beams is one of the things that they had urged that be further researched and developed. . . . They urged that it would be a political advantage in our negotiations with the Russians for them to be aware that we were embarking upon a program."

Under questioning, Morris noted that President Reagan came out in support of such a program in March 1983. "There was considerable opposition," the witness stated, to this announcement by the President, both before and after March 1983.

### LaRouche opponents named

Asked by defense attorney Don Randolph whether there was "criticism by certain members of the council over the fact that Mr. LaRouche was having input to the council and presumably to the President," Morris said there was. He then named Kenneth deGraffenreid, the senior member on the intelligence staff, who was supported in his objections to LaRouche's input "by a consultant for intelligence purposes, Roy Godson." Another vocal opponent was "Walter Raymond, who was also in the intelligence community who thought he should not continue to receive input from the LaRouche people." Raymond, according to Morris's testimony, "was responsible for what was known as Project Democracy, which was an effort to diplomatically sell democracy to countries that were not yet democratic or which may become democratic."

Questioned about the frequency of criticism of contacts with LaRouche coming from these named individuals, Morris said that it began in "late summer of 1982 and occurred several times again throughout the time I was there." The most persistent critic, he said, was Mr. Godson, who gave two reasons for wishing for Morris to sever his relationship with Mr. LaRouche. "One was that I was exposing national security, internal matters to the LaRouche people. That they were clever in being able to pick up information from conversations." Godson also argued that LaRouche "did not have the national—the U.S. national security interests. . . . They described him as many things. As a socialist, as a communist, as a member of the KGB, as a fascist, and always he was an extremist. Whatever he was, he was an extremist."

Morris was asked by attorney Don Randolph if there were issues discussed in his presence with Mr. LaRouche and/or his associates which cannot be discussed in open court due to the continuing national security interests involved. Morris responded that, "Yes, there are such matters that if I were asked, I would feel compelled to not respond if I could manage to not respond."

Judge Clifford Weckstein, who presided over the hearings, denied a motion by prosecutor John Russell to have Morris's testimony struck from the case.

## ADL 'Get LaRouche' operative worked for the CIA

The hearing on government selective and vindictive and bad faith prosecution in Roanoke ended on May 24 with testimony that the key operative of the Anti-Defamation League in the "Get LaRouche" task force worked for the U.S. Central Intelligence Agency.

Mira Lansky Boland, the Washington D.C. Fact-Finding director of the ADL, testified that she went to work for the CIA for 14 months after graduating from the Fletcher School of Diplomacy, where she studied under Uri Ra'an. After leaving the CIA in September 1979, Lansky Boland worked as a subcontractor for the Defense Department's Office of Net Assessment, before joining the staff of the ADL in December 1982.

For nearly a month, in two separate hearings before Judge Clifford R. Weckstein, virtually every member of the state-federal "Get LaRouche" strike force has testified to the central role Lansky Boland played in the prosecution of

LaRouche and his associates. Previous testimony showed that she spread the animus of the ADL to the government agents working on the prosecution. When she finally took the stand herself, she revealed her connections to the secret government apparatus which originally targeted LaRouche because of his growing influence on policy matters internationally.

Earlier in the week, Richard Morris, the former deputy to Reagan's national security adviser, William Clark, testified to LaRouche's policy influence on the early Reagan administration. Morris testified that opposition to LaRouche from within the administration came principally from three individuals, Roy Godson, Walter Raymond, and Kenneth deGraffenreid.

Lansky Boland, when asked during her testimony, conceded that she knew Mr. Godson. She met him at a meeting at the New York City residence of financier John Train. Also at that meeting, according to Lansky Boland, were NBC's Pat Lynch and dope lobby journalist Dennis King. At this meeting, the international propaganda campaign to slander LaRouche, in order to facilitate the prosecution of him and his associates, was planned. This propaganda campaign continues today.

The testimony also revealed how Lansky Boland is actively engaged in an effort to completely shut down any entity associated with the political philosophy of LaRouche. She testified that shortly after LaRouche's conviction in Alexandria, Virginia, she was the only private citizen attending a party in which the prosecutors and investigators celebrated LaRouche's incarceration.

At that time, Lansky Boland also wrote in the *ADL Bulletin* that the next task for the prosecution is to stop contributions to any entity associated with LaRouche's philosophy, singling out the Constitutional Defense Fund, a legal defense fund.

The nature of this effort was exposed in the testimony of Virginia State Police agent C.D. Bryant.

Bryant testified that he had been in touch with Lansky Boland since the trial of LaRouche associate Rochelle Ascher, in Leesburg, Virginia in early 1989. Bryant said that he and Lansky Boland have exchanged information.

Most recently, Bryant testified, he referred the families of supporters of LaRouche to the ADL, specifically Lansky Boland, to help them launch civil suits against companies which publish and distribute *EIR* and other publications. In one of these cases, that of Elmer Yoder, Lansky Boland helped prepare two government witnesses, Loudoun County Sheriff's Deputy Don Moore, and Chris Curtis, for their testimony in a private civil suit.

In the recent case of Mrs. Helen Overington of Pennsylvania, Bryant and Lansky Boland are implicated in an extortion threat, by encouraging the family to threaten to launch a criminal procedure to incarcerate Rochelle Ascher, unless Ascher paid Overington a substantial amount of money.

# New York mayor cannot evade fiscal crisis

by Dennis Speed

When the scheme to revoke the charter of New York's government was voted up in November 1989, Mayor David Dinkins entered Gracie Mansion with potentially greater powers than any mayor in the city's history. Yet Dinkins was already under investigation for "various financial improprieties." It is a fact that there is exactly a 100% chance of a U.S. elected black official being investigated by a federal or state agency.

Dinkins's transition team, headed by Nathan Levanthal, head of Lincoln Center, and investment banker Felix Rohatyn, were committed corporatists whose major concern was lowering union wages and cutting city services. Comptroller Elizabeth Holtzman was there to keep the mayor from stepping out of line. In his first 12 days, Dinkins announced the most severe cuts in services that New York had seen in 15 years, since David Rockefeller and friends declared city government bankrupt and Rohatyn put the city under the bankers' dictatorship of "Big MAC" (Municipal Assistance Corp.).

The racial and class tensions provoked by the fiscal crisis bubbled to the surface last August and are now exploding. A focus is the Bensonhurst, Brooklyn trial involving the killing of a black 16-year-old, Yusuf Hawkins, by a gang of 30-40 whites. Two defendants, Joey Fama and Keith Mondello, received verdicts from juries on May 17 and 18. Fama was convicted of murder; Mondello was acquitted of both murder and manslaughter. The contradictory verdicts have further polarized the city.

Other clashes, involving blacks and Koreans, as well as anti-black remarks by Brooklyn grand jury bureau chief Dan Landes (later fired), who spoke of "*schvartze* burglaries and robberies," have fissured the city. Four reporters and photographers were beaten May 17 by supporters of convicted killer Fama; five members of a TV crew were roughed up the next night in the neighborhood of Yusuf Hawkins.

Desperate, Dinkins called a "Rally for Social Harmony" May 22, at the Cathedral of St. John the Divine. Eyewitnesses report that the 5,000-6,000 person meeting was a display of allegiance from union workers, city and state employees, and other groups receiving patronage from the Dinkins (city) and Cuomo (state) administrations.

Even in this climate glimmers of reality appeared. Dennis Rivera, president of AFL-CIO Local 1199, said, "We health care workers are committed to doing our part . . . within our practice, to answer the desperation of the growing number of uninsured New Yorkers. Two and a half million New Yorkers ask our support in solving this and other problems.

. . . We have a growing number of mental health patients, but no services to support their needs. . . . We are calling for a universal health care plan for all New Yorkers." The May 19 *Daily News* reported that the state will cut 200 residential beds for the mentally ill in the city, and will wipe out funding for a new emergency psychiatric clinic—to save \$2 million.

Yet the day after the "unity rally," the Dinkins administration announced the elimination of 1,200 jobs at the Board of Education. The same day, Richard Travers, head of the Uniformed Fire Association, indicted the city's plan to shut two fire engine companies, and property owners rallied outside of City Hall to protest a \$180 million property tax hike. In the Bronx, 80 people were arrested in a battle between rival groups demanding construction jobs at the site of a new police station.

## New York needs a reconstruction plan

Columnist Pete Hamill pointed out May 22 in the *New York Post*, "Nobody seems to devise a plan for the creation of 300,000 goods-producing jobs. Nobody seems to know how to open factories that will employ people who have never finished high school. Nobody seems capable of creating a system of daycare centers that would allow hundreds of thousands of single mothers to enter the workforce." He was mistaken. In 1981, mayoral candidate Mel Klenetsky had campaigned for the development of New York's port, manufacturing, and transportation facilities, and had been warmly backed by the late Hulan Jack, former borough president of Manhattan—Mayor Dinkins's mentor. Political enmity to Klenetsky, most notably from the Anti-Defamation League (ADL), held Klenetsky's vote to 4%.

Today, the ADL is wooing credibility and money through a series of advertisements in the *New York Post*, a paper which has printed a spate of articles and letters to the editor on "black anti-Semitism." In turn, the *Post* has been a target of a boycott by black churches and a group of black professionals called the Committee to Eliminate Media Offensive to African People.

Percy Sutton, a black former Manhattan borough president, now the main owner of radio station WLIB, said that he would close the station if people continued to call into its talk shows and attack his friend the mayor. The station features frequent interviews with the Rev. Al Sharpton, and lawyers Alton Maddox and C. Vernon Mason, who accused the mayor of behaving "like P. W. Botha" in the Bensonhurst affair. Fred Friendly, of Columbia University, contends that there have been "many personal, and often anti-Semitic attacks on whites at WLIB."

WLIB's parent company is Inner City Broadcasting, of which Dinkins was a founding investor. It was "possible fiscal improprieties" in Dinkins's handling of Inner City stock transfers to his son, that prompted a federal investigation that began before he took office.

# The ADL targets Cardinal O'Connor

by Kathleen Klenetsky

Is the Anti-Defamation League of B'nai B'rith deliberately attempting to set back Jewish-Catholic relations by hundreds of years?

It's hard to draw any other conclusion from the insulting response which the ADL has made to John Cardinal O'Connor's statements criticizing recent moves by Israeli Jewish fundamentalists to forcibly seize property in the Christian Quarter of Jerusalem.

In a signed commentary in the May 21 *New York Post*, national director Abe Foxman scored "church leaders and others" who have spoken out against the seizure, calling their disapproval "outrageously disproportionate to the act itself."

Although he didn't mention O'Connor by name, Foxman obviously had the cardinal as his chief target, since it was O'Connor's outspoken criticism of the incident which has received extensive publicity.

The ADL's assault on O'Connor—who, it should be noted, has traveled extensively in the Mideast, and ranks among the strongest advocates of Jewish-Catholic dialogue—stems from an incident which took place in Jerusalem in April, in which a group of fundamentalists from the Ateret Cohanim yeshiva forced their way into a Greek Orthodox-owned hostel adjoining the Church of the Holy Sepulcher, the traditional site of Christ's burial.

Occurring as it did during Holy Week, the most sacred and solemn period of the Christian liturgical year, the action was clearly intended to exacerbate Jewish-Christian tensions—which it succeeded in doing. Perhaps the worst aspect of the incident was that it received de facto backing from the Israeli government: Israeli courts granted an injunction to the provocateurs, allowing them to stay in the building at least through Easter weekend, while Israeli Housing Minister David Levi, a rabid expansionist, admitted that government funds had been used to finance part of the operation.

## 'Reprehensible and obscene'

It was Israeli government backing for the attack on Christian holy places that undoubtedly prompted Cardinal O'Connor to react so strongly. "What has happened in Jerusalem is obscene," he bluntly charged in the May 24 *Catholic New York*. "In my judgment," he continued, "the Israeli government has acted reprehensibly both in what the American

Jewish Congress calls participation 'in a clandestine effort to settle Jews in the Christian Quarter of Jerusalem' (an act financed by the same government), and in failing to repudiate what it has done." He quoted from a communiqué signed by the leaders of the major Christian communities in Jerusalem, which charged that the "government-backed . . . armed settlement . . . further endangers the survival of all Christian communities in the Holy City."

Of particular significance, O'Connor reported in his column that there are some who believe that the incident "is only a signal of a conspiracy to grab land all over Israel currently occupied by Christians. Some people," he wrote, "even tell me they believe it reflects a speeding up of a design to make it virtually impossible for Christians to function freely anywhere in the land."

As *EIR* has documented extensively in the past (see *EIR*, March 3, 1989, "Kissinger and the West Bank landscam"), such a conspiracy definitely exists, traceable to the highest levels of British Freemasonry. A key individual involved in this conspiracy is Asher Kaufman, an agent of London's Quatuor Coronati Freemasonic Lodge. Since his arrival in Israel in the late 1960s, Kaufman has played a central role in the scheme to rebuild Solomon's Temple on the Temple Mount, currently the site of the Al Aqsa Mosque. As *EIR* reported in its May 4 issue this year, Ateret Cohanim—which was formed in 1978 by three active-duty officers of the Israeli domestic intelligence agency Shin Beth—had as its founding purpose the destruction of the Al Aqsa Mosque, as a prelude to rebuilding the Temple—a sure-fire prescription for religious war.

Despite this, the ADL's Foxman treated the settlers' action as almost trivial in his *New York Post* piece. Conceding that the move was "provocative," Foxman tried to downplay its importance, saying that the "incident, after all, represents a single transgression in Israel's long record of preserving religious harmony in Jerusalem."

Foxman further implied that the critics of the action are at fault, and not the Israeli government. "One must unfortunately conclude that those seeking to escalate Israeli-Palestinian tensions have used the delicate religious balance in the Holy City for less than holy objectives," he wrote.

The ADL's censure of O'Connor was echoed by Elan Steinberg, director of Edgar Bronfman's World Jewish Congress. Steinberg charged that the cardinal, by defending the legitimate rights of Christians and Muslims against an illegal action by the Israeli government, was somehow "throwing fire on a very tense situation."

O'Connor has taken great pains to express his concern that the incident is hurting Israel just as much as Christians and Muslims. Questioned about his criticism of the incident, O'Connor told reporters that "any friend of Israel, of the Jewish cause . . . has to say, 'I think that the government of Israel is being perceived as doing something that is self-destructive.'"

# Skadden, Arps: ADL-linked law firm services Dope, Inc. clients

by Scott Thompson

In the 1970s, the \$500 billion per annum international drug money-laundering network of banks known as Dope, Inc. pushed through changes in banking laws in many countries that vastly expanded its offshore laundering capability. Kenneth J. Bialkin, who was then head of the New York-based law firm of Willkie, Farr and Gallagher, and who would become (1982-86) national director of the Anti-Defamation League of B'nai B'rith, was at the center of this operation, pioneering, through such clients as fugitive financier Robert Vesco, the multimillion dollar looting of Investors Overseas Services (IOS) that generated the seed money for Vesco's current drug trafficking from Castro's Cuba. Now, Dope, Inc.'s big project is the repatriation of that drug money for takeover of U.S. banks, corporations, and real estate. In line with this, in January 1988 Bialkin joined the firm of Skadden, Arps, which is the world's largest among merger and acquisition law firms that have brought corporate America to its knees.

A key example of this process was when Skadden, Arps represented the Buffalo, New York-based Marine Midland Bank in 1978-79 when it wanted to be taken over by the Hong Kong and Shanghai Bank, which *EIR* editors exposed in the book *Dope, Inc.* as being the historic and current banking axis for opium and heroin production in the Golden Triangle region of China and Southeast Asia. In fact, the first edition of *Dope, Inc.* arose out of *EIR*'s attempt to block HongShang's takeover of Marine Midland, which brought offshore drug money laundering to U.S. shores.

The HongShang takeover of Marine Midland was only the tip of the iceberg of an attempt by British Dope, Inc. banks to invade the U.S. banking system, using their drug money-laundering profits. Takeover attempts included Standard Chartered Bank's bid for Union Bank, National Westminster's bid for National Bank of North America, and Barclays Bank's bid for American Credit Corp.

The HongShang takeover of Marine Midland is not just ancient banking history. It was Trilateral Commission member Sol Linowitz, a board member of Marine Midland before President Jimmy Carter tapped him to negotiate the Panama Canal Treaty, who in the early-1970s pushed the transformation of Panama into an offshore banking center, with regulations similar to the notorious Cayman Islands, over the objections of Panama's Gen. Omar Torrijos. Once HongShang

consolidated its grasp on Marine Midland, which dominated the bankers' steering committee handling Panama's debt and other foreign transactions, it had a major role in that offshore banking facility.

## Some attempted to resist

The effort by *EIR* to block this full-scale Dope, Inc. invasion of American finance gained the support of New York State Superintendent of Banks Muriel Siebert, who picked up on *EIR*'s Oct. 4, 1978, 48-page appeal to the Federal Reserve Board to deny HongShang's application on the grounds that the Crown Colony bank was a major factor in the international illicit narcotics trade, especially through its financing of expatriate Chinese families in the Golden Triangle region. Between October 1978 and May 1979, Siebert, with the support of *EIR* and the New York Bankers Association, challenged the powerful financial group represented by Marine Midland, Skadden, Arps, and HongShang, which was allied with supporters of Dope, Inc. within the City of London and the Federal Reserve Bank.

In February 1979, Siebert called for a "national policy review" of foreign takeovers of U.S. banks in a letter to Rep. Henry Reuss (D-Wisc.), then chairman of the House Banking Committee. Siebert questioned loopholes in the International Banking Act of 1978 that had made possible the acquisition of \$23 billion in U.S. banking assets since its passage, and decried the fact that there was no "reciprocity" since "no developed country other than the United States would permit any significant local bank to be acquired by a non-domestic bank."

In May 1979, Siebert further delayed the takeover when she asked whether HongShang had "the attributes needed for management" of Marine Midland—an apparent allusion to the HongShang's known drug money-laundering activity. But Federal Reserve Chairman G. William Miller, Comptroller of the Currency John Heinman, and New York Gov. Hugh Carey had taken steps to curtail Siebert's ability to stop the deal. Also, on May 15, 1979, Marine Midland chairman of the board Edward F. Duffy, who was being advised by Skadden, Arps to wholeheartedly accept the takeover, issued a press release that characterized Siebert's concerns as "xenophobic attacks . . . [that] are pure jingoism and contrary to U.S. policy and interests."



## Skadden tied to Rothschilds, Dope, Inc.

As the 1985 second edition of *Dope, Inc.* documents (pp. 496-497), the HongShang takeover of Marine Midland was assisted by an agent of the Rothschild banking family, who also employed Skadden, Arps to manage legal affairs for their financial dealings in North America. According to *Dope, Inc.*, one of the key "inside agents" involved in the takeover was Leonard Rochwarger, who since 1973 had been "the closest business associate" of the Buffalo-based Jacobs family which made its fortune bootlegging with Samuel Bronfman during Prohibition. In 1971, Rochwarger's Firstmark Corporation, a heavy equipment leasing company, entered into a complex merger agreement after a Paris meeting with Edmond de Rothschild and Robin Sebag-Montefiore, which also made Rochwarger president of the Israel-American Leasing of Tel Aviv, now the largest firm of its type in Israel. Among his many prominent posts in the Buffalo Jewish community, Rochwarger is a regional board member of the ADL.

Skadden's ties with the British branch of the Rothschild family leads to other links to Dope, Inc., apart from the French branch of the family's links through Rochwarger to the HongShang takeover. In 1981, Skadden's senior partner, Robert Pirie, assisted the Rothschild interests in obtaining ownership of what is now Rothschild North America, Inc. Pirie, who represents the third generation of a Scottish family that ran the dry goods firm Carson, Pirie, Scott and Co. in the Midwest, and who is a cousin of the ADL-connected family of Adlai Stevenson, became president and chief executive officer of Rothschild North America, Inc. and chairman of several of its subsidiaries the following year.

The main Rothschild family Dope, Inc. ties to Skadden, however, come not through this firm, whose chairman, Evelyn de Rothschild, through his London *Economist* magazine, recently called for drug legalization; rather it is through Skadden's dealings with Jacob Rothschild, the son and heir to the recently deceased Lord Victor Rothschild, who was part of the Philby, Burgess, and Blunt Anglo-Soviet espionage network. Jacob Rothschild is first known to have begun work with Skadden when he was a party to Sir James Goldsmith's attempted \$20 billion-plus takeover of British American Tobacco (BAT) which employed Skadden as its merger and acquisition specialist. While Jacob Rothschild may have inherited notoriety from his father, his money comes from a series of mergers.

Starting in 1983, Jacob Rothschild consolidated the firm of Charterhouse Japhet Rothschild PLC, which resulted from a merger between Jacob Rothschild's investment group with Charterhouse Group PLC, the owner of the merchant bank Charterhouse Japhet, creating the largest British banking group in the City of London. This merger made Jacob Rothschild a partner of one of those clients at Willkie, Farr that the ADL's Kenneth Bialkin would rather forget—insider trader Ivan Boesky—which made Jacob Rothschild's new firm a partner with Boesky in attempts to take over Getty interests.

*Dope, Inc.* placed a spotlight on Charterhouse Japhet, which, like HongShang, has been active in the dope trade since the days of the Opium Wars in China. Also, Ernst Israel Japhet of the original trading family, is chairman of Bank Leumi, which is part of the Israeli diamond-for-drugs connection employed by HongShang and others to pay for drug production with gold ingots and diamonds. Ernst Japhet was also a board member of the now-defunct Banque du Crédit International (BCI) opposite Mossad logistics chief Tibor Rosenbaum, who worked hand-in-glove with gangster Meyer Lansky's money-laundering schemes. Japhet, meanwhile, sold Charterhouse Japhet to Barclays, which retained him on its board. Through his merger with Charterhouse Japhet, Skadden's client Jacob Rothschild was tied in to Dope, Inc. banks taking over U.S. business interests.

## Skadden ushers Bronfmans into Du Pont

In 1981 when he left the post of chairman of E.I. Du Pont de Nemours and Co., Irving S. Shapiro became a partner in the Wilmington, Delaware office of Skadden, Arps and a member of the firm's administrative committee. Skadden had been instrumental in the takeover of Du Pont by Edgar Bronfman of Joseph E. Seagram & Sons, Inc. Bronfman is also an ADL honorary vice chairman. Ultimately, the money Edgar Bronfman used to buy out 20% control over Du Pont came from his father Samuel Bronfman, whose Prohibition-era "Bronfman Gang" used its bootlegging franchise from British distilleries to build the syndicate in the United States, as is documented in *The Bronfman Dynasty* by Peter C. Newman. By no later than 1920, Samuel Bronfman and "Murder, Inc.'s" Arnold Rothstein's agent Jacob Katzenberg had been dispatched to Hong Kong to arrange for opium to be delivered through the bootlegging routes, establishing distribution of illegal drugs in North America.

The Bronfman takeover of Du Pont arose out of Skadden senior officer Joseph Flom's handling of the Conoco, Inc. account in its defense against tender offers by Mobil and Seagram, and in its eventual acquisition by Du Pont for \$7.6 billion. However, when the dust settled after a 24-hour court showdown, Seagram had traded its Conoco stock for a large block of stock in Du Pont. Some members of the du Pont family allege that Skadden's Irving Shapiro was the ultimate "inside agent" in this deal. Edgar Bronfman was introduced to Shapiro through the ADL, a story outlined in the ADL's six-volume oral memoirs *Not the Work of One Day*, by past ADL national chairman Burton S. Joseph.

Through its clients like Marine Midland, Skadden, Arps has been an integral part of the \$500 billion a year Dope, Inc. slush fund from offshore banking, which, combined with changes in takeover and tax laws, has created a foreign buying spree which has helped bring U.S. corporations and the financial system to their knees. This is precisely what *EIR* warned would occur in its coverage of the 1978-1979 HongShang takeover of Marine Midland.

# China MFN status is blood on Bush's hands

by Lydia Cherry

A smiling Li Peng, the man who ordered the tanks into Tiananmen Square to massacre thousands of Chinese students and workers one year ago, addressed the Chinese nation May 25 lauding President Bush's renewal of China's Most Favored Nation (MFN) trading status as a "wise decision" which "we welcome and appreciate." Bush's decision was no surprise: It was expected that he would not let the blood left on his hands by the appeasement of Beijing over the past year interfere with his intent to recommend renewal. This reward to tyranny follows a year of Western concessions to Beijing, which has rejected any compromise.

In a statement issued from his cell June 5, 1989, U.S. political prisoner Lyndon LaRouche noted about the earth-shaking China Revolution, which culminated in the bloody Sunday witnessed by the world: "Today from that scene, the blood of ten thousand martyrs flows eternally, a surging, impassable river dividing the peoples within all nations of our planet into two camps. The world was separated between those appeasers of Moscow who, like Henry A. Kissinger, propose we condone the massacre without emotion, and those who receive the blood of ten thousand martyrs as a sacred trust."

George Bush has left no doubt about which camp he is in. As Rep. Nancy Pelosi (D-Calif.) pointed out at House hearings May 24, Bush intentionally missed every chance to send a principled message to Beijing. "He missed an opportunity by vetoing the bill to protect Chinese students in the U.S.; he missed another opportunity by intervening personally on the veto override; he missed another opportunity by authorizing the Scowcroft visits and the resumption of U.S. support for World Bank lending. . . . The President has insisted on a resumption of lending for basic human needs and has broadened this definition—turning it into a loophole through which forestry, vocational training, and agricultural project loans can pass."

Despite administration attempts to convey a contrary impression, there was strong consensus among the Chinese students and intellectuals who have fled to freedom, that extending MFN status would only help to prop up the regime. Pelosi noted that in her meetings in Paris the week before with Chai Ling, the woman in command of the Tiananmen Square demonstrations until shortly before the troops moved in urged that the U.S. finally take a stand by refusing to extend the trade concessions.

Bush's incredibly stupid statement in his May 24 speech

that, according to U.S. Ambassador to China James Lilley—just returned from Beijing—"all the students there, the intellectuals there, all of them, favor the continuation of Most Favored Nation status," was a laughingstock at in House hearings that day. Assistant Secretary of State for East Asian and Pacific Affairs Richard Solomon fell on his face, in trying to answer California Rep. Tom Lantos's question on how Lilley conducted his survey to come up with those statistics. "Is our Ambassador likely to be in touch with the tens of thousands who are in prison because of their pro-democracy views; were they part of that survey?" Lantos hammered. "No, I'm not aware that Ambassador Lilley has visited any prisons," Solomon replied.

## Congress is not likely to act

The House hearings saw numerous congressmen vent on Solomon their constituents outrage against the moral bankruptcy of Bush's China policy. Yet despite the astuteness in pointing out the administration's lies, none of these congressional critics has shown willingness to play outside the rules of the game. Even Pelosi, who has very strong support from Chinese students in the U.S., signaled she could "compromise" on MFN status. "The Chinese rubbed our noses in the student's blood and they did it on international television, and we have to have an appropriate response to that. If it is not MFN, because we decide it is not in our *economic* interests to do so, then you have to suggest something else," Pelosi said to Solomon.

Rep. Stephen Solarz (D-N.Y.)—who unfortunately chairs the Subcommittee on Asian and Pacific Affairs—made clear that the great advocate of human rights wasn't going to invest anything in this one. "I think the President made the correct decision in temporarily renewing MFN for China," Solarz said in a press statement released the day Bush made his decision. Sen. Alfonse D'Amato (D-N.Y.) was more positive as he announced that he and Sen. Alan Dixon (D-Ill.) were introducing a joint resolution to rescind MFN status. "Sought-after trade concessions should not be given to the butchers of Beijing," he said, adding that he believes Republicans in the Senate who have supported Bush on China would now vote to overturn his decision on MFN status. D'Amato admitted that he had helped to sustain Bush's January veto of the bill introduced by Pelosi to protect Chinese students in the U.S.

Any optimism that Congress will be the vehicle to stop this last Bush travesty is probably misplaced. If both houses of Congress passed "resolutions of disapproval" rejecting the Bush policy, the President could veto their rejection. Overruling that veto would require two-thirds votes in the two chambers. It should be recalled that on the Pelosi bill—a bill in which Congress had absolutely nothing to lose and which had the American people solidly behind it—though the House voted to override Bush's veto, Senate leaders caved in.

# U.S. says help Gorby, not Eastern Europe

by William Jones

A conference in Washington, D.C. on May 23 sponsored by the Bretton Woods Committee brought together some 200 American investors, bankers, and businessmen, to hear spokesmen from the Bush administration and international luminaries of the financial world discuss the situation in Eastern Europe, in view of the revolutionary changes there. Although there was a sense of the immediate need for action, little action of consequence was offered.

The message from Washington was, “no grand designs” for Eastern Europe—i.e., no money. This was the message communicated by Deputy Secretary of State Lawrence Eagleburger. “This is not an era of blueprints and grandiose plans for the future,” he said, calling for flexibility and skillfulness in a continually shifting policy. Commerce Secretary Robert Mossbacher said in his speech that reliance must be placed on the private sector—not on government. However, Mossbacher took the opportunity to plug the administration’s “Help Gorby” line. “The biggest potential for trade lies in the Soviet Union,” he said. “We must investigate new ways of collaboration, including the possibility of giving them Most Favored Nation status.” As one investment banker queried after hearing this, “But do they pay?”

A similar plea for helping Gorbachov was made by East-West financier George Soros, who warned that the situation in the Soviet Union was devolving into Weimar-style chaos. Claiming that Gorbachov was “losing the initiative,” Soros warned that a continued devolution could “lead to a nationalist, socialist solution.” Soros, however, did not feel the time was right for granting the Soviets MFN status.

## The ‘Polish shock’ model

For the newly liberated nations of Eastern Europe, however, the Bretton Woods participants offered only austerity. Czech Finance Minister Vaclav Klaus said that his country would soon face an “oil-shock crisis.” Beginning January 1991, the Czechs will begin paying the Soviets in hard currency for their import of oil and raw materials. Faced with the collapse of their own economy, Moscow will undoubtedly be less prepared to continue their export of oil and raw materials,

except at a very dear price. At the same time, with increased trade potential from the West, Russia’s demand for East European products will continue to dwindle.

Klaus, the strongest proponent in the Czech government of the disastrous Polish model of “shock therapy,” was nevertheless very worried about the effects of these new economic conditions. He stressed the need for Western aid to cushion the blows of the “oil shock.” Although he favored a rapid transition to a market economy, he was clearly conscious that the short-term costs of the transition might be “too heavy” and could lead to a demand for a return to dirigist methods and a recentralization.

This was also underlined in the presentation of Italian Foreign Minister Gianni De Michelis, who lamented the lack of any overall strategy in facing the new problems of Central Europe. “If reforms are successful,” he said, “if social tensions meet with an appropriate response, if the expectations of the citizenry are satisfied, the potential for growth of this area and the benefits to the world and to Europe’s economy will be extraordinary. Failure would mean political and economic disaster, the repercussions of which would be felt first by the European Community and the entire West.”

De Michelis also pleaded for bringing the Soviet Union more and more into the economic picture, so that they “don’t begin to feel isolated.” “The increasingly stronger ties of Central and Eastern Europe to the Europe of the Community,” said De Michelis, undoubtedly to the chagrin of the East European representatives present, “cannot prevail over those that have always existed between the latter and the Soviet Union, so that the three areas now appear more and more interdependent. . . . Should Soviet society and the Soviet economy risk collapse, the threat would extend to these contiguous and partially complementary areas.” Therefore, the Venetian minister concluded, there is no East European aid package without a Soviet aid package.

The bankers’ strategy with regard to Eastern Europe was given its starkest formulation in the presentations of International Monetary Fund (IMF) Director Michel Camdessus and World Bank President Barber Conable. As Conable succinctly put it, “If there is a little bleeding going on in Eastern Europe, that is a sign of life.” Camdessus said that the other countries must implement the Polish “shock treatment” for a “swift and comprehensive reform.” The East European countries must be willing to “draw down on their political reserves” in order to implement the austerity program.

Poland, still under the thumb of the KGB-military apparatus of Gen. Wojciech Jaruzelski, might seem to have “biten the bullet”—at least for the time being—but what type of social conflagration will they be faced with if the democratically elected governments of Hungary and Czechoslovakia implement the IMF austerity? The austerity regime of a “free market” Thatcherite democracy may, as Vaclav Klaus seemed to indicate, lead people to long for the “good old days” of communism.

## FBI's Lanning sides with Satan, says former top bureau official

Former FBI official Ted Gunderson, in an interview to *EIR* editors Jeffrey Steinberg and Carol White, warned about the spreading plague of satanism and satanic-related crime and sharply criticized the bureau for covering up the crisis. A full text of the interview will be published in the July 1990 issue of *EIR's* counterintelligence newsletter *Investigative Leads*.

Prior to his retirement from the FBI on March 30, 1979, Gunderson had spent 28 years with the bureau, ending his career as the senior special agent-in-charge of the Los Angeles Field Division, directing 700 employees and an annual budget of \$22.5 million. Immediately following his retirement, he was appointed by then-Attorney General Griffin Bell to direct the security arrangements for the Pan-American Games in San Juan, Puerto Rico. Returning to Los Angeles, he set up a private firm, International Security Consultants.

Among the first investigations Gunderson undertook with ISC involved a former Green Beret officer, Dr. Jeffrey McDonald, who was accused of murdering his wife and children in Fayetteville, North Carolina in 1970. McDonald contends that his family was murdered by a satanic cult similar to the Manson Family, which had carried out their grisly murders on the West Coast just months before the McDonald murders.

As the result of his work for attorneys representing Dr. McDonald, Gunderson became increasingly aware of the existence of a nationwide satanic underworld engaged in drug trafficking, pornography, ritualistic murders, and other crimes. For the last decade, Gunderson has developed an expertise in the field. More recently he has been involved in investigating alleged ritualistic sexual abuse of students at the McMARTIN Day School in Manhattan Beach, California, and similar allegations of satanic cult-related crimes in Washington State. (In the McMARTIN case, a jury acquitted the two defendants on 52 counts of the indictment in January 1990, but failed to reach a verdict on 13 of the counts; a second trial is expected to take place on those charges.) In 1983, Gunderson, along with investigative journalist Maury Terry, author of *The Ultimate Evil*, helped develop critical evidence in the ritualistic murder of Broadway impresario Roy Radin.

Gunderson has appeared on nationwide television shows,

including the Geraldo Rivera show, probing the satanic crime threat. He has recently written a book-length guide for locating missing persons, titled *How To Locate Anyone Anywhere Without Leaving Home*, which is available from Ted L. Gunderson Associates, P.O. Box 5080, Long Beach, California 90805 for \$10, shipping and handling included.

### The FBI suppressed evidence

In his interview with *EIR*, Gunderson was particularly critical of the role that his former agency has played in recent years in suppressing evidence of a burgeoning nationwide satanic criminal structure. He focused much of his harshest criticism on FBI Special Agent Kenneth Lanning, the current head of the bureau's Behavioral Science unit at the FBI Training Academy in Quantico, Virginia.

Since the discovery of a satanic burial site on a drug plantation near Matamoros, Mexico last spring, Lanning has written a number of articles denying the existence of a satanic problem in the United States, blaming the widespread concern over ritualistic crimes on religious fundamentalists, overzealous investigators, and quacks. Two of Lanning's harshest attacks on the idea of satanic ritualistic crimes appeared in the October 1989 issue of *Police Chief* magazine and in a special report published in December 1989 by the National Center For Missing and Exploited Children. Lanning has written that more people have been killed in the names of Jesus and Mohammed than in the name of Satan.

To which Gunderson responds:

"In my opinion, other than Aleister Crowley, Anton LaVey, and Michael Aquino [all well-known satanists active in the United States this century], Ken Lanning is probably the most effective and foremost speaker for the satanic movement in this country, today or any time in the past."

Based on his own experiences probing the McDonald, McMARTIN, and other cases, Gunderson is certain that a nationwide satanic underground exists in the United States:

"My investigations over a 10-year period have led me to the exact opposite conclusions than those of Ken Lanning. There is every indication that there is a loose-knit satanic cult network operating in the U.S. It is probably a combination

of: a high-level group of people linked to kiddie porn, prostitution, drug trafficking and other criminal activity internationally. This more organized structure filters down to independent groups of satanists probably not tied directly to the first network. These local groups also engage in drug trafficking, ritualistic activities like animal and human sacrifices. And below them, we encounter high school-age kids who go to the occult shops and buy the satanic literature and set up their own local independent groups. From hundreds of interviews that I have personally conducted in every part of the country, I encounter a persistent pattern everywhere. All the stories fit the same mold: animal and baby sacrifices, the use of candles and other ritualistic props, robes, chanting, etc. All of these victim-survivors, from children to adults, are all telling the same basic story.

"In the McMartin case, for example, before any criminal charges were filed against anyone, 460 complaints were filed with the Manhattan Beach police. Are we to believe that 460 families fed their children the same story of ritualistic sexual abuse, animal sacrifices, etc.? This is a suburban, affluent area, middle class and up—not the kind of people inclined toward the belief in satanic conspiracies."

### **How many children are really missing?**

Gunderson attacked Lanning's recent claims that the number of documented cases of missing children in the United States last year was under 100, with the majority of those cases being teenagers fleeing rotten home environments:

"The FBI has an accurate count of the number of automobiles stolen every year. It knows the number of homicides, rapes, and robberies. But the FBI has no idea of the number of children who disappear every year. They simply do not ask for the statistics. Every month every major police department in the United States files its uniform crime statistics with the FBI. It would be simple for the bureau to add one more column to the statistics and get a breakdown of every reported case of missing children. But they don't do it. They have no scientific basis for making any estimates about the number of missing children—not to even mention children who are kidnaped for ritualistic purposes and, in some cases, murdered. I am convinced that the FBI does not ask for these statistics because they do not want to see them. They would be confronted with an instant public outcry for action, because the figures would show a major social problem. That problem would demand action.

"Up until several years ago, there was a built-in prejudice among even local police and prosecutors against investigating ritualistic crimes. I have interviewed parents who went to the police with detailed accounts from their children having been sexually abused. As soon as the investigations began to get into areas of ritualistic activities the probes would be shut down. I don't think that this was due to satanist penetration of law enforcement in every instance. I think that there was a built-in prejudice.

"Fortunately, in the past few years, a number of local police investigators in different parts of the country have seriously taken up the issue of satanic crime. In some cases, these officers have developed their expertise on their own time. Now, however, local police are more conscious of the growing menace represented by satanic related crime, ritualistic violence, etc. But the problem is national. Many of the crimes we are talking about—interstate transporting of pornographic material, kidnaping, interstate drug trafficking, etc.—are federal crimes. A federal clearing house for intelligence on satanic-related crime is urgently needed.

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*"I have evidence chiseled in stone showing that the U.S. Army and the Department of Justice covered up that satanic angle and framed up Dr. McDonald. The McDonald case could have exposed a major heroin-smuggling operation out of Vietnam involving highly placed Army officials running drugs into the U.S. in the body cavities of dead GIs."*

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Rather than creating such a capability to assist the work being done by local police and many private groups, the FBI is consciously attempting to bury the entire issue and drive local police into dropping their own efforts.

"I am convinced that we are confronted with a serious satanic penetration of every level of society, government at every level.

"I was first exposed to this problem of penetration when I investigated the McDonald case. Within 10 months of being hired, I had obtained a signed affidavit from Helene Stokeley, a member of the satanic cult that carried out the murders of the McDonald family. Yet an overzealous prosecutor ignored that evidence and proceeded to prosecute Dr. McDonald. I have evidence chiseled in stone showing that the U.S. Army and the Department of Justice covered up that satanic angle and framed up Dr. McDonald. Why? Among other things the McDonald case could have exposed a major heroin-smuggling operation out of Vietnam involving highly placed Army officials running drugs into the U.S. in the body cavities of dead American GIs—green body bags loaded with heroin. Elements of this story even came out publicly in the Jan. 1, 1973 issue of *Time* magazine. But that was just the tip of the iceberg. When the McDonald case goes into a retrial—as I am confident it will—there will be definite information about the cover-up—the drug angle and the corruption of the prosecution."

## 'Up, up and away' for S&L bailout estimates

In testimony before the Senate Budget Committee on May 23, Treasury Secretary Nicholas F. Brady and Office of Management and Budget Director Richard Darman upped the ante for the estimate of the bailout of the savings and loan industry. Bush administration officials said that the estimate had exploded more than eightfold since January to \$61 billion for this year alone.

But even this figure was characterized as a "guesstimate" by House Budget Committee Chairman Rep. Leon Panetta (D-Calif.). Federal Reserve Chairman Alan Greenspan called the size of the gap "astronomical."

Brady said the government will need to borrow between \$89 billion and \$132 billion to cover the debts from federally insured thrifts, and indicated the higher estimates reflect a weakening economy, particularly commercial real estate.

Treasury officials now estimate that between 722 and 1,030 more S&Ls will fail over the next few years, up from a projection of between 450 and 550 when President Bush signed the thrift industry cleanup bill last August. The Federal Reserve has been monitoring lending statistics to ensure that the credit crunch does not lead to a general economic slowdown. "Our concern," said Greenspan, "is to make certain that what is emerging is contained and to make sure that it does not have a negative impact."

New Office of Thrift Supervision head Timothy Ryan said that he now expects about 300 S&Ls to fail in the next two years, bringing the total of government takeovers to 722. By the end of the decade, Ryan said, total failures may exceed 1,000, or more than one-third of the industry.

## Senators term Baker arms sellout 'the worst'

Secretary of State James A. Baker III came under attack for the arms control concessions he had made in discussions with Soviet Foreign Minister Eduard Shevardnadze preparatory to the Bush-Gorbachov summit.

Senate Armed Services Committee member Sen. Malcolm Wallop (R-Wyo.) labeled the concessions "the worst piece of negotiating I've seen in a while." "He [Baker] leaves undone all of the objectives we started out with. It puts START above CFE [Conventional Forces in Europe], which the President and Mr. Baker always said they wouldn't do." Wallop and eight other Republicans signed a letter to President Bush which sharply questioned the new proposed agreements with Moscow.

But not only conservative Republicans are worried by the concessions. "My observation was, I am not overwhelmed by a deal whereby we're giving up our best stuff, air-launched and sea-launched cruise missiles, where we're just overwhelmingly better in a technological sense," said Sen. Alan Dixon (D-Ill.), a Democratic member of the Armed Services Committee. "I'm unimpressed so far. Maybe it's better than it looks at first blush. But maybe anybody could make this deal."

Baker lamely answered his critics at a May 23 White House press conference where he claimed the concessions he made were necessary for completing a treaty "in the national security interest." Baker attempted to discredit his critics by saying that most of the criticism was coming "from those who in the past from time to time have simply rejected the concept of arms control generally."

The Soviets "needed START

more than we did," said Wallop, "and then we gave them everything they wanted. It seems as though the secretary has determined there is no U.S. national interest above the Soviet interest of keeping Gorbachov in power."

## Tougher espionage laws proposed in Senate

A panel of former government and intelligence officials presented 13 proposals to Congress on May 23 for new laws that would make it easier to "deter, detect, and prosecute" espionage cases through stiffer top-secret clearance checks, polygraph tests, and new penalties for "espionage-related activities."

One proposal would expand the powers of the FBI in cases related to national security. Another would amend privacy laws to permit FBI access to unlisted telephone numbers of suspected foreign agents. A third would amend surveillance laws to allow physical searches in national security cases. It would also amend consumer law to permit the FBI to obtain consumer reports on people suspected of being foreign agents.

The panel proposed to make it a crime to possess spy equipment with intent to commit espionage. Senate Intelligence Committee Chairman Sen. David Boren (D-Okla.) said that Congress would vigorously pursue the proposals of the panel this year. Espionage cases "continue to surface with disturbing frequency," he said.

The panel included former CIA director Richard Helms, former White House counsels Lloyd Cutler and A.B. Culvahouse, former Deputy Secretary of State Warren Christopher, and former OAS ambassador

Sol Linowitz. Sen. William Cohen (R-Me.), vice chairman of the panel, said during hearings that he was concerned that the U.S. intelligence community would "Stalinize" spy-catching efforts.

## **Bush civil rights stand angers black leaders**

At a Rose Garden press conference on May 17, President Bush indicated that he would not sign the recently crafted 1990 Civil Rights Act in its present form, calling it a "quota bill." Bush said he would "leave no stone unturned" in trying to advance the nation's civil rights agenda, but pointed to three areas which he could not accept.

The White House said it was concerned with the burden of proof issue in certain discrimination cases. The new bill would reaffirm the principle, reversed by a 1989 Supreme Court decision, that plaintiffs in a discrimination case do not have to prove discriminatory intent on the part of an employer, but only have to present statistics that show racial or gender imbalance in the company's workforce. The administration also objected to imposing monetary damages for victims of intentional discrimination. The bill also would limit "reverse discrimination" suits that challenge the validity of court-ordered affirmative action plans.

Negotiators are presently working to find language acceptable to the President, but it is doubtful whether agreement can be reached.

Black leaders are disconcerted by the President's refusal to sign the bill in its present form. Ralph Neas, executive director of the Leadership Conference on Civil Rights, said, "There

continues to be a considerable gap between the President's soothing rhetoric and the hard-line positions of his top aides. Indeed, the Attorney General's statement reaffirming his opposition to the core elements of the bill is certainly inconsistent with the President's statement earlier this week that there are only minimal differences left. The administration cannot have it both ways on civil rights."

## **Senate readies stricter death penalty code**

The Senate voted on May 24 to forbid federal courts from imposing capital punishment on the mentally retarded. This was perhaps the only positive aspect of an omnibus anti-crime bill which will increase the use and the swiftness of the death penalty. Following complaints by Supreme Court Chief Justice William Rehnquist that the appeal process for death row inmates was much too long and drawn out, the bill would impose new restrictions on appeals by death row inmates.

The bill has been swamped by a flood of 271 proposed amendments, some prompted by opposition to a partial ban on assault weapons that was approved on May 23. The bill lowers the minimum age at which a defendant can be sentenced to death from 18 to 17, and would reinstate the federal death penalty for 30 offenses, primarily involving murder, espionage, and treason.

When passed by the Senate Judiciary Committee, the bill contained a provision which banned imposition of the death penalty in state and federal courts if statistical evidence showed that the race of the victim or defendant was a factor in sentencing. This proviso was, however, taken out of the bill

on the floor by a 58-38 vote. Critics claimed that such a requirement would effectively nullify all capital punishment laws.

In order to keep the bill from drowning in amendments, Senate leaders have scheduled a vote on cloture for June 5 to weed out extraneous proposals, which may not receive the necessary 60 votes. Without cloture, the bill will probably not survive, Judiciary Committee Chairman Sen. Joseph Biden (D-Del.) said.

## **EPA home inspection bill goes to Senate**

Senate Majority Leader George Mitchell (D-Me.) has introduced legislation which would force homeowners to obtain an "air quality test" from the Environmental Protection Agency before selling their homes. The Indoor Air Quality Act is expected to cost billions of dollars a year; homeowners would have to spend thousands of dollars in order to "mitigate" any "problems" before they sell. The bill was marked up on April 24 by the Senate Environment and Public Works Committee.

The alleged dangers are a hoax. The EPA considers the risk of indoor air pollution to be 1,240 cancer deaths per year. The Food and Drug Administration, on the other hand, estimates the risk to be about 124, and that mainly from cigarette smoke. The real health problem found in buildings arises from federal regulations which require "energy efficient" buildings which recirculate the air, creating the conditions for fungal and bacterial diseases to grow in the air conditioning system.

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# National News

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## ADL allowed to censor GOP candidates

The Anti-Defamation League (ADL) of B'nai B'rith has a direct say in the selection of Republican Party candidates following a series of meetings last year between top ADL officials and Republican National Committee chairman Lee Atwater.

The arrangement was first reported in *Washington Jewish Week* of Sept. 7, 1989. The ADL "has reached a tentative agreement with the Republican Party to evaluate party candidates and appointees for neo-Nazi or racist associations. . . . If it goes through as expected, the Jewish organization will check prospective GOP candidates for political office and campaign and party positions for extremist backgrounds," the magazine said.

The tax-exempt ADL got the deal after its dope lobbyist stringers Chip Berlet and Russ Bellant wrote a libelous attack upon GOP ethnic Eastern Europeans charging many with having been Nazis. ADL national director Abraham Foxman, whom many (including some ADL officials) suspect of being a Soviet "sleeper," said anyone who objected to their censorship "has a sickness in his mind."

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## Court lets right to life convictions stand

The U.S. Supreme Court decided May 21 not to review a lower court ruling which fined Operation Rescue, the right to life organization, in a case stemming from anti-abortion demonstrations in New York.

The anti-abortion group had been ordered to pay the National Organization for Women \$50,000, and the New York City Police Department \$19,000 for police overtime.

Operation Rescue leader Randall Terry said the decision not to review the case was "terribly disappointing," and again demonstrated that the Supreme Court was a "great defender" of the abortion industry. Terry said that all the issues dealing with funda-

mental justice in the case "have been ignored."

Terry noted that "no other protest group in the past 20 years" has had such enormous fines levied against it. The fines were levied "with the intent to bankrupt us and close us down," he charged.

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## Thornburgh Doctrine to be tested in abduction

U.S. Federal Judge Edward Rafeedie has ordered prosecutors to disclose at an upcoming hearing who approved the kidnaping of Mexican Dr. Humberto Alvarez Machain in the murder case of U.S. Drug Enforcement Administration agent Enrique Camarena. "I'd like to know the highest level of authority who authorized this," Judge Rafeedie said.

The hearing was requested by the defense, which argued that the charges against the doctor should be dismissed because of "outrageous[U.S.] government conduct," a reference to the so-called Thornburgh Doctrine.

The *Los Angeles Times* reported May 23 that Mexican Attorney General Enrique Alvarez del Castillo issued a written statement categorically denying that he approved an "under the table" agreement to hand over Alvarez Machain to American officials.

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## Montana residents decry Earth First! terrorists

Montana residents have been turning out at meeting by the hundreds demanding that Earth First! terrorists be denied permission to hold meetings on public lands.

Protests have erupted across the Western states after the Forest Service granted permission for the eco-terrorists to meet at the Beaverhead National Forest in southwest Montana to "strategize." Over 500 eco-terrorists are expected to gather there from July 7-16 for intensive training on how to conduct acts of sabotage and terrorism. The Forest Service argues everyone has a right to use the national forests.

On May 16, Perry Pendley, head of the Mountain States Legal Foundation which is fighting the eco-terrorists, denounced the Forest Service decision saying, "We believe that an environmental terrorist organization that says no other user of the public lands has a right to use public lands and that its members can use sabotage and terrorism to prevent those uses has forfeited its right to meet on public land.

"We believe that an organization which instructs its adherents on how to 'spike' trees, sabotage heavy equipment and aircraft, and make and use caltrops [road spikes] and land mines has no business meeting on public lands to 'strategize' on how to commit such acts more effectively and without getting caught."

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## U.S. agrees to pay Noriega's legal fees

The U.S. government has agreed to pay upwards of \$3 million in legal fees to Panamanian Gen. Manuel Noriega's team of lawyers to avoid revealing all U.S. payments to Noriega by various U.S. intelligence agencies over the last 20 years. In exchange, the defense has agreed not to press for a full accounting of U.S. payments.

The defense had requested permission to withdraw from the case because Noriega had become unable to pay them when all of his bank accounts were frozen on Jan. 1, 1990 by the U.S. It put in a request for a complete disclosure of all U.S. payments to Noriega in order to show that \$11 million of his frozen assets were direct payments from the U.S. and hence not the proceeds of drug trafficking.

Noriega's lawyer Frank Rubino said his defense strategy would concentrate on the political implications of American government actions in Panama, including the December 1989 invasion of Panama by U.S. troops, rather than the narrower legal issues of the U.S. case charging Noriega with being a drug dealer.

Noriega is reportedly being threatened to shut up and plead guilty or face assassination by "inmates [who] are there only because of information he gave to the United



● **MINNEAPOLIS** media are reporting that "hundreds of ethnic protesters" are expected to make a "show of force" when Gorbachov arrives in early June. The Baltic Action Council estimated that busloads would come from Milwaukee, St. Louis, Des Moines, and Chicago, to join as many as 10,000 Soviet emigrés from Minneapolis.

● **GEORGE BUSH** can handpick GOP primary candidates, the *Washington Post* reported May 22. "Whatever George Bush wants . . . the White House and the Republican National Committee will try to get." White House chief of staff John Sununu denied the charge.

● **OVER 3,500 LOGGERS**, mill workers, their families, and supporters rallied in Kelso, Washington on May 19 to demonstrate against the lockup of millions more acres of forest to protect the spotted owl.

● **EARTH FIRST!** terrorist founder Dave Foreman, when asked about the mass famine in Ethiopia during 1988, told the Australian magazine *Simply Living*, "The best thing would be just to let the people there starve." Foreman was arrested in the U.S. in 1989 on charges of conspiracy to destroy electrical transmission lines.

● **BROADCASTING** executives held an emergency meeting in early May to attempt to explain a dramatic 4% drop in television viewership since the beginning of the year. At the same time, the American Society of Newspaper Editors annual convention was reportedly dominated by self-questioning of what is causing declining newspaper readership.

● **ROBERT DOLE**, the Senate Minority Leader, during a huddle of GOP leaders after the first session of the budget summit, on at least three occasions recalled Bush's dirty tactics in the 1988 New Hampshire campaign, columnists Evans and Novak reported May 19. Bush beat Dole by making the no-new-taxes pledge.

States about drug smugglers," according to a report in the May 20 London *Sunday Times*. The paper reported Noriega has received a threat from Carlos Lehder, a leader of the Medellin Cartel. "The sorrow of the men of your race whom you turned over to the agents of the DEA destined for prisons in the U.S.A., awaits you," Lehder wrote.

## Neil Bush implicated in improper loans

Neil Bush, President Bush's son, approved loans worth \$106 million to a business partner while he was a director of Silverado Banking, Savings and Loan Association, and failed to disclose their relationship, Office of Thrift Supervision attorney Brian McCormally told a House Banking Committee hearing on May 22.

The committee heard accounts of how a \$1 billion pool of bad loans were used to cover up Silverado's losses in Colorado real estate. "This is going to be a sordid tale of deceit," Rep. Norman Shumway (R-Calif.) said at the start of the proceedings.

Neil Bush served on the board of directors of the failed Silverado Savings and Loan of Denver when it came up with a so-called "quid pro quo" loan scheme where in 16 cases Silverado executives allegedly loaned real estate developers millions of dollars more than they had asked for on condition they use some of it to buy Silverado stock and to buy repossessed real estate the thrift needed to sell. The 16 transactions resulted in losses of \$278.5 million that had to be made up by the federal government.

## DoJ seeks right to pre-trial asset seizure

The U.S. Department of Justice is seeking new legislation "that would vastly expand federal prosecutors' ability to freeze the assets of defendants in fraud cases before trial and permanently seize the assets after conviction," the *Wall Street Journal* reported May 16.

The *Journal* characterized the bill as one which "would extend forfeiture provisions to cover assets that are the 'gross receipts' of fraud involving use of the U.S. mail, credit cards, and computers, as well as military procurement fraud and fraud against federal programs such as Medicare. . . . The proposed bill would allow prosecutors to attempt to seize assets either during a criminal trial or in a separate civil proceeding."

Civil proceedings are being emphasized because the standard of proof is lower, and the procedure is quicker, according to Barry Stern of the Justice Department, who helped draft the proposal. The *Journal* noted that "Some defense lawyers, civil libertarians and criminal targets have criticized the government's expanding efforts to seize assets as excessively punitive and possibly unconstitutional. These criticisms have arisen, for example, in securities manipulation cases prosecuted under existing racketeering statutes."

## UAW forces older workers to retire early

The corporatist-fascist policies of the United Auto Workers leadership has led them to seek the forced early retirement of older workers, according to an article in the May 21 *Wall Street Journal*.

The UAW wants older workers to retire, even if they don't receive as much pension benefits as they want, to improve the "job security" of younger workers. General Motors, Ford, and Chrysler maintain that they cannot afford to increase pension benefits—and the UAW leadership is siding with the companies. Gary Watson, chairman of the UAW's GM bargaining council, told the *Journal*, "I'm not opposed to increasing pensions, but I am opposed to bankrupting the company that you've got to work for."

GM recently revealed it plans to double the pensions of the auto makers' 3,350 top executives.

The average age of a UAW member is 45 years. About 12% are over 55 years of age. Some 20% of UAW workers at GM have 25 years of service. The *Journal* reported that a split in UAW ranks is deepening over the issue.

# *LaRouche: Man of the Century*

On May 23, Lyndon H. LaRouche, Jr. testified at the Richard Welsh selective and vindictive prosecution hearing in Roanoke, Virginia. The purpose of his testimony was encapsulated in an interchange which occurred between him and prosecutor John Russell. LaRouche had been explaining the nature of Anti-Defamation League's operations against him with great detail.

While the high point of LaRouche's testimony was no doubt the moment when he directly indicted prosecutor John Russell for his role as a member of the illegal "Get LaRouche" strike force, the six-hour testimony as a whole is a stunning documentation of LaRouche's life's work. In the context of the present level of moral degeneracy which threatens the future existence of our Western civilization, LaRouche is a towering figure. When we look at the scope of his work over the span of his life so far, he is best compared to America's Benjamin Franklin.

LaRouche's comparison of the National Caucus of Labor Committees (NCLC) to Franklin's American Philosophical Association, was well taken: Both Franklin and LaRouche combine active political life with profound scientific contributions. However, on the most profound level of philosophy, LaRouche can be best compared with a man revered by both him and Franklin, the 18th-century universal thinker Gottfried Leibniz. The scope of LaRouche's own philosophical, economic, and scientific contributions to our culture over the past two decades, shows that he is indeed the Leibniz of the 20th century.

LaRouche has reintroduced the science of physical economy as it was first established by Leibniz, as the only basis for competent policy decisions on any aspect of finance or political economy. Most recently, he has applied this method to pointing to the crucial significance of German reunification for its potential, through major infrastructure development, of providing a basis for global economic recovery from what otherwise is a spreading global economic collapse. The key to this Leibnizian economics is investment in increasing the creative-productive capabilities of men and women by

accelerated investment in capital-intense technologies and infrastructure. In our time, the development of nuclear energy, fusion power, and their application in creating, among other things, an infrastructure for space travel and colonization, are crucial elements in a global development package.

Perhaps LaRouche is most revered today in the developing sector, for his vigorous opposition to the resurgence of neo-colonialism. In opposition to the malthusian argument that the world is overpopulated, and hence that the populations of Africa, Ibero-America, and Asia should be sharply reduced by any and all means, LaRouche has fought for the introduction into these regions of investment programs which would raise the standard of living of their present and future citizens. LaRouche has argued that the world needs more, not fewer people—particularly if we are to accomplish the task before our generation of mankind: the move into space.

LaRouche, like Leibniz and Franklin before him, has been in the center of world politics. A little known incident, which he described in his testimony, is typical of the role which he has consistently played. In 1975, LaRouche traveled to Baghdad, Iraq, where he met the leadership of the Iraqi government, with a proposal for Middle East peace through economic development, which the Iraqi Ba'ath Party national command said that they believed could work, and in which they could cooperate with the Israelis. They were not, however, prepared to launch such an initiative, unless the Israelis sent a positive signal, in which case they would be interested. After Iraq, LaRouche went to Bonn, West Germany, where in April he held a press conference, announcing his proposal for an International Development Bank.

LaRouche set into motion immediate contacts to Israeli and Arab diplomats for large-scale Middle East development projects through common interest, meeting with Palestinians, former Israeli Foreign Minister Abba Eban, and other influential Israelis. This was paradigmatic of later interventions by LaRouche on behalf of Ibero-American development.

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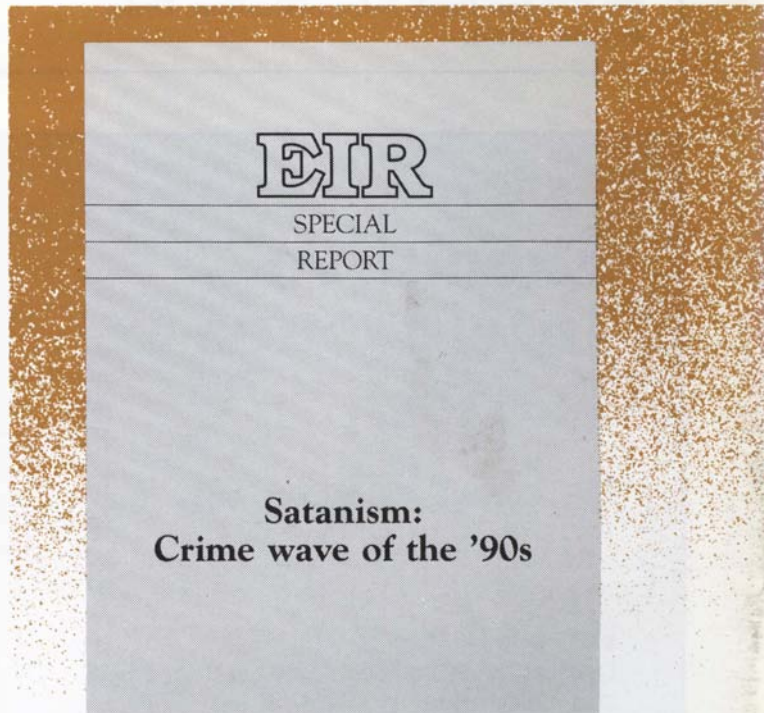
## Crime Wave of the '90s

### *Who is right?*

New York Archbishop Cardinal John O'Connor has denounced heavy metal rock as "a help to the devil" and said that "diabolically instigated violence is on the rise." (March 4, 1990)

But the Federal Bureau of Investigation's expert, Kenneth Lanning, claims: "Far more crime and child abuse has been committed in the name of God, Jesus and Mohammed than has ever been committed in the name of Satan." (June 1989)

Read the definitive study by *EIR's* investigative team, including: The Matamoros murders; Manson; the Atlanta child murders; the satanic roots of 'rock.' Plus, "The theory of the satanic personality," by Lyndon H. LaRouche, Jr. Learn the extent of the satanist epidemic, who its high-level protectors are—and why some officials want to cover it up. 154 pages.



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