

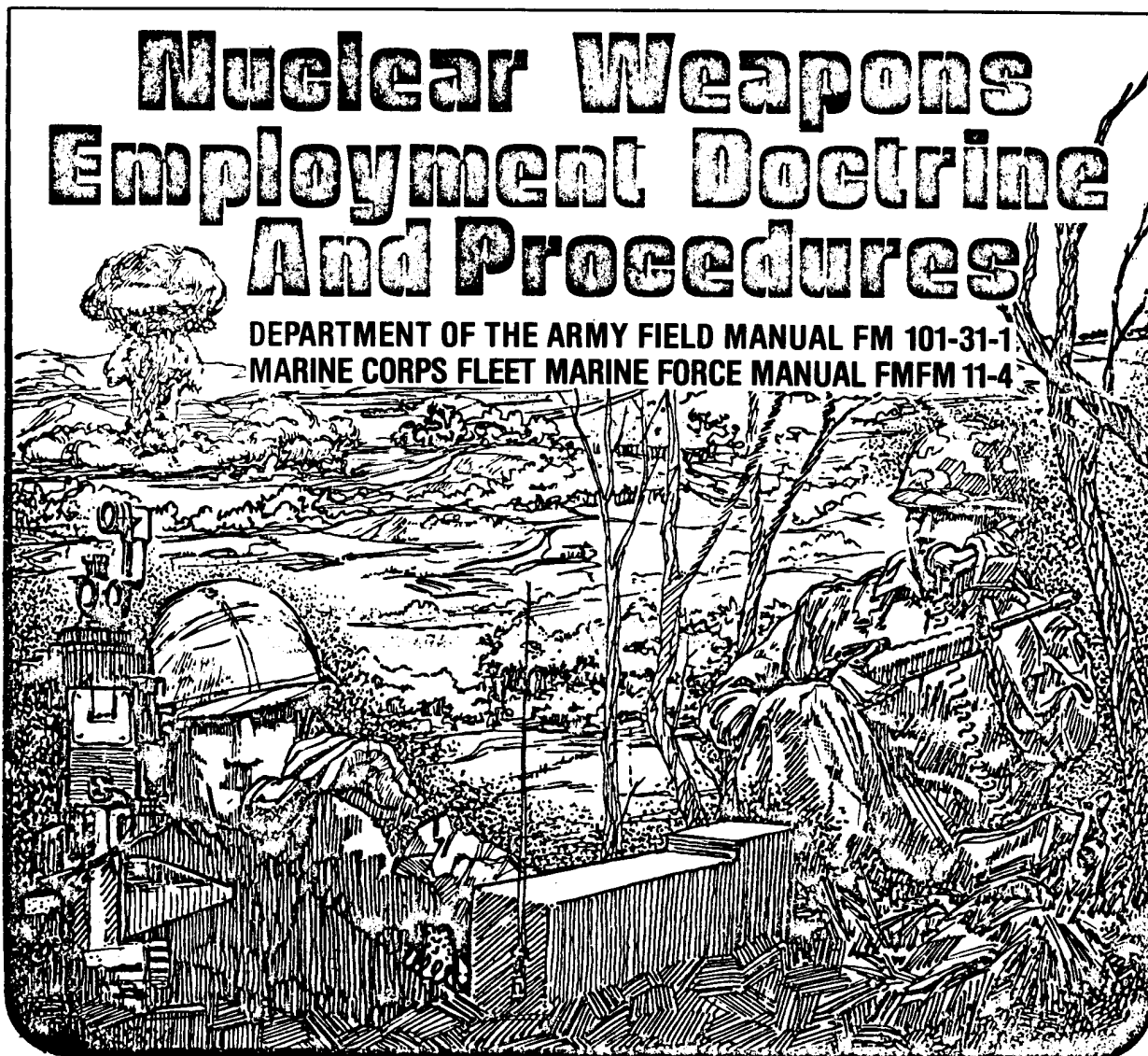
Special  
Supplement:  
World Bank and I.M.F. in Nicaragua,  
El Salvador, Korea and India

# COUNTERSpy

Volume 7 Number 1 \$2

Sept.-Nov. 1982

**WE CAN USE NUCLEAR WEAPONS & WIN...  
U.S. ARMY MANUALS SAY**



## Nuclear Weapons Employment Doctrine And Procedures

DEPARTMENT OF THE ARMY FIELD MANUAL FM 101-31-1  
MARINE CORPS FLEET MARINE FORCE MANUAL FMFM 11-4

**Also in This Issue:** U.S. Government Irradiated Humans for Nuclear War Data; Reagan Prepares for War in Outer Space; U.S. Responsibility for Famine in Chad; Is the C.I.A. Subverting Elections in Canada?; Mauritius Challenges Reagan Over Diego Garcia; Strategic Hamlets Revived in the Philippines; British Disinformation and the Malvinas War.

**CounterSpy Statement of Purpose:** The United States emerged from World War II as the world's dominant political and economic power. To conserve and enhance this power, the U.S. government created a variety of institutions to secure dominance over "free world" nations which supply U.S. corporations with cheap labor, raw materials, and markets. A number of these institutions, some initiated jointly with allied Western European governments, have systematically violated the fundamental rights and freedoms of people in this country and the world over. Prominent among these creations was the Central Intelligence Agency (CIA), born in 1947.

Since 1973, CounterSpy magazine has exposed and analyzed such intervention in all its facets: covert CIA operations, U.S. interference in foreign labor movements, U.S. aid in creating foreign intelligence agencies, multinational corporations-intelligence agency link-ups, and World Bank assistance for counterinsurgency, to name but a few. Our view is that while CIA operations have been one of the most infamous forms of intervention, the CIA is but one strand in a complex web of interference and control.

Our motivation for publishing CounterSpy has been two-fold:

- People in the U.S. have the right and need to know the scope and nature of their government's abrogation of U.S. and other citizens' rights and liberties in order to defend themselves and most effectively change the institutions.

- People in other countries, often denied access to information, can better protect their own rights and bring about necessary change when equipped with such information.

**We dedicate this issue of CounterSpy to the Palestinian and Lebanese victims of the Israeli invasion of Lebanon and to the just victory of the Palestinian liberation movement.**

Lebanon 1982  
civil debate dissipates  
before Israeli reality  
of lethal silence  
with an odor  
of Arab stench  
and U.S. complicity  
of having forgotten  
how to write poetry  
in Israel.  
The revenge of ashes  
widespread in Nazi  
Germany.

by John Kelly

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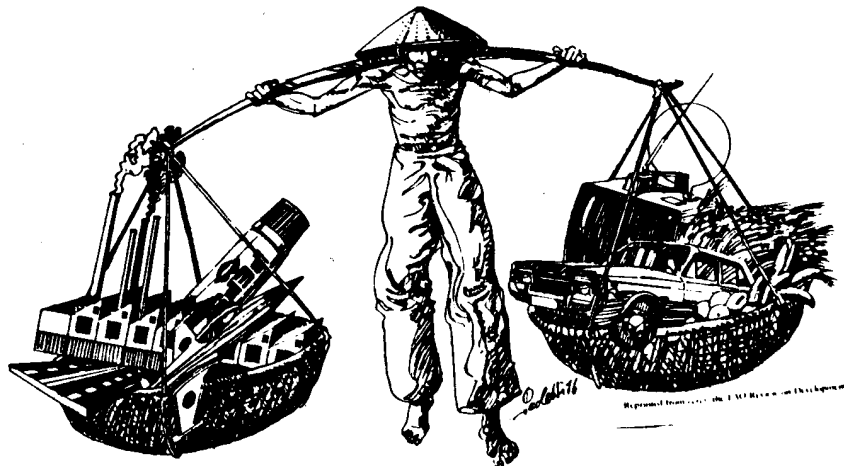
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# News NOT in the News

## The CIA's Press Corps

It is not really news, but the CIA admitted in a June 1982 statement to settle a Freedom of Information Act lawsuit that the CIA has been using journalists as agents to not only gather information but also to suppress unfavorable news stories and promote CIA-inspired or produced stories to generate public support for U.S. policy. The CIA statement admitted that "some, perhaps a plurality" of journalist-agents were "simply sources of foreign intelligence; others provided cover or served as a funding mechanism." A number of journalists also "provided nonattributable material for use by the CIA; collaborated in, or worked on CIA-produced materials or were used for placement of CIA-prepared material in the foreign media; others assisted in nonmedia activities by spotting, assessing, or recruiting potential sources or by handling other agents, and still others provided access to individuals of intelligence interest or by generating local support for U.S. policies and activities." Finally, says the CIA statement, to some of the "journalists" the CIA "simply provided

informational assistance or requested assistance in suppressing a media item such as a news story."

The CIA statement fails to address how the CIA news manipulation affected the U.S. press. By law, the CIA is forbidden to engage in operations affecting the U.S. Fallout from CIA-created or suppressed stories is, of course, inevitable and has been acknowledged by many CIA officials. In addition, two recent examples, the publication of the "El Salvador White Paper" (see CounterSpy, vol. 5, no. 3) and some reports by Washington Post reporter Christopher Dickey suggest direct intervention by the CIA in the U.S. media. The Columbia Journalism Review (May-June 1981) stated that "Dickey, it seems, has been used by intelligence agencies to spread the evidence of Nicaraguan intervention and thus bolster the case for renewing military aid to the [Salvadoran] junta."

## Is the CIA Intervening in Canada's Elections?

Canada's Prime Minister Pierre Trudeau and Solicitor General Robert Kaplan don't seem to be interested in adequately investigating charges that the CIA has manipulated elections in Canada by funneling money to certain candidates. When Svend Robinson, a New Democratic Party member of Parliament raised questions about "funding by the CIA of specific election campaigns and candidates in the provinces of Quebec, British Columbia, Alberta, Manitoba and Saskatchewan during the years 1970 to 1976," he was told by a government spokesperson that "sensational allegations are easy to make, and it would be very unwise to take seriously all allegations just because they are sensational."

Robinson's questions, presented in



Parliament in May 1982, were triggered by John Meier, a former executive aide to the late millionaire and CIA collaborator Howard Hughes. Robinson described Meier as "very knowledgeable" about CIA operations "both inside and outside Canada." Meier presently lives in British Columbia, and is fighting extradition to the U.S. on a murder charge. He claims that he is being framed and that his life is threatened.

Meier made his allegations about CIA funding of political parties in Canada some six years ago. According to Robinson, Prime Minister Trudeau at the time ordered a secret investigation. A spokesperson for Trudeau says that this and other investigations indicate that Meier's allegations "do not merit credence." Solicitor General Kaplan even claims that all CIA operations in Canada are carried out with the consent of the Canadian government.

Robinson is not satisfied with such assurances. He stated in a speech in Parliament that during the years in question — 1970 to 1976 — "the CIA was active, not only in Chile in attempting to overthrow the Allende government, ultimately successfully in 1973, but as well in Greece and Central America." In addition, Robinson said, in 1975 the CIA attempted to destabilize the Labor Party government in Australia, "a fellow member of the Commonwealth." Robinson urged that "in view of the seriousness of [Meier's] allegations and the obvious threat these allegations, if substantiated, would pose to the sovereignty of Canada" a Parliamentary committee be given the task "to examine all aspects of CIA involvement in Canada."

## CIA, BND and the Nazis

Dr. Hans Langemann has been talking...about CIA efforts to cover up the Nazi past of a former West German chancellor, about the recruitment of Vatican officials by West German intelligence, about West German intelligence gathering during the U.S. war in Vietnam, and about a lot of illegal operations by West Germany's Bundesnachrichtendienst (BND, that country's CIA). Langemann worked for the BND for 13 years in high-ranking positions, and later was in charge of the security section of the Interior Ministry of Bavaria.

Documents and tapes Langemann had

prepared — he was working on a book — were obtained by the West German monthly konkret. Konkret reprinted many of the documents, and published articles based on the Langemann materials. Langemann was subsequently suspended from his post and then arrested.

One of Langemann's documents is a 1968 letter from then-BND head Reinhard Gehlen to CIA director Richard Helms: "Dear Mr. Helms: I am sending Dr. Langemann to you on a very urgent matter and at the special request of the [West German] chancellor [Kurt Georg Kiesinger]. Langemann is authorized to brief you orally about an issue that has stirred grave concern at the chancellor's office. I would be very grateful if you could advise Dr. Langemann in this matter, and, if possible, assist him...." Langemann met Helms on February 2, 1968. The "urgent matter" was this: a journalist had discovered documents in the National Archives in Washington, D.C. about Kiesinger's activities in the German propaganda ministry during Nazi rule. Kiesinger, through the BND and the CIA, wanted these documents removed from the Archives, along with copies of the Guides to Films of Captured Documents, an index to Nazi documents obtained by the allies after World War II. The BND believed that without the Guides it would be virtually impossible for researchers to find references to Kiesinger in the vast amount of archive material.

A month later, on March 11, 1968, the BND officer in charge of the U.S. cabled back to Gehlen: "Mr. Hart brought me the guides he had promised on March 8. There were 58 of them.... I propose that a special letter of thanks be written to Mr. Hart. He has done a lot for us and hasn't hesitated to exert himself physically (carrying the books)."

Mr. Hart was the CIA officer in charge of Nazi affairs. He had been ordered by Helms to assist the BND in its attempt to eliminate references to Kiesinger from the National Archives. However, it appears that Hart knew that couldn't be done. There are many microfilm copies of the Kiesinger documents in a number of libraries and archives. The ones in the National Archives are still there. Furthermore, the Guides Hart "exerted himself physically" to deliver did not even include the Kiesinger documents. In fact, there are a total of 1,000 copies of the by now more than 70 volumes of the Guides spread out in libraries throughout the world. To put it simply, the CIA was fooling the BND.

(The CIA, of course, was not opposed to destroying material about Kiesinger's Nazi past for moral reasons. Recent revelations by CBS-

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TV and the Washington Post (7/9/82) show that the CIA smuggled dozens of Eastern European Nazi collaborators into the United States to work for Radio Free Europe, Radio Liberty and the Voice of America, as well as the Pentagon. Some of the Nazis brought in were responsible for the killing of thousands of Jews and had been leading Eastern European fascist organizations which collaborated with the Nazis.)

The Langemann documents and tapes also claim that the BND had numerous agents at the Vatican, including one Catholic Bishop. These highly paid agents kept the BND up-to-date about the Vatican's internal affairs and gathered information from Catholic church officials around the world, and from Italian intelligence. One Vatican official who had provided information about Italy's Communist Party and its contacts with the West German Social Democrats was dismissed shortly after the Social Democratic Party came into office. The official was told his services were no longer needed, and given DM20,000 compensation.

In Vietnam, according to the Langemann documents, the BND had several high-ranking government and intelligence officials on its payroll. The Vietnamese agents kept the BND informed about political events and about U.S. activities in the Vietnam war: "There are considerable oil resources in the Gulf of Thailand. The French government knew about them back in 1950, but it never publicized the information, because the large oil companies, for obvious reasons, wanted to avoid making the fight for drilling rights an issue in global politics." The cable further stated two Thai Ministers "were convinced that the American Southeast Asia strategy had to be seen in context with U.S. efforts to obtain exclusive drilling rights in the Gulf of Thailand."

After the second konkret issue with the Langemann material appeared, a court order was issued to bar the magazine from publishing further articles based on information from Langemann. A special parliamentary committee is supposed to be investigating the case. Meanwhile, konkret has hinted that the unpublished Langemann material is explosive;

containing the names of numerous BND agents, and information about the BND's network of journalist agents.

## Missile Testing or Elections?

The Reagan administration had decided that the people of the Marshall Islands — a United Nations Trust Territory in the Pacific administered by the U.S. — aren't ready to vote. Or more likely, the administration is realizing that a scheduled August 17 plebiscite would have produced "unacceptable" results.

On August 17, the islanders were scheduled to choose between a "compact of association" with the U.S. or independence. For the Reagan administration, this is primarily a military issue. Part of the Marshall Islands, the atoll of Kwajalein, is being used by the Pentagon for the testing of intercontinental ballistic missiles launched from Vandenberg Air Force Base in California. Under the "Compact of Association" advocated by the U.S., the U.S. would keep Kwajalein as a military facility for 50 years. If the islanders vote for independence, the future of the atoll as a U.S. base is very much in doubt.

The islanders have many reasons to vote against the compact. When the U.S. took over Kwajalein after World War II and developed it into a testing facility, its residents were forcibly moved to Ebeye Island, four miles to the north. Ebeye Island is miniscule. Today, some 8,000 people live under abysmal conditions on its 65 acres, forbidden to go to Kwajalein, except for their jobs on the U.S. base. Ebeye has no drinking water — it has to be brought from Kwajalein — no sewage drains, hardly any trees and no grass, and only one elementary school. Ebeye is often referred

*Continued on page 16*

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# Military Issues

**U.S. Army Manuals Say:**

## **We Can Win a Nuclear War**

by Konrad Ege and Arjun Makhijani

Three Field Manuals currently used by the U.S. Army confirm that U.S. military policies are still based on the mentality that prompted the Truman administration to drop atomic bombs on Hiroshima and Nagasaki. The manuals are FM 100-5, published in 1976 and self-described as "the capstone of the Army's system of field manuals;" FM 6-20, Fire Support in Combined Arms Operations, 1977; and FM 101-31-1, a Staff Officers Field Manual, Nuclear Weapons Employment Doctrine and Procedures, 1977. (This manual is also being used by the Marine Corps.) Three assumptions about the use of nuclear weapons form the basic framework of the manuals:

- The use of nuclear weapons will "positively and dramatically alter the course of battle" and achieve victory.

- Nuclear war can be limited.

- Nuclear retaliation by opposing forces is highly unlikely. The Pentagon also maintains the option to use nuclear weapons first, and will not hesitate to use them against non-nuclear powers.

According to U.S. Army policy, conventional and nuclear war are fully integrated. Under the headline "From Conventional War to Nuclear War to Conventional-Nuclear War," FM 100-5 explains that:

At the close of World War II, the U.S. became the first nation to develop and employ nuclear weapons. Following the war and into the '50s, many persons thought that all future wars would be strategic nuclear conflicts. As more nations became nuclear capable and a viable second strike option became a reality, the advantage to be accrued from the use of strategic nuclear weapons diminished. Recognizing the transition and to meet the needs of lower levels of conflict and flexible response, the U.S. began to focus on the development of battlefield nuclear

(Konrad Ege is co-editor of CounterSpy magazine and a freelance journalist. Arjun Makhijani is a consultant on energy and economic matters.)

FM 100-5

THIS MANUAL sets forth the basic concepts of US Army doctrine. These concepts form the foundation for what is taught in our service schools, and the guide for training and combat developments throughout the Army. Most important, this manual presents principles for accomplishing the Army's primary mission - *winning the land battle.*

*The current US arsenal of nuclear weapons includes numerous medium to very low yield weapons delivered by short and mid-range systems. To provide for maximum utility on the battlefield, while at the same time minimizing risk to friendly forces, civilian personnel and structures, the development trend of battlefield nuclear weapons is toward tailored effect weapons.*

### CHAPTER 10 TACTICAL NUCLEAR OPERATIONS

#### THE NUCLEAR BATTLE

The use or threatened use of nuclear weapons will significantly influence every phase of the battle, to include purely conventional operations. Planning and preparation for their use or counteruse must be continuous. The use of nuclear weapons begins a new phase in operations - a combined conventional-nuclear phase of uncertain length during which a clear distinction between offensive or defensive use of nuclear weapons could be difficult. With nuclear strikes, *either side could deliver instantaneously crippling combat power.* Depending on the deception, surprise, target acquisition, and boldness of the user, such weapons could change the course of battle very quickly....

Release, or the authority to use nuclear weapons, will be conveyed from the Nation-

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al Command Authority (NCA) through the operational chain of command. In order to dampen the escalatory effects of using nuclear weapons, release will normally be approved to employ preplanned packages of weapons to be fired within a specified time-frame, and within specified geographical areas according to the constraints established by the releasing authority. Unwanted destruction can be minimized by careful selection of targets, weapons yields aim points, and delivery systems. Retaliatory attacks by the enemy are also of primary concern. The danger of such attacks can be reduced by a proper disposition of forces and a strong counterretaliatory capability.

The precise circumstances that may require the use of nuclear weapons will be determined by the developing battle. Ideally, normal operational reports will provide the required current battle information. Special reports, sent when the tactical situation indicates the need to employ nuclear weapons, will detail what has happened, what has been done to reinforce the defense, and assess the seriousness of the problems.

Situation reports and special reports complement one another and must provide the required information to portray a complete picture of the situation for higher authorities. These reports should describe how a particular package of nuclear weapons, when requested, would be used to counter the developing threat and permit resumption of effective operations. Commanders should send request messages when they judge that the use of nuclear weapons will be essential for accomplishment of their mission. It is possible that the information and the situation will be such that a higher level of command may direct the use of nuclear weapons without a request from a corps commander.

#### NUCLEAR PLANNING

Advanced planning for nuclear strikes or counterstrikes is essential to timely employment. Training, planning, logistic support, and other arrangements to allow units to use nuclear weapons must be done before the outbreak of hostilities, or before deployment. Where the use of nuclear weapons by either side is a possibility, the headquarters of the deployed force must develop, refine, and update contingency plans for the employment of nuclear weapons based on guidance from higher echelons of command and the battlefield situation.

At the time authorized commanders request the use of nuclear weapons, they must be able to foresee a situation developing which will be sufficiently grave to require their use. One of the criteria to be followed in requesting release of nuclear weapons is that the overall defensive ca-

weapons to support the forward defense and flexible response strategy. With these developments, the pendulum has swung from conventional war to nuclear war and now to the present concept of conventional-nuclear war.

At the close of World War II, the U.S. became the first nation to develop and employ nuclear weapons. Following the war and into the '50s, many persons thought that all future wars would be strategic nuclear conflicts. As more nations became nuclear capable and a viable second strike option became a reality, the advantage to be accrued from the use of strategic nuclear weapons diminished. Recognizing the transition and to meet the needs of lower levels of conflict and flexible response, the U.S. began to focus on the development of battlefield nuclear weapons to support the forward defense and flexible response strategy. With these developments, the pendulum has swung from conventional war to nuclear war and now to the present concept of conventional-nuclear war.

In other words, U.S. nuclear doctrine has had to "adjust" since the decade after Hiroshima and Nagasaki, when the U.S. had a monopoly over nuclear weapons and delivery systems. Still, even after the Soviet Union developed long range bombers and missiles in the mid-1950s, what we might call the "Hiroshima principle" continued to be the basis of U.S. nuclear strategy with the "refinement" of so-called "flexible response." The U.S. government reserved the "right" to use nuclear weapons on any battlefield, including Europe, while the Soviet Union

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**Most nuclear weapons scenarios contemplated in FM 100-5, FM 6-20, and FM 101-31-1, are cases where the U.S. is the first to use nuclear weapons and where, even according to the Army's own definition, nuclear weapons are used offensively.**

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would be prevented from using nuclear weapons by the threat of U.S. strategic retaliation.

Today, based on FM 100-5, the Army's policy is that "in any battle, we must have the capability to use nuclear weapons effectively, along with our conventional weapons, in support of the land battle." The "ultimate objective" of the employment of nuclear weapons is to "terminate a conflict at the lowest level of hostilities on terms acceptable to the United



States and its allies." Corps commanders may request the use of nuclear weapons if they conclude that their troops "cannot accomplish [their] mission if nuclear weapons are not used."

Nuclear weapons use is by no means limited to "defensive" operations (i.e., when U.S. troops are attacked, and in a situation where their commander believes military defeat is certain without the use of nuclear weapons.) After all, says FM 100-5, "it may be difficult to distinguish between offensive or defensive use of nuclear weapons." In fact, most nuclear weapons scenarios contemplated in FM 100-5, FM 6-20, and FM 101-31-1, are cases where the U.S. is the first to use nuclear weapons and where, even according to the Army's own definition, nuclear weapons are used offensively.

### Limited and Winnable Nuclear War

In order to use atom bombs so as to "quickly and decisively alter combat power ratios and change the course of the battle," but at the same time keep nuclear war "limited" and prevent retaliation, the Pentagon plans a "selective..., discriminate [and] restrained" nuclear strike. One of the primary means to do this, according to the Army manuals, is to use nuclear weapons in "packages," defined as "discrete grouping[s] of nuclear weapons by specific yields for employment in a specified area during a short time period to support a corps tactical contingency." A "package" is supposed to be fired within just a few hours to "positively alter the tactical situation."

By firing "preplanned packages... within a specified time frame, and within specified geographical areas," the Pentagon claims to be able to "dampen the escalatory effects of using nuclear weapons." Field Manual 100-5 considers the firing of a "hypothetical package" of 45 nuclear weapons (the smallest of which "has potentially lethal effects that cover more than a square kilometer of area") to be fired within three hours as part of a "limited strike." How a commander whose forces are on the receiving end of a nuclear bomb every four minutes is supposed to know this is a limited nuclear war is not explained in the manuals.

The Reagan administration has pushed the logic of conventional-nuclear war a step further with the decision to build neutron bombs, which are hydrogen bombs designed for battlefield use. The primary stated function of the neutron bomb is supposed to be against an "overwhelming" Warsaw Pact tank force. This is shallow deception. NATO already has over a dozen anti-tank guided missiles for each Warsaw Pact tank. Moreover, NATO deliberately decided not to match "tank-for-tank," but instead to concentrate on building advanced tanks and sophisticated anti-tank missiles.<sup>1</sup>

Neutron bombs would not necessarily stop tanks. Intense radiation kills slowly and painfully, and many soldiers in tanks would still be able to

pability must not be allowed to deteriorate to the point where available forces cannot conduct effective conventional-nuclear follow-up operations after the strike.

Although many weapons will probably be available, release may be expected for only the numbers and types of weapons included in planned "packages" of nuclear weapons. A package is a group of nuclear weapons of *specific yields* for employment in a *specified area*, within a *limited timeframe* to support a *tactical contingency*.

Sufficient nuclear weapons should be planned in each package to alter the tactical situation decisively, and to insure accomplishment of the assigned mission....

### EMPLOYMENT

The first use of US tactical nuclear weapons would probably be in a defensive mode based on prepared defense plans. Later use could include nuclear support for offensive operations to destroy the enemy or regain lost territory. Tactical advantage may be gained by neutralizing lead elements in the enemy second echelon, and by eliminating his committed echelon's support and supporting fire systems. This can defeat the enemy tactic of echelonment by destroying the follow-up reserves for the breakthrough, and by weakening enemy support. This will reduce pressure on friendly units in contact so they can contain engaged forces by conventional means and control the battle....

Plans are prepared to identify avenues of approach where the enemy is likely to concentrate, and areas where breakthrough attacks are most likely to occur. Divisions target their weapons, including atomic demolition munitions, in these areas, avoiding inhabited areas and public facilities where civilian casualties and other undesirable collateral damage would exceed levels allowed in planning guidance. For the safety of friendly forces and civilians, target areas closest to the line of contact or population centers should be targeted with low-yield weapons. Corps will review division nuclear fire plans for tactical suitability, and integrate them into appropriate corps weapons packages.

Commanders will make a timely request for approval of a nuclear weapons package, specifying the desired timeframe and firing timespan. To convey to the enemy that we are using nuclear weapons in a limited manner, all weapons in a package should be fired in the shortest possible time. The package must be employed *on time, in the approved areas, on high priority targets*. While not a substitute for strong conventional forces, nuclear weapons provide the

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commander the capability to generate instantaneous combat power of enormous magnitude that can negate the enemy's offensive advantage and deny him his objective.

FM 101-31-1  
FMFM 11-4

Staff Officers Field Manual  
NUCLEAR WEAPONS EMPLOYMENT DOCTRINE  
AND PROCEDURE

Chapter 2  
EMPLOYMENT CONSIDERATIONS

## 2-1. Purpose

This chapter provides an overview of significant considerations that furnish the framework for employment doctrine and procedures for the conduct of nuclear warfare. Such considerations are discussed because of the unique nature of nuclear warfare and the potential for national significance of decisions relating to nuclear weapon employment.

## 2-2. Nuclear Weapons and National Policy

*a. General.* National policy impacts on the conduct of nuclear operations by establishing guidelines of use of nuclear weapons in attainment of national goals.

### *b. Employment Policies.*

(1) The ultimate objective of the employment of nuclear weapons is to terminate a conflict at the lowest level of hostilities on terms acceptable to the United States and its allies.

(2) National Command Authority (NCA) would be expected to coordinate military and diplomatic efforts to insure that conditions for use of nuclear weapons are both acceptable to allies and in accord with national goals.

(3) To realize the overall national purpose of the use of nuclear weapons,

operate them for hours or days. Soldiers in tanks can also be shielded somewhat from radiation by modifications to the tanks. A close look at the statements of administration officials, including Defense Secretary Caspar Weinberger reveals that neutron bombs are being built for use all over the world: "There seems to be some feeling," said the Secretary, of the neutron bomb, "that it is only useable in Europe - which is not true." He finds the neutron bomb a "particularly useful" weapon in "several theaters."<sup>2</sup>

The neutron bomb is an anti-personnel weapon. Its characteristics are such that it can be used to destroy, for example, Soweto without immediately affecting all of Johannesburg. In the face of the refusal of many people in the U.S. to fight U.S. wars, an administration might use neutron weapons in a first strike against Third World countries in place of U.S. troops. Similarly, the "tripwire" strategy for the Middle East attempts to substitute nuclear weapons for troops. A few thousand U.S. soldiers, obviously incapable of controlling a large area, are to be used as a "tripwire" for unleashing a nuclear war.<sup>3</sup> The neutron bomb and the nuclearized Rapid Deployment Force are a qualitative intensification of the nuclear war strategy which has been a fundamental part of the policy of the U.S. government since World War II. (The MX, Pershing II and cruise missiles and the Trident II submarines represent the same intensification at the level of strategic nuclear weapons.)

## "Requesting" Nuclear Weapons

It is commonly believed that in the U.S. the decision to use nuclear weapons rests with the President. This is so only in a formal sense. As noted, the Army field manuals make clear that operational decisions about nuclear weapons employment are made by field commanders - in particular, corps commanders. They are the ones who initiate the "request" for the

# New Strategy

There are strong indications that the U.S. Army wants to have the command authority over nuclear weapons changed. In a presentation for members of Congress ("Air Land Battle 2000") several months after President Reagan took office, U.S. Army officers urged that the "existing authority" to order nuclear weapons use should be "up front," that is, with the local commander on the battlefield. These Army officers said that they want to have "pre-clearance" to use nuclear weapons before the war is underway.

In a secret April 1, 1982 hearing before the Defense Subcommittee of the House Appropriations Committee, Deputy Under

Secretary of Defense (Strategic and Theater Nuclear Forces) T.K. Jones (the man who believes nuclear war is survivable if there are enough shovels to go around for everybody to dig a hole) and Major General Niles Fulwyler, the Army's Director of the Nuclear and Chemical Directorate were asked for their comments about such a change. Their response was "sanitized" from the hearing transcript. A subsequent comment by Fulwyler, though, suggests that both spoke in favor: "I might add it would be much simpler to plan for that battle and to take care of it if we had pre-delegation, for obvious reasons."

"release" of nuclear weapons and decide when to do this based on their evaluations in the field of what it will take to prevent defeat or to achieve victory. And, as FM 100-5 emphasizes: "This manual presents principles for accomplishing the Army's primary mission - winning the land battle."

Once a field commander has decided to use nuclear weapons, his "request" is sent through the command structure to the "National Command Authority." The Command Authority, according to the manuals, would have only a few hours to decide. In certain situations, even that much authority might not rest with the National Command Authority. This applies most notably to the borders which divide Korea and Germany. The U.S. Army has a large number of nuclear weapons close to these two borders, so that the field commander may decide that not using the weapons may cause them to fall into the hands of the opposing forces. If the field commander initiates a request on this basis, the National Command Authority could hardly refuse.

The U.S. president formally heads the National Command Authority. A congressional study entitled Authority to Order the Use of Nuclear Weapons, however, concluded that the president may delegate that authority to "subordinate officers in the chain of command virtually without limitation."<sup>4</sup> Some nuclear weapons experts in the Pentagon are not satisfied even with the existing extent of field authority. In a recent issue of Military Review, a monthly magazine published by the U.S. Army, two nuclear specialists urged that "battalion commanders must be authorized to employ tactical nuclear weapons as they determine necessary but within certain guidelines." In other words, the article's authors advocate that decisions which might trigger World War III be made only on tactical grounds of the immediate situation in a particular section of the battlefield.

### Planning Nuclear Death

In composing a nuclear weapons "package," the field commander must decide how many enemy soldiers to kill instantaneously with nuclear weapons. FM 101-31-1 details appropriate radiation dosages matter of factly. It prescribes that in an offensive operation, the U.S. commander should employ nuclear weapons in such a way that "40 to 60 percent of the target [is] unable to defend." If the opposing forces are advancing against U.S. or allied troops, commanders are urged to employ nuclear weapons so that 30 to 40 percent of the opposing troops receive between 3,000 and 8,000 rads (Radiation Absorbed Dosis). Soldiers who receive 3,000 to 8,000 rads are "completely incapacitated within 5 minutes and will remain so for 30 to 45 minutes." They will "then recover but will be functionally impaired until death" within five days. FM 101-31-1 also notes that the symptoms of the victims are "severe and prolonged

military operations should be conducted in consonance with diplomatic actions.

*c. Employment Purpose.* Since the national purpose of employment is to terminate a conflict, the employment of nuclear weapons should serve to demonstrate to enemy leaders that potential losses outweigh gains if a conflict is continued or escalated. To accomplish this end, nuclear weapons could be used to positively and dramatically alter the course of battle and preclude the enemy from achieving his objectives. Depending on enemy response to initial nuclear employment, additional employment of nuclear weapons may be required or directed. In all cases, follow-up strikes should support the basic purpose of decisively terminating a conflict at the lowest level of violence consistent with national and allied goals.

### 2-3. Nuclear Weapons in Support of Tactical Operations

*a. General.* The use of nuclear weapons in support of tactical operations requires detailed planning at all levels. The spectrum of tactical nuclear warfare may vary from limited to theaterwide friendly or enemy initiated use. Whatever the nature of the nuclear use, nuclear weapons cannot be used in isolation, but must be integrated with the rest of the fire and maneuver on the battlefield.

*b. Nuclear Contingency Planning.* Because of the potentially grave consequences of nuclear hostilities, the NCA will probably not approve the use of nuclear weapons until all lesser options are clearly perceived as inadequate to maintain the integrity of US and/or allied forces. This means that a field commander must keep higher headquarters well informed on the developing situation and when the time will come, in his judgement, that he cannot accomplish his mission without the use of nuclear weapons. As a part of contingency plans a commander should prepare in advance to integrate nuclear weapons into force maneuver plans. He may be required to conduct conventional operations under the most adverse conditions before nuclear release is granted, but he must insure that his evaluation of the risks involved with the delay in release are made known to his immediate commander. It is the corps commander who will normally request the release of nuclear weapons. Corps is the critical level in planning for the employment of nuclear weapons on the battlefield, although input from division and lower echelon headquarters is incorporated in corps plans.

*c. Nuclear Weapons Package.* Although many weapons are present in a corps area, an initial release can be expected for only the numbers and types of weapons included in preplanned "packages" of nuclear weapons requested by the corps commander.

To expedite the release of the requested package, the corps preplanned package will be forwarded to higher headquarters for tentative approval.... At any given time, corps should have a preplanned nuclear weapons package to support each probable tactical contingency; however, it would be expected that only one package at a time would be requested. A preplanned package that is actually executed would be modified for the situation that exists at the time of employment. A sufficient number of nuclear weapons will be planned for each package to positively alter the tactical situation and thus expedite accomplishment of the corps mission....

#### 2-4. Law of Land Warfare and Nuclear Weapons Employment

a. Through the history of warfare, a body of treaties and customs has developed that generally represents the collective views of the belligerents and tends to limit the application of excessive force and the manner in which force is applied to protect combatants and noncombatants, safeguard fundamental human rights, and facilitate the restoration of peace. The grouping together of these treaties and customs is known as the Law of Land Warfare....

b. Modern weapons, to include nuclear weapons, have been measured against the Law of War or national policy. There must be some reasonable connection between the destruction of life and property and the defeat of the enemy's forces. Some absolute prohibitions exist, but the Law of War is tempered by the rule of military necessity, which justifies those measures not forbidden and which are indispensable for securing the complete submission of the enemy with the least possible expenditure of life and resources. The Law of Land Warfare encompasses the use of nuclear weapons; however, because of the potentially tremendous destructive power of these weapons, their use must be carefully controlled....

#### 2-5. Threat and Target Defeat Considerations

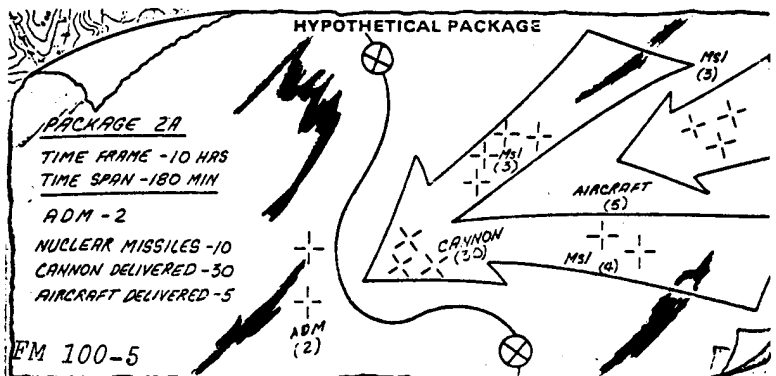
a. *General.* When assessing the number of nuclear weapons required to make a positive change in the tactical situation and to defeat a threat, consideration must be given to defeat of individual targets composing the overall threat. There is no simple statement of threat and target defeat criterion that will pertain in all circumstances.

##### b. *Threat Defeat.*

(1) A threat is considered defeated by nuclear strikes when the resultant force ratios are such that the enemy forces are halted and can be controlled by conventional means throughout a sufficient pause for political channels to be utilized to

vomiting, diarrhea, fever and prostration. Convulsions may occur at higher doses."

In determining the casualty numbers, FM 101-31-1 advises commanders to consider nuclear weapons effects other than radiation; that is, blast and heat. The airblast "can cause damage by pushing, tumbling, or tearing targets apart... Personnel can also become casualties when they are subjected to translational motions or missing caused by these high winds." In addition, radiation, blast and heat "by itself might not result in serious impairment of a soldier's performance. However, a soldier suffering with burns from thermal radiation, ear drum damage from overpressure, cuts and broken bones from flying objects, and vomiting from radiation sickness is not likely to be very effective in any capacity."



Nuclear weapons employment also results in "collateral damage," a term that lumps together "undesirable civilian materiel damage or personnel injuries produced by the effects of friendly nuclear weapons" (emphasis in original). On paper, the criteria for "limiting collateral damage" are a part of the planning when a commander puts his nuclear weapons package together. But there must be a "balance" between the death of "friendly" civilians and "military effectiveness if operations are to be successful." Therefore, "some damage to populated areas should be expected." The "operational philosophy" of the Army is to "limit collateral damage," but "when the demands of the tactical situation clearly govern, a unit continues to place primary emphasis on the accomplishment of its mission."

There is much damage from nuclear weapons use about which the manuals say very little or nothing at all:

- Civilian deaths on the side receiving the nuclear weapons "package."

- Civilian deaths on the "friendly" side as a result of nuclear retaliation.

- Death of and medical care for U.S. soldiers as a result of nuclear retaliation.

- Deaths and diseases due to the persistent and long-term effects of radiation.

The omission of a discussion about these crucial components highlights the Pentagon's seriously limited approach to nuclear war and its belief that nuclear

war is "winnable" and can be limited. In the scenarios laid out in the manuals, everything works, in part because these vital components are omitted. Commanders command and plans are based on careful analysis. Events follow the pattern set in these plans. Communications systems work well.

In real war, things are likely to be different. For instance, the sudden electromagnetic pulse (EMP) caused by nuclear explosions could completely interrupt electronic communications for hours. Thus, commands to stop firing nuclear weapons might not be received. Troops could not be relocated, and the corps commander might be completely cut off from the National Command Authority. There would be immense fear among the soldiers in the command and control stations, since they know that they are prime targets in a nuclear war. Such was actually the case among U.S. troops stationed in West Germany during the Cuba missile crisis.

All this is in addition to the fact that the Soviet Union has warned that any nuclear weapons use would turn into global holocaust. Soviet President Leonid Brezhnev reiterated this policy to Der Spiegel magazine in an interview in November 1981: "To come to the central issue: There is no such thing as a 'limited' nuclear war. Once it starts — in Europe or anywhere else — a nuclear war would inevitably and irremediably turn into a global war."

Given firm Soviet statements about their nuclear doctrine which rules out limited war, the U.S. Army's planning for nuclear war is utterly removed from the reality of the risk of annihilation. Even Herbert Scoville, the former deputy director of the CIA, has noted that "the initiation of nuclear war at any level is a disaster that is more likely to occur if national leaders fool themselves into believing that it might keep small and that they might come out the victors."<sup>5</sup> U.S. Army doctrine is an institutionalization of this dangerous foolishness.

#### Footnotes:

1) See E.P. Thompson and Dan Smith (eds.), Protest and Survive, Monthly Review Press, New York, 1981, pp. 64-66.

2) August 10, 1981 press conference.

3) See Konrad Ege and Arjun Makhijani, "U.S. Nuclear Threats: A Documentary History," CounterSpy, vol. 6 no.4.

4) Authority to Order the Use of Nuclear Weapons, prepared for the Subcommittee on International Security and Scientific Affairs of the Committee on International Relations, U.S. Congress, by the Congressional Research Service, 12/1/75, p.1.

5) Herbert Scoville, "Flexible Madness," Foreign Policy, April 1974, pp. 175-176.

terminate the conflict. The planning for threat defeat must consider the type of units and the percentage of the threat that must be destroyed.

(2) The planning of a nuclear weapons package to defeat a particular postulated threat is based on assumptions of the threatened area, its terrain, available weapons to defeat the threat, and the strategy and tactics of the enemy....

c. *Target Defeat*. Two basic categories of targets are area and point. Area target defeat criteria normally are expressed in terms of some level (percentage) of expected coverage of the target area with a specified level of materiel damage or personnel incapacitation. Point targets are generally single-element materiel targets. Because point targets are single elements or occupy a small area in comparison to a damage radius, only the probability (normally 90 percent) of a specific level of damage, moderate or severe, is considered when examining them.

(1) *Fractional coverage considerations*. Factors to be considered in estimating the fractional coverage requirements for defeat of area targets are:

(a) Mission of the unit being targeted. Because of greater control problems, coupled with the more demanding requirements of an attack, an attacking unit is generally more susceptible to mission abort than is a defending unit.

(b) Size of unit. The fractional damage required for target defeat can also vary for different sized units. Because of the greater amount of inherent self-sufficiency in smaller units, such as companies, they require a higher percentage of losses before they become combat ineffective than do larger units, such as battalions and higher.

(2) *Area target defeat guidelines*. The following are general guidelines for attack of troop targets:

(a) For units in the offense, an expected coverage of 30 to 40 percent of the target with immediate permanent (IP) (8,000 rad) incapacitation or immediate transient (IT) (3,000 rad) incapacitation criterion should result in an inability of the unit to accomplish its mission within minutes after the burst....

(b) For units in the defense, an expected coverage of 40 to 60 percent of the target should result in the targeted unit being unable to continue to defend. The criterion used, IP, IT, or latent lethality (LL), depends on the length of time between the burst and the engagement of enemy units.

(c) For rear areas or units not in a position to be committed for some time, a

*Continued on page 59*

# U.S. Irradiated Humans for Nuclear War Data

In planning for nuclear war, it is critical to know precisely what effects nuclear weapons have on human beings. From 1945 to the mid-1970s, U.S. government researchers have gathered just such data by experimenting on human subjects — prisoners and hospital patients. Some of the subjects died, and one of the experiments was virtually identical to those conducted in the concentration camps of Nazi Germany. One scientist involved in the experiments on prisoners is today acting Assistant Secretary for Health and the Environment in the Department of Energy, Dr. Charles Edington.

When Edington worked for the Atomic Energy Commission (AEC) in 1963, he recommended that the AEC fund a project to irradiate the sex organs of male prisoners. The National Aeronautics and Space Administration (NASA) wanted to know how ionizing radiation would affect astronauts. Edington was apparently aware that the experiments served no therapeutic purpose. They were simply experiments for military purposes, and Edington thought that the AEC might be held liable if a prisoner developed health problems. Therefore, he cautioned that he was supporting the project "as long as we are not liable" (emphasis in original, see document). He added: "I wonder about carcinogenic effects of such treatments."

The experiments went ahead, and from 1963 to 1973, the AEC irradiated the testicles of 131 prisoners in Washington (Walla Walla) and Oregon State prisons. Some of the prisoners received as much as 600 rads. (600 rads, considered a lethal dose if the whole body is exposed, is comparable to being exposed to some 25,000 chest X-rays.) The AEC paid the prisoners (\$5 a month, and \$25 for every biopsy), and AEC officials claimed that they participated voluntarily. However, Prince Hendrix, one prisoner interviewed by journalists Arnold Levinson and Joseph Albright for Cox News Service, said he needed the few dollars he could get to "buy smokes and razor blades and kinds of little things that you have to have." Most prisoners agreed to have vasectomies after undergoing radiation since the radiation could have caused genetic effects on their offspring. (Catholic prisoners could

not participate in the experiments because Catholic doctrine forbids this type of birth control.)

In 1973, after spending \$1.5 million, the AEC stopped the project, and with it all medical follow-ups on the subjects. The prisoner experiments appear to be an outright violation of the Nuremberg Code, which states that the "voluntary consent" of human subjects is "absolutely essential." Voluntary, says the Code, means that the person should be "so situated as to be able to exercise free power of choice... and should have sufficient knowledge and comprehension of the elements of the subject matter involved as to enable him to make an understanding and enlightened decision." Prisoners are certainly not situated so as to exercise free power of choice, and the way Hendrix described it, he did not have sufficient comprehension to make an "enlightened decision."

These prisoner experiments, conducted by Dr. C. Alvin Paulsen and Dr. Carl Heller are virtually identical to human experiments conducted by Nazi "scientists." They too irradiated the testicles of prisoners — concentration camp inmates. The Nazis wanted to know what it would take to sterilize "non-Aryans." The AEC wanted to know how radiation affects U.S. military personnel and astronauts. Both conducted experiments on humans, and in both cases the rights of the human "guinea pigs" were deliberately violated.

Research done by Robert Alvarez of the Environmental Policy Center (EPC) indicates that radiation experiments on humans for nuclear weapons purposes began during World War II and were conducted under the Manhattan Project which developed the atomic bomb. Project scientists injected large quantities of Plutonium 239 "into the veins of 18 men, women and children ranging from age 6 to 69 years." The subjects were not told about the nature of these experiments. The 18 were supposed to be terminally ill, but several of them lived for years after the experiment. The Department of Energy (DOE) admits now that there was no therapeutic value in the experiments.

Experiments on hospital patients conducted in the 1960s and early 1970s were

File 4383 409

**COMMISSION OF BIOLOGY AND MEDICINE**  
Summary of Review of Research Proposal

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Institution: PACIFIC NORTHWEST RESEARCH FOUNDATION  
Seattle, Washington  
Investigator(s): CARL G. HELLER, M.D.

Title: EFFECTS OF IONIZING RADIATION ON  
TESTICULAR FUNCTION IN MAN

Previous allocation(s): ---0---

Current Request: \$99,631 - one year  
Unexpended balance:  
Participation by Institution:

Other

Projection:  
Type Contract:  
Overhead Rate: 15%

AT( ---)-----NEW  
Renewal Date:  
Date Received: 3-1-63  
Renewal Status:  
Branch: MEDICAL  
Proj. Rep.: P. Henshaw  
Category: 06-01-01-07

3/4/63 Oahberg, ORNL ✓  
Carlson, Cal. St Univ  
Gansner  
ACTION DATE MAY 1 1963

Project last visited by:  
4 REVIEWERS (continued): DRS CALDECOT/EDINGTON: All of our mammalian work has been carried out to get a better idea of radiation effects on germ cells and spermatogenesis, etc., with the hope of extrapolating the results to man. This proposal is a direct attack on our problem. I'm for support at the requested level as long as we are not liable.  
I wonder about possible carcinogenic effects of such treatments.

Date: CWF 4/14/63

also designed to provide data on the effects of nuclear weapons on troops. This \$650,000 research, according to documents obtained by the EPC, was financed by the Pentagon and conducted at the University of Cincinnati under Dr. Eugene Saenger. Eighty-seven patients, all supposedly terminally ill, were subjected to whole-body radiation treatments; some of them received up to 250 rads. According to U.S. Army manuals on nuclear warfare, exposure to 250 rads leads to headaches, fatigue and nausea. For some people, say the manuals, 250 rads is a lethal dose. Most of the people radiated were charity patients at Cincinnati General Hospital; three-fourths of them were Black, and the average IQ of the patients was 86. Twenty-five of the 87 human subjects died within two months after being "treated," even though Saenger attested before the experiment that they were in "relatively good health." Saenger's own data suggest that the experi-

ments had no therapeutic value and that the patients who had received higher radiation doses died faster. A University of Cincinnati review of Saenger's experiments found that of the first 40 patients, nine died within 38 days after being irradiated. Seven of the nine had received 150 to 200 rads. Of the patients given 100 rads or less, only two died within 38 days. Altogether, 18 patients received 150 to 200 rads.

Saenger justifies his human experiments for the Pentagon in this way: "The most important field of investigation today is that of attempting to understand and mitigate the possible effects of nuclear warfare upon human beings." And, Saenger added, "I'm a person who takes the defense of our country very seriously. I think it is important to find out the kind of things we are learning in this study."

Much of the information about how nuclear weapons affect persons exposed to their radiation comes, of course, from studies done on the survivors of the U.S. atom bombs dropped on Japan. The study of the survivors

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is controlled by the U.S. government through the DOE. The data obtained from the study is crucial for determining "safe" radiation levels for workers in atomic plants and soldiers. A recent study by Dr. Alice Stewart of the Environmental Policy Center suggests, however, that actual deaths from the bombing of Hiroshima and Nagasaki are ten times higher than what the DOE assumes. Most deaths have been caused by a reduction of immunity in the survivors due to radiation damage done in the bone marrow.

In order to obtain laboratory data on nuclear weapons effects, the Army, in

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## **Experiments on hospital patients conducted in the 1960s and 1970s were also designed to provide data on the effects of nuclear weapons on troops.**

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collaboration with the AEC and NASA, also funded studies on the effects of total-body irradiation, the type of radiation soldiers would encounter on the battlefield. For this purpose two facilities were built, the Medium Exposure Total Body Irradiator (METBI), which could deliver up to 300 rads per hour, and the Low Exposure Total Body Irradiator (LETBI) which delivered about 1.5 rads per hour. Publicly, researchers at the two facilities claimed their work was to improve radiation therapy for leukemia and other diseases. But in a 1975 report to NASA, the LETBI/METBI coordinators, Drs. Robert Ricks and Clarence Lushbaugh also wrote that the human experiments were "sorely needed to defend existing environmental and occupational exposure constraints from attack by well-meaning but impractical theorists." The military purpose of the studies is apparent from some of the data Lushbaugh and Ricks were trying to obtain for NASA: How much radiation causes fatigue and vomiting, and at what stage does radiation cause changes in the blood chemistry.

Most of the patients subjected to LETBI/METBI radiation died soon after

receiving treatment. Between 1960 and 1975, 194 persons were subjected to the program; they received doses of up to 500 rads, and as of 1968, 64 out of 85 patients died within a period of 50 days to six years after "treatment." An independent radiological review of LETBI and METBI caused it to close. The radiologists found that "there has been little thought as to therapeutic utility or potential long-range side effects" in the program. In addition, "there is little if any clinically useful data on the METBI and LETBI programs..." said the reviewers.

The same statement very likely applies to most, if not all, human experiments that have been conducted for NASA and the Pentagon between 1945 and 1975. These human experiments put the nuclear war researchers in the same category as Hitler's "scientists" and the "scientists" of Japan during the early 1940s who conducted human experiments for chemical and biological warfare. Nonetheless, one of them sits in the Department of Energy and determines standards for "safe" radiation, and another, Dr. Saenger, has had a nuclear medicine laboratory dedicated in his name.

- K.E. -

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*Continued from page 6*

to as "the slum of the Pacific."

People on Ebeye — many of whom own land on Kwajalein — are demanding to return to Kwajalein. In early June 1982, close to 1,000 protesting landowners set up tents on Kwajalein to press their demand for return or fair compensation. In spite of the occupation, the Pentagon went ahead with the testing of missile accuracy. (There are no nuclear warheads on the missiles fired at Kwajalein.) The Kwajalein landowners have now announced that they will hold a plebiscite, parallel with the one on the compact with the U.S., on whether they want the testing of the ballistic missiles to continue on their land.

The fight over Kwajalein and the Marshall Islands will come to a critical point on October 1, 1982. On that day, the Marshallese government maintains, the islands will become independent if the "Compact of Association" isn't ratified by plebiscite. The Reagan administration, however, claims that if it isn't ratified, the islands will simply remain a Trust Territory, administered by the U.S. government and used by the Pentagon for nuclear weapons testing.



# Reagan Prepares for War in Outer Space

by John Pike

The Reagan administration is readying the U.S. to fight a war in outer space. A number of actions in recent months have confirmed this intention. Reagan's initiatives constitute a growing threat to world peace.

The administration's commitment to preparations for space war is most clearly expressed in Secretary of Defense Caspar Weinberger's secret Fiscal Year Defense Guidance 1984-1988.<sup>1</sup> According to the Guidance, the U.S. "should acquire the capability to negate, as well as disrupt, hostile space systems." To this end "the services will actively support an integrated space defense capability including surveillance; command, control and communications; and the anti-satellite segment," which is scheduled to become operational in 1987. The Guidance further directs that "the Air Force should identify concepts defining an enduring strategic war-fighting anti-satellite system" in its budgetary request.

A second key document on space wars is the Space Policy Statement, announced by President Reagan following his July 4th speech at the landing of the Columbia Space Shuttle. The document had been in preparation for a number of months under the direction of Presidential Science Advisor Jay Keyworth. The Statement itself, covering both civilian and military space activities, is classified. It says that "the United States will proceed with development of an anti-satellite (ASAT) capability with operational deployment as a goal."

One measure of the administration's commitment to space war is its growing space budget. In Fiscal Year 82 official military space expenditures for the first time exceeded spending for civilian programs.<sup>2</sup> Measured in 1982 dollars, the annual budget for the National Aeronautics and Space Administration (NASA) has hovered around \$6 billion for most of the 1970s. At the peak of the Apollo program in 1966 the NASA budget was almost \$18 billion (in 1982 dollars).<sup>3</sup> Civilian spending has steadily declined since then, but official military spending has soared, increasing every year since 1972. Spending grew over 16 percent in real terms from FY81 to FY82 alone, to over \$8 billion.<sup>4</sup>

But these numbers do not tell the whole story. In addition to the official figures, there are substantial expenditures for related activities, such as reconnaissance satellites, that are not published. For instance, the annual budget for the National Reconnaissance Office (the very existence of which was a closely held secret for many years) has exceeded \$2 billion in recent years,<sup>5</sup> and by FY83 may reach \$3 billion. Furthermore, much of NASA's budget actually covers military activities. The General Accounting Office (GAO) recently estimated<sup>6</sup> that over 20 percent of NASA's spending supports Department of Defense (DOD) activities exclusively, and another 7.7 percent is of use to both NASA and DOD. This contrasts with the 0.1 percent NASA acknowledges goes to the military.

Altogether, U.S. spending on future space wars is in excess of \$12 billion, while spending for civilian space purposes is little more than \$5 billion annually. Expenditures for space programs are as great as they were during the peak of the Apollo program. Only today, the emphasis has shifted from exploration and discovery to war. To manage this rapidly growing military space program, the Air Force formed a Space Command in June 1982.<sup>7</sup> Initially composed entirely of Air Force units, within the next 18 months the Space Command will incorporate military space activities from all the services. At the same time, the Air Force announced the formation of a new Space Technology Center, combining the activities of three Air Force weapons laboratories. This is expected to further sharpen the focus of work on space weapons.

## The Military Role of the Space Shuttle

The military has been an active, although silent, partner with NASA in the Space Shuttle project from the very outset. When NASA first started work on the Shuttle in the late 1960s, it was looking at a vehicle with straight wings that could carry about 35,000 pounds of payload into orbit. The Air Force, however, wanted a launcher that would put almost twice the payload into orbit in order to support its spy satellite activities. In addition, the Air Force wanted the Shuttle to have delta wings

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to permit it to land at any time, even though this greatly increased the heating of the Shuttle on re-entry. These military requirements increased both the cost and technical risk of the Shuttle, and delayed its first flight by several years. Recently the Air Force has decided that it wants a smaller shuttle after all.<sup>8</sup> Research is now in progress on a small "space cruiser" that would be launched from atop a modified 747. This new vehicle could be used to inspect and disable other countries' satellites.

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## **The introduction of weapons into space is a few years away, but the U.S. war machine on earth would grind to a halt without the support of its extensive space assets.**

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In recent months there has been mounting criticism of the arrangements for dividing Shuttle costs between NASA and the military.<sup>9</sup> The total development cost for the Shuttle program is about \$10 billion, with another \$15 billion for buying the Shuttles themselves as well as the launch facilities. Of this cost, the Air Force will pay only \$2.4 billion for the construction of the Shuttle launch pad at Vandenberg Air Force Base in California. When the deal was originally made between NASA and DOD, it was assumed that NASA's use of VAFB would offset the contribution NASA was making to the rest of the project.

It hasn't worked out that way, NASA has only two flights scheduled from VAFB, while DOD has 16 flights scheduled from NASA's Kennedy Space Center (KSC).<sup>10</sup> NASA is also footing the bill for augmenting the thrust of the Shuttle's solid rocket boosters. These lighter boosters will be used only for placing DOD payloads into orbit, with no NASA use planned. Consequently, talks are now under way between NASA and DOD to work out a more equitable schedule of payments for DOD Shuttle flights.

The Air Force may turn out to be talking to itself in these negotiations.<sup>11</sup> The number

two men at NASA is Hans Mark, former Secretary of the Air Force. In charge of NASA's Shuttle operations is Air Force Major General James Abrahamson, whose executive assistant is Air Force Colonel Joseph Rogeau. And the chief of external relations is former Air Force General Frank Simokaitis.

Determining exactly how much the Space Command will use the Shuttle is a little tricky, because the numbers keep changing. NASA publishes two lists of Shuttle flights: the Manifest, which lists only those flights that are actually scheduled, and the Traffic Model, which also includes all the flights that are anticipated but not yet approved by Congress through the budget. Rising costs, declining appropriations for space science, and flight delays keep NASA busy revising these lists, at times so frequently that a current Flight Manifest is hard to come by.

The Flight Manifest of September 1980 showed 21 Air Force flights out of a total of 79 flights through 1986. The Manifest of May 1981 gives DOD 23 flights out of 61, and the March 1982 Manifest has DOD flying 15 out of 54 Shuttle flights through 1986. The current Traffic Model, however, projects 114 DOD flights out of a total of 233 flights through 1994.

But this doesn't tell the whole story, since many "civilian" flights will carry experiments or communications satellites of military use. The second flight of the Shuttle, nominally civilian, carried a type of radar that the Navy is examining for use in tracking and identifying ships from space, and an instrument the Air Force will use on reconnaissance satellites to ensure that the areas they photograph are free from cloud cover. The third flight of the Shuttle, also nominally civilian, carried a number of sensors to evaluate the Shuttle as a platform for observing earth and space. These tests were very similar to the tests conducted on the fourth Shuttle mission, which was the first official "military" flight.

### Current U.S. Military Operations in Outer Space

The introduction of weapons into space is a few years away, but the U.S. war machine on earth would grind to a halt without the support of its extensive space assets. Communications is the most significant current contribution of space technology to the military. Over 70 percent of DOD's international communications are routed through satellites.

These satellites are in high orbits which

remain stationary over the equator, out of reach of Soviet anti-satellite weapons. In addition to using regular commercial communications satellite links, three NATO III satellites maintain links with NATO forces in Europe and in the United States. Five Fleet Satellite Communications (FLTSATCOM) birds provide worldwide coverage for the Air Force and Navy. The six satellites of the Defense Satellite Communications System are the backbone of the Worldwide Military Command and Control System which connects the White House and Pentagon with major military commands around the world. The three Satellite Data System satellites relay data and images from spy satellites to ground stations in the U.S. The Air Force Satellite Communications (AFSATCOM) system would relay Emergency Action Messages from the National Command Authority to all U.S. strategic forces in the event of a nuclear war.

Warning of a nuclear attack is provided by the three satellites of the Defense Support Program, which detect both the heat from the rockets as well as nuclear explosions. Two Vela Hotel satellites are also used to detect nuclear explosions. One of these satellites detected a suspected South African nuclear test over the South Atlantic in 1979.<sup>12</sup>

These two systems also function to monitor compliance with arms control agreements. The principal form of such monitoring is by reconnaissance satellites (which are often referred to as "national technical means of verification").<sup>13</sup> The KH-11 satellite is the current reconnaissance mainstay. These large satellites operate in polar orbit for as long as two years at a time, sending back high-resolution television images. When more detailed photos are needed, the Air

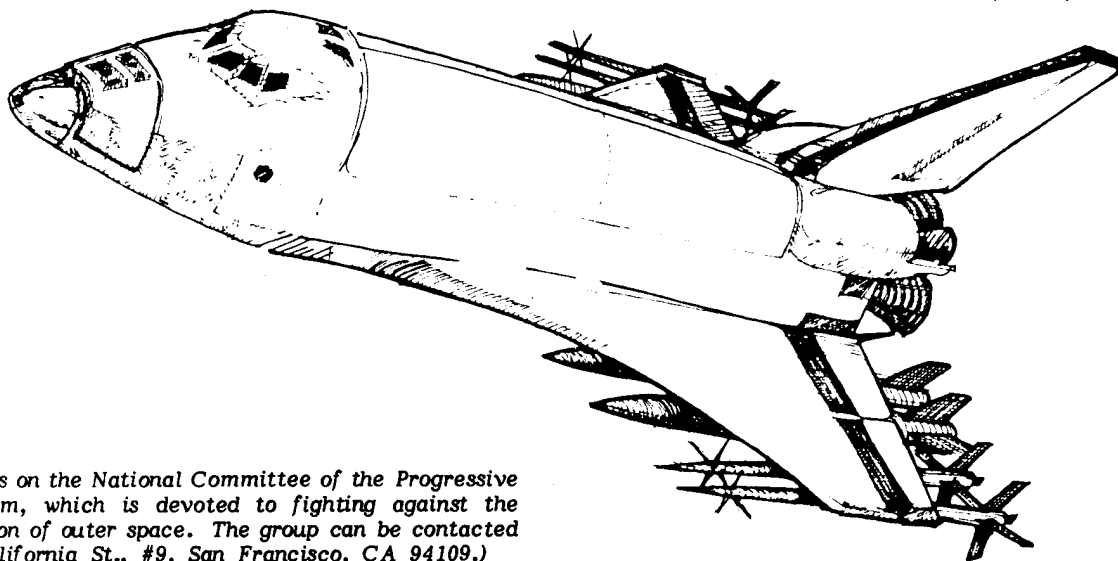
Force launches either a Big Bird satellite, which is externally very similar to the KH-11 and carries six capsules for returning film to earth, or a Low Altitude Surveillance Platform, which carries a single capsule. The photographs have a resolution of about six inches, which is adequate to identify types of military radar or count the number of people in a crowd.

The first Space Transportation System (STS) launch from VAFB in October 1985 will carry the DOD Reference Mission 4 (DRM-4) satellite which is the code term for an improved version of the KH-11. It will send back television images with a resolution of six inches. Subsequent flights will put up a new DRM-4, and return the old one to earth for repair and later reuse. DRM-4 launches are the primary justification for the STS launch pad at VAFB.

The Navy and Air Force also fly secret satellites with names like Rhyolite and Aquacade to intercept foreign radio messages and radar signals. The Defense Mapping Agency uses satellite data to prepare the precise maps needed to guide cruise missiles to their targets. Five satellites of the TRANSIT system are used for navigation. These are being replaced by 18 satellites of the NAVSTAR system. The NAVSTAR satellites will be used to determine the location and thus improve the accuracy of mobile nuclear weapons and will help guide the aircraft of the Rapid Deployment Force to a safe landing.

### Weapons into Space

In recent years, the U.S. government has given much attention to two more directly combative roles for space platforms: anti-satellite (ASAT) and ballistic missile defense (BMD). The first



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# Satellites and Intervention

A review of recent U.S. interventions in Third World countries reveals the importance of current military space assets. The mission to Iran in 1980 was only the latest in a series of actions in which satellites played a key role. But the variety of contributions by satellites to that mission suggests that space assets will play a growing role in the 1980s.

## Iran 1980

Operation Rice Bowl, the military attempt to rescue the U.S. embassy personnel in Tehran, could not have taken place without the use of satellites. The KH-11 reconnaissance satellite was used to try to determine exactly where in the embassy compound the personnel were located, and to scout out the route the Delta Team would take.<sup>1</sup> This initial reconnaissance was backed up by an on-the-spot inspection of the route by former Green Beret Major Richard Meadows, who radioed his report to the mission's headquarters via satellite.<sup>2</sup>

Once the Delta Team reached Iran, they were to use rock and brush to form letters on the ground which could be seen by the KH-11. The choice of letters and their orientation would indicate the status

and intentions of the Team.<sup>3</sup> While deployed in Egypt prior to the assault, Delta Team members periodically rushed to take cover in a hanger to escape detection by Soviet reconnaissance satellites.<sup>4</sup> And Secretary of Defense Harold Brown was in direct voice contact with the Delta Team commander when the decision was made to abort the mission.<sup>5</sup>

## Vietnam 1970

The same Major Meadows also received satellite support when he led U.S. commandos in an attempt to rescue U.S. POWs held in a camp near Hanoi in late 1970. Defense Meteorological Satellite Program imagery of the weather in the area indicated that there would be a brief period of good weather over the target, and the raid was timed to take advantage of this weather window.<sup>6</sup> However, the team was not aware that reconnaissance satellites had indicated that the POWs had been moved from the camp several months earlier,<sup>7</sup> and the raid was a failure.

## Lebanon 1976

When President Gerald Ford ordered

U.S. nationals evacuated from Lebanon during the civil war in 1976, Secretary of Defense Rumsfeld was in direct voice contact with the Boatswain Mate who was commanding the landing craft carrying the evacuees, via communications satellite.<sup>8</sup>

## Malvinas/Falklands 1982

During the course of the war, the Soviet Union launched several reconnaissance satellites to monitor the conflict.<sup>9</sup> The U.S. launched a Big Bird spy satellite on May 11 for the same purpose.

## Footnotes:

- 1) Newsweek, 7/12/82, p.19.
- 2) Ibid., p. 25.
- 3) Washington Post, 4/25/82, p. A-15.
- 4) Cf supra, #1.
- 5) New York Times Magazine, 4/18/82, p. 78.
- 6) Armed Forces Journal, July 1982, p.52.
- 7) Cf supra, #1, p. 21.
- 8) Armed Forces Journal, February 1978, p. 19.
- 9) Aviation Week, 5/31/82, p. 20.

test of a U.S. ASAT system is expected later this year. The system will consist of a modified Short Range Attack Missile launched from an F-15 fighter.<sup>14</sup> The warhead will be a Miniature Homing Vehicle that tracks its target by the heat it emits. Since it is launched from a fighter, the ASAT can be based worldwide. This will give the system much greater flexibility than the Soviet ASAT which is launched atop an Intercontinental Ballistic Missile (ICBM).

Research on space-based ballistic missile defense is currently focusing on lasers which will be used to destroy ballistic missiles in flight. Particle beam weapons have been found to pose too many technical problems to be of interest in the near future. DOD has three projects working on Laser Orbital Battle Stations (LOBS).<sup>15</sup> Almost \$300 million is currently budgeted for these programs, with a total expenditure to date of about \$2 billion. There is growing congressional pressure to move these projects out of the research phase and into development of an actual weapon prototype.<sup>16</sup> A recent General Accounting Office report<sup>17</sup> recommended several actions

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to move things in this direction and the formation of the Space Technology Center (mentioned previously) is in response to the GAO report.

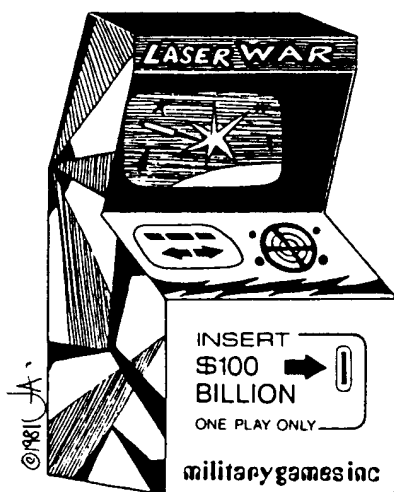
Initially LOBS would be deployed to perform the less demanding anti-satellite mission,<sup>18</sup> with ballistic missile defense applications in subsequent years as the technology improves and the lasers become more powerful. The ASAT role would require perhaps five battle stations; the BMD mission would require several dozen stations. The powerful BMD lasers could also shoot down airplanes, but would be relatively ineffective against targets on the ground.

The principal objections to LOBS center around cost and performance.<sup>19</sup> Advocates claim that LOBS could be fielded for a few tens of billions of dollars; more objective estimates put the price tag at several hundred billion. And it is entirely unclear that such a massive expenditure would produce a useful weapon. Recognizing LOBS's shortcomings, a new group, High Frontier (a Heritage Foundation spin-off with close ties to the Defense Intelligence Agency) has proposed an

alternative to LOBS for the ballistic missile defense mission.<sup>20</sup> Under this plan, thousands of Miniature Homing Vehicles of the type soon to be tested for the ASAT system would be placed aboard several hundred large satellites which would also carry the sensors for the system. High Frontier claims that such a system could provide effective BMD years before LOBS, at a lower cost, and with much less technical risk. Although the Pentagon has reacted coolly to the plan — reflecting its vested interest in LOBS — the scheme has attracted some support within Congress and the aerospace industry. (Meanwhile, the ultra-right U.S. Labor Party, through its Fusion Energy Foundation, continues to lobby Congress in favor of an accelerated development of LOBS.)

Although both ASAT and LOBS are characterized as defensive weapons, they are essential elements of the U.S. drive to achieve a nuclear first strike capability.<sup>21</sup> The opening move of a first strike will be the destruction of an opponent's space-based assets such as early warning and communications satellites, substantially degrading their ability to assess the attack and coordinate a response to it. LOBS will then pick off any hostile missiles or bombers that survive the strike, leaving the attacking country essentially unscathed. The possession of LOBS and ASAT permits the use of other offensive weapons such as ICBMs without the fear of retaliation. This explains much of the interest in these systems in the face of the stand-off in earth-based strategic weapons.

Placing nuclear weapons in orbit is popularly regarded as one of the more obvious military applications in space. But a closer examination of this concept reveals why it has had very limited application. In the absence



of a very large and heavy propulsion the nuclear bomb will continue in a very predictable orbit — making it easy to shoot down — and one which passes over potential targets only briefly every few days, making it a rather inflexible weapon. Furthermore, nuclear weapons are quite delicate mechanisms, requiring constant care and attention. Providing adequate maintenance for orbiting bombs would be a formidable task indeed. Recognizing the limited utility of orbiting nuclear weapons, the U.S. agreed to the terms of the 1967 United Nations Treaty on the Peaceful Use of Outer Space which prohibits such devices.

But recently interest in this project has resurfaced, in response to the increasingly desperate effort by the Reagan administration to find a basing mode for the MX intercontinental missile.<sup>22</sup> Under this scheme, the MX would be fired in a time of crisis, placing its warheads into orbit, where they would remain until they were called down on the heads of the enemy.<sup>23</sup> If the crisis ended without nuclear weapons use, they could be recovered by the Shuttle. The difficulties such a system would face suggest themselves, but as the options for basing the MX are narrowed, it could attract more attention.

#### WHAT NOW?

The loss of overseas bases during the 1960s has forced the U.S. government to move its communications and intelligence facilities into space. The progressive decline of U.S. power is the moving force behind the push toward LOBS and ASAT. With these systems the Reagan administration hopes that the U.S. will be able to effect a technological end run around the Soviet Union and thereby return America's position in the world to the conditions that prevailed in the late 1940s, when the U.S. enjoyed a nuclear weapons monopoly, and the attendant political and economic advantages. Space weapons systems, predicts Aviation Week, "could open a whole new era of warfare" and "bring about a radical shift in the balance of power in the world."<sup>24</sup>

It is still possible to preclude an arms race in space, although the immediate prospect is not bright. Neither the U.S. nor the Soviet Union has fielded an extensive anti-satellite system, and Laser Orbital Battle Stations are years in the future. Extensive testing would be required for both types of weapons, and such tests would be rather easy to detect. Neither country would place much confidence in the systems in the absence of such testing. A treaty banning tests of ASAT and LOBS, and

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thus by extension also their deployment, would be readily verifiable. The USSR recently proposed resumption of negotiations with this in mind, but the Reagan administration has not taken up the offer.

Although military support functions, such as reconnaissance and communications, have found a permanent place in space, it is not too late to prevent the introduction of weapons into that arena. What is lacking is the commitment of the U.S. government to do so. It is crucial that the disarmament movement in the U.S. recognize that the Reagan administration is presently making far-reaching, possible extremely dangerous decisions about exporting war to space.

#### Footnotes

- 1) New York Times (NYT), 6/6/82.
- 2) Astronautics & Aeronautics, June 1981, p. 74.
- 3) NYT, 11/1/81.
- 4) NYT, 7/11/82.
- 5) The Defense Monitor, vol. IX, no. 9, 1980. This is an excellent summary of U.S. military space programs.
- 6) General Accounting Office, Analysis of NASA's FY83 Budget Request for R&D to Determine the Amount that Supports DOD's Programs, (MASAD-82-33) B-207165, 4/26/82. This report is flawed by the disinclination of the GAO to allocate the thrust augmentation program on DOD

alone, even though there are no NASA programs slated to use it. The Space Telescope could use thrust augmentation to good purpose.

- 7) NYT, 6/22/82; News Conference: Creation of the Space Command, The Pentagon, 6/21/82.
- 8) Aviation Week, 6/14/82, p. 28.
- 9) Washington Post, 5/8/82, p. A-2.
- 10) Flight Assessment Manifest, NASA, NASA-S-80-2268, (JCS-13000-6A), 3/3/82.
- 11) Cf supra, #9.
- 12) Science, 2/1/80, pp. 504-506.
- 13) Contrary to popular belief, these satellites cannot read license plates or newspaper headlines. Not only is there no military need for such high resolution, but the resulting image would cover such a minute area that innumerable photos would be needed to cover any area of interest.
- 14) Aviation Week, 11/9/81, p. 24.
- 15) Science, 6/4/82, pp. 1082-1083.
- 16) Aviation Week, 6/14/82, pp. 26-27.
- 17) General Accounting Office, DOD's Space-Based Laser Program - Potential, Progress and Problems (C-MASAD-82-10), 2/2/82, classified Secret. Obtained by the author under the Freedom of Information Act on 5/25/82, with classified data removed.
- 18) Aviation Week, 7/28/80, pp. 65-66.
- 19) Scientific American, December 1981, pp. 51-57.
- 20) Lt. Gen. Daniel O. Graham, USA (Ret.), High Frontier, A New National Strategy, The Heritage Foundation, 1982.
- 21) I would like to thank Jack Colhoun for his useful comments on this topic.
- 22) Office of Technology Assessment, MX Basing, U.S. GPO, 1981.
- 23) Aviation Week, 4/12/82, pp. 83-89.
- 24) Aviation Week, 7/28/80, p. 47.

## Mauritius Challenges Reagan over Diego Garcia

In the dramatic June 11, 1982 elections in the Indian Ocean island of Mauritius, the ruling rightwing Labor Party failed to hold a single seat, and Prime Minister Seewoosagur Ramgoolam was unceremoniously ousted from office. The new Prime Minister is Aneerood Jugnauth of the Mauritian Militant Movement (MMM) who runs a coalition government, with the Social Democratic Party (SDP) as a junior partner.

The MMM victory poses a problem for the U.S. and South African governments which had a willing client in Ramgoolam. South Africa, and apparently the Reagan administration, worked hard to keep Ramgoolam in power. But the bankruptcy of his regime was too obvious for Mauritius' voters.

Ramgoolam had become Prime Minister in 1965, before independence. Under his reign, Mauritius' economy began deteriorating rapidly:

20 percent unemployment, 30 percent inflation, the Mauritian rupee devalued by 50 percent between 1979 and 1982, external debts representing 25 percent of the Gross National Product, economic dependency on the International Monetary Fund and the South African regime which in 1981 gave Mauritius a \$187 million loan. Ramgoolam, who hired 20,000 unemployed workers in the final days and hours before the election in a last-ditch effort to placate the voters, proved unable to enact economic programs to stem the deterioration of the country. Instead, he tied Mauritius closer and closer to South Africa. Today, most of Mauritius' imports, including 75 percent of its food and manufactured goods, come from South Africa.

A 1981 State Department report praised Ramgoolam's government as being "uniformly responsive to U.S. requests to provide access

to its facilities by units of the Indian Ocean Task Force." Likewise, Mauritius is one of the few African countries — and a very crucial one — that provides South Africa with landing rights. In addition, the British Government Communications Headquarters maintains a listening station in Mauritius, and the French Navy uses the island's ports. Between 1968 and October 1973, Ramgoolam also provided facilities for the U.S. Air Force in connection with the U.S. space program.

The immediate concern of the Reagan administration is that Mauritius is the legal owner of the Chagos Archipelago in the Indian Ocean. This archipelago includes the atoll of Diego Garcia — one of the most important U.S. overseas bases. It serves as an air base for U.S. warplanes, including B-52's, and as a port for the Rapid Deployment Force and Polaris submarines armed with nuclear missiles. The electronic communications facilities on Diego Garcia are described as "some of the most technologically advanced in the Pentagon's inventory." Over 600 U.S. military personnel are permanently on the base, and tons of military equipment is prepositioned there, as well as large amounts of fuel. During the U.S. military intervention in Iran "to rescue the hostages," U.S. planes and warships used Diego Garcia as a springboard. At the present time, the Reagan administration is undertaking a \$400 million construction program on the island with \$88.2 million to be spent in Fiscal Year 1983.

The military quarterly Strategic Review calls Diego Garcia "the pivotal point for U.S. forward strategy and power projection into a vital region" — i.e. the Middle East and East Africa. A "loss" of Diego Garcia "would cripple the Defense Department's ability to deploy its forces in the Indian Ocean-Persian Gulf and to maintain sufficient military power there to protect adequately U.S. interests in the region."\*

The way the MMM government of Mauritius sees it, the U.S. cannot lose Diego Garcia, because it never owned it: the U.S. base on the island was constructed illegally. Only a few days after taking office, Mauritius' Foreign Minister announced that his government would now press its claim to Diego Garcia.

\*Diego Garcia is an ideally located base to carry out U.S. interventionist plans in the Middle East region. However, in their attempts to maintain and enlarge it, Pentagon officials at times overemphasize its significance. With U.S. Middle East bases in Turkey, Egypt, Bahrain, Oman, Somalia and, for all practical purposes, in Saudi Arabia and Israel, U.S. policy would not collapse if Diego Garcia were "lost."

In 1965, when Mauritius was still a British colony, the British government, apparently for military purposes, created a new Indian Ocean territory. It split the Chagos Archipelago off from Mauritius — the compensation to Mauritius was \$7 million — and took several islands belonging to the Seychelles — another former colony — to create the British Indian Ocean Territory (BIOT). At that time, the British were engaged in an overall "withdrawal" process from their colonies, and the U.S. government moved quickly to "fill the power vacuum": to prevent the liberation

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## **The Reagan administration . . . might try to destabilize the new government. There were several reports before the 1982 elections that the CIA had stepped up activities in Mauritius . . .**

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movements of these colonies from taking power and to maintain them as U.S. and British allies.

U.S. designs on Diego Garcia go back to 1962 when the Pentagon, according to a 1976 General Accounting Office Report (Financial and Legal Aspects of the Agreement on the Availability of Certain Indian Ocean Islands for Defense Purposes) "recommended making arrangements with the British that would assure the availability of selected Islands in the Indian Ocean." On December 30, 1966, the U.S. and British governments signed an agreement to allow the U.S. military to use Diego Garcia "for the defense purpose of both Governments." At the same time, the Mauritians were assured that the island was to be used only as a communications facility.

In 1968, Mauritius gained independence, but the Chagos Archipelago was not returned to Mauritius. (When the Seychelles became independent the British government returned those Seychellese islands included in the BIOT to the Seychelles.) Instead, in 1972, Britain leased Diego Garcia to the U.S. Some 2,000 inhabitants were forcibly removed from the island and shipped to Mauritius. According to the British-U.S. agreement, Diego Garcia was to be used for a "limited naval communications facility." In February 1976, the U.S. finally

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signed the treaty with Britain that formalizes the presence of today's naval air base on Diego Garcia.

It might be difficult for the Reagan administration to legally defend the presence of the U.S. base on Mauritius. The Organization of African Unity (OAU), for example, recognizes Mauritius' claim to Diego Garcia under international law. Continued British control over the island also violates the United Nations principle of the integrity of colonial territory. Even the 1976 General Accounting Office report raises questions about illegalities in obtaining Diego Garcia. The GAO was unable to ascertain that the U.S. government had not violated U.S. law in obtaining the island. At a minimum, charges the GAO, the Pentagon "circumvented" congressional oversight. The GAO was unable to resolve the issue "because of limitations placed on access to records by the Departments of State and Defense."

Before losing the June 1982 elections, the Ramgoolam government was under intense domestic and international pressure to move forward on Mauritius' claim to Diego Garcia. Other countries bordering on the Indian Ocean — such as India, the Seychelles and Tanzania — demanded that the Indian Ocean become a nuclear free zone and a zone of peace. Domestically, Ramgoolam came under fire from the increasingly popular MMM, and from the original inhabitants of Diego Garcia who had been forced off the island when the U.S. came. Most of them now live in the slums of Port Louis (Mauritius' capital) and are demanding the right to return to their homeland.

Ramgoolam did pay lip service to the return of Diego Garcia to Mauritius, but he was not interested in dismantling the U.S. base there. "The American presence on Diego Garcia is justified," because, said Ramgoolam, "the Soviet Union is making a big, big effort to destabilize the Indian Ocean.... My government is engaged to... see that it does not take place." The only thing Ramgoolam was interested in was being able to collect rent from the U.S. for its use of Diego Garcia. Ramgoolam's attitude toward the return of Diego Garcia runs counter to the sentiment of many people on Mauritius, and his catastrophic loss in the last elections can be partially attributed to that attitude.

It will not be easy for the new government in Mauritius to force Britain and the U.S. to return the island, even though Mauritius has widespread international support for its claim, including some support in the British Labor Party. The Mauritian government has launched an international campaign to increase public

awareness of the illegal U.S. presence on Mauritius. Prime Minister Jugnauth announced in July 1982 that Mauritius "will assert its sovereign rights over Diego Garcia in all international forums."

Mauritius undoubtedly depends on international solidarity not only from the OAU, which has yet to back up its words with actions, but also from the disarmament movements in Britain and in the United States. Mauritius' progressive government is a likely target of foreign intervention and subversion. One has only to look at the Seychelles, another Indian Ocean island nation with a progressive government which was the target of a recent South Africa-sponsored mercenary invasion. Even before the MMM came to power in June 1982, the South African government manipulated the elections by financially supporting the MMM's opponents. A U.S. consultancy firm, Public Affairs Analysts, Inc., in collaboration with Joseph Napolitan Associates, Inc. ran Ramgoolam's public relations campaign. Ramgoolam, by introducing forged documents, also tried to portray MMM head Paul Berenger as a tool of Libya.

What will the U.S. and South African governments do now that the MMM and the SDP have ousted Ramgoolam, and have the absolute majority in Parliament so they can change the constitution? Mauritius is vulnerable. Its economy depends on sugar exports. Foreign debts are high, and the government will not be able to turn the economy around in the near future. South Africa might decide to try the "Seychelles strategy," in spite of the setback there, and send mercenaries to Mauritius to overthrow the government. Chances are good that a sizable group could be assembled. Over 20,000 upper-class white Mauritians live in South Africa, and more are expected to leave Mauritius in the face of nationalizations and other measures which will break their economic control over the island. These white Mauritians, with military training and aid from South Africa, present a great danger to Mauritius on its way to true independence.

The Reagan administration, unhappy about Ramgoolam's loss, also might try to destabilize the new government. There were several reports before the 1982 elections that the CIA had stepped up activities in Mauritius to prevent the MMM from coming to power. It failed dismally, but, for the U.S. government, the stakes are high in Mauritius, and the possibilities for intervention — economically and through covert operations — are many.



# Features

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## Strategic Hamlets Revived in the Philippines

by John Cavanagh

During September 1981, Deputy Secretary of Defense Frank Carlucci honored the Philippines with an official visit, part of a long trip to the region's U.S. allies. If members of the Philippine government were unaware of Carlucci's distinguished CIA career which culminated in the post of deputy director under the Carter administration, the tone and content of his conversations there undoubtedly gave them a clue. Carlucci met with Philippines Armed Forces Chief of Staff, General Fabian Ver, as well as President Marcos and other officials to grapple with "mutual security concerns."

In the course of discussions, Carlucci and Ver agreed that control of internal subversion and regional military defense capabilities were closely interrelated. General Ver later acknowledged that the Philippines' need for more equipment to support its internal security operations was discussed. Reportedly, they also reached agreement on improving local counterinsurgency programs in view of a "seeming resurgence" of opposition forces in the Philippines.<sup>1</sup>

### Rural Counterinsurgency

Crucial in this context is that within weeks of Carlucci's visit, two cleverly intermeshed, massive rural programs were launched in the Philippines, one with an overt counterinsurgency aim, the other with counterinsurgency designs clothed in official pronouncements of promoting economic development.

The overt program was a variation of a well-tested U.S. institution — strategic hamlets, whereby rural residents are regrouped into central locations by the military to facilitate isolation and destruction of rebel

forces. Or, in the justification of army commanders in Laac, the central Philippine hamleting region, "Laac is like a beautiful lake, in which there are some bad fish. Thus it is necessary to drain all the water from the lake in order to catch these bad fish."<sup>2</sup>

Hamleting, referred to officially by the Armed Forces of the Philippines (AFP) as "grouping," was launched on a major scale in the Philippines' largest southern island, Mindanao, in October 1981, and has since been spread to surrounding provinces on that island. By February 1982, some 100,000 peasants had been regrouped in at least 35 hamlets throughout Mindanao.<sup>3</sup>

Not that the concept was new, even to the Philippines. The U.S., in suppressing its newly-won Philippine colony at the turn of the century, had herded together thousands of people at gunpoint into huge concentration camps called reconcentrados. In 1971 and 1972, the AFP repeatedly created temporary hamlets, designated "no-man's land," to regroup villagers during "search and destroy" missions against the Muslim insurgency. Other, more permanent, hamlets were scattered across Mindanao on a small scale in the late 1970s and early 1980, but only in the autumn of 1981 were entire municipalities forcibly relocated into hamlets.

The other major new initiative which followed on the heels of Carlucci's visit was the September 1981 launching of the Kilusang Kabuhayan at Kaunlaran (KKK, Movement for Livelihood and Development), brandished by Marcos as the "centerpiece" of his latest development strategy.<sup>4</sup> Backed by a \$120 million budget, the program was designed to

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serve the political goal of quelling rural support for the growing opposition National Democratic Front through the economic means of creating several thousand new jobs. With all the flourish and fanfare lavished upon the KKK in the local Philippine press, one would never know that the program stood as little more than a large public relations ploy. By realistic estimates, only 30,000 new jobs are likely to come from program loans; an insignificant gain against the more than half million Filipinos entering the work force yearly.

### The U.S. Record

Such a two-pronged counter-insurgent attack of joint military and political-economic operations is straight out of the U.S. strategic experience. During both the Shah of Iran's "White Revolution" (1962-1972) and the Latin American "Alliance for Progress" (1960s), the U.S. helped orchestrate land and agrarian reforms from above to prevent revolutions from below. Since 1945 in Asia, the U.S. sponsored land reforms as precautionary measures against revolution in Japan (1945-1949) and Taiwan (1949-1954); and as explicitly counter-revolutionary measures in China (1949), the Philippines (1951-1953, 1972-present), and Vietnam (1951-1961, 1966-1973).<sup>5</sup>

In several cases, the reforms were carried out in conjunction with U.S.-backed military operations, Vietnam being the most salient example. In 1962, as internal resistance burgeoned in Vietnam despite a land and other "reforms," a gargantuan strategic hamlet program was launched. In the ensuing years, over 16,000 hamlets were created before the program was abandoned in failure.

A confidential U.S. military assessment of the Vietnam-based strategic hamlets, written a year after their inception, offers an interesting gauge against which to judge the Philippine hamlet experience. Titled Notes on Strategic Hamlets, the 17-page assessment was authored by the U.S. Operations Mission (USOM, U.S. economic aid apparatus in Vietnam), in May 1963. After describing "strategic hamlets" as "a daring, imaginative effort to build a nation," it instructs U.S. and Vietnamese hamlet administrators on a model hamlet's crucial components.

The document stresses the importance of "psychological separation of the people from the VC (the 'Viet Cong'),"<sup>6</sup> even over the physical separation of the people from the enemy: "... the ultimate target is the human mind. It may be 'changed,' it may be rendered impotent for expression or it may be

extinguished, but it still remains the critical target."<sup>7</sup> Toward this end, hamlet administrators were instructed to guarantee hamlet residents several conditions, all of which, almost two decades later, the Philippine military (like the Vietnamese before them) has sedulously ignored.

Indeed, a comparison of the USOM's textbook world with the Philippines today reveals that strategic hamlets were doomed to failure from the start. For the basic prerequisites of a successful hamlet require sacrifices that repressive regimes, whose political and economic policies are geared toward enriching the upper strata of society, will never make. It becomes a contradiction in terms — a successful hamlet (which would enhance the well-being of the incarcerated) will never be found in Ferdinand Marcos' Philippines, nor, for that matter, in Guatemala<sup>8</sup> where the strategy has also recently surfaced

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**Peasants have also voiced growing concern that the hamlets, by leaving choice land in their wake, will directly benefit the numerous U.S. and agribusiness corporations that already control tens of thousands of hectares of Mindanao's most fertile land.**

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brutally. A juxtaposition of USOM visions and Philippine reality puts the incongruities into focus.

Hamlets, according to USOM, must guarantee:<sup>9</sup>

- "a reasonable livelihood." As Philippine hamlets are located up to six miles from farm lands, and since peasants can be shot on sight if caught in their fields after the sunset curfew, food cultivation has suffered drastically and malnutrition is soaring.

- "a reasonable amount of elementary justice." Mindanao residents were ordered by government decree to destroy rural homes and move into hamlets; houses left standing were

to be burned to the ground. In certain cases, residents were forced to move twice within one month. As an independent five-person commission sent to Mindanao by the Integrated Bar of the Philippines (a prominent lawyers' group) concluded, the government ordinance authorizing hamleting "is inherently unconstitutional" and "even if the nation were at war under the laws of war, no forced transfer of civilians is allowed."<sup>10</sup>

● "a reasonable chance for . . . children." On this score, the eyewitness account of the San Vicente barrio (village) hamlet by Earl Martin (a former Mindanao-based representative of the Mennonite Central Committee) is particularly telling: "Scores of small children have gotten sick because of the hasty evacuations. At least 10 have died, victims of impure water, poor sanitation and exposure to the elements in inadequate structures. Possibly the number is many times that."<sup>11</sup>

Such comparison is especially apt since the regional AFP commander in charge of most of the Philippine hamleting (Brig. Gen. Alfredo Olano) has flaunted the fact that the Mindanao operation is modeled on the Vietnam-style "strategic hamlets."<sup>12</sup>

It seems doubtful that the U.S. would have condoned such an overtly brutal Philippine exercise were it not linked to efforts on the political-economic front. Indeed, economic reforms (or, at least, the rhetoric thereof) had been crafted as cornerstones of Philippine rural counterinsurgency ever since martial law was declared in 1972. A promised land reform stood as a centerpiece of Marcos' 1972 "New Society." By the end of 1980, however, a mere 1,700 tenants had become effective owners of their own land, far too few in number for the program to have generated much if any political support in the countryside.<sup>13</sup>

With assistance from the U.S. Agency for International Development and the World Bank, Marcos also inaugurated an Integrated Area Development (IAD) strategy in the early seventies. Focused on four priority regions, the IAD aimed at offering the areas a set of services including "security," road building and agricultural assistance.<sup>14</sup> While such projects provided strategic feeder roads and bridges to facilitate military access to insurgents, again they had little impact on winning peasant allegiance to the government.

The limited scope of these programs in the face of a rapidly growing insurgency occasioned the autumn 1981 launching of the KKK. Not surprisingly, this Imelda Marcos-administered operation has fed right into the military maneuvers linked to hamleting. Gen.

Olano admitted that on President Marcos' orders, the military was disseminating information about KKK,<sup>15</sup> a program Olano argued would help bring the poorer towns into the economic mainstream and therefore help win over minds.<sup>16</sup>

The military's role, however, runs far deeper. In the barrio of San Antonio, peasants were herded into a strategic hamlet, only to find 900 hectares of their former home set aside to grow trees for pulp wood.<sup>17</sup> Financing for the pulp project came from the KKK, while



the plantation was to be administered by Col. Alejandro Cruz of the AFP, who indicated hopes to expand the project later into other barrios and other cash crops. Peasants have also voiced growing concern that the hamlets, by leaving choice land in their wake, will directly benefit the numerous U.S. and Japanese transnational agribusiness corporations that already control tens of thousands of hectares of Mindanao's most fertile land.<sup>18</sup>

#### Government Denials

The 1963 U.S. military document on Vietnam hamlets had forewarned hamlet administrators

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against "surprise dive bombing attacks by journalists."<sup>19</sup> Likewise, Philippine hamleting came under a sustained press barrage in early 1982 from such publications as the New York Times, Time, and the Financial Times (London), as well as several human rights groups inside the Philippines.<sup>20</sup> Defense Minister Enrile responded defensively on March 2, claiming that hamleting was not authorized by the government and that police and military were ordered "to desist from participating in any manner of giving assistance or setting up hamlets."<sup>21</sup>

Despite these official utterances, the brutal saga continued. The head of the AFP Southern Command authorized training of 2,000 Integrated Civilian Home Defense Force militiamen, reportedly destined for the hamlet operations.<sup>22</sup> All other evidence from Mindanao suggests that the program, far from dead, is expanding. A June 1982 correspondence from Mindanao reported that hamlets "grow in number, especially in the provinces of Zamboanga del Sur and Davao del Sur." A fact-finding mission to the latter province discovered 36 hamlets holding an estimated 64,000 persons.

Refusing to learn from history, the Philippine government and military seem

condemned to repeat it, again at enormous human cost.

#### Footnotes:

- 1) From articles in: Asian Wall Street Journal, Philippine Daily Express and South China Morning Post, as reported in Asia Monitor, vol.5, no.3, 1981.
- 2) Mindanao Documentation Committee for Refugees, The Strategic Hamlets of Mindanao, December 1981, p.9.
- 3) New York Times, 2/26/82.
- 4) Southeast Asia Chronicle, April 1982, p.23.
- 5) Bulletin of Concerned Asian Scholars, Winter-Spring 1976. For a detailed description of the U.S. counterinsurgency program in Vietnam, see CounterSpy, vol. 1, no.2.
- 6) USOM, Office of Rural Affairs, Notes on Strategic Hamlets, Saigon, 1963, p.4.
- 7) Ibid., p.2.
- 8) The Guardian (New York), 6/9/82.
- 9) Cf supra, #6.
- 10) Far Eastern Economic Review, 3/12/82.
- 11) Cf supra, #3, p.16.
- 12) Ibid.
- 13) See Walden Bello, et. al., Development Debacle: The World Bank in the Philippines, San Francisco, 1982.
- 14) CounterSpy, vol.6, no.1, pp.47-48.
- 15) Cf supra, #2, p.15.
- 16) Financial Times (London), 3/8/82.
- 17) Cf supra, #2, p.11.
- 18) "A letter of appeal from the farmers of San Vicente (Laac), Davao del Norte," November 1981.
- 19) Cf supra, #6, p.16.
- 20) New York Times, 2/26/82; Time, 2/1/82; Financial Times, 2/8/82.
- 21) Cf supra, #10.
- 22) Ibid.

## U.S. Responsibility for Famine in Chad

by Jeff McConnell

Devastated by years of fighting, Chad may now be facing a famine. This comes in the wake of the victory of pro-Western Hissene Habre over the Government of National Transition (GUNT), headed by Goukouni Oueddi. Habre has been using the food weapon to consolidate his control over the country, increasing the chance of mass starvation.

In light of this developing tragedy, it is urgent to assess responsibility. U.S. officials and the "free press" are quick to blame Libyan leader Muammar Qaddafi. In an editorial two weeks after Habre marched into Ndjama, Chad's capital, the New York Times argued that his victory resulted from Qaddafi's "unconcealed imperial ambitions" which have made "anti-Qaddafi sentiment... into a formidable factor in regional politics." Such sentiment the Times illustrated by Goukouni's

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extrication of himself, "encouraged by France and the U.S.," from his Libyan connection, and by Nigeria's relief "to see the Libyans out."<sup>1</sup>

The facts point in a different direction. The devastation of Chad is another "sideshow" in the onslaught of U.S. foreign policy; in this case, a by-product of the Reagan administration's undeclared war on Libya. It was U.S. policies in the region (perhaps alongside those of France) that led most directly to Habre's victory, and thus to the misery Chad now faces.

#### Libya's Invasion?

The GUNT was established under the auspices of the Organization of African Unity (OAU) as a result of a series of conferences in Nigeria, culminating in an August 1979 accord. This

brought a brief respite after years of colonial and civil wars, but fighting again erupted in March 1980 between the Forces Armées Populaires (FAP) led by President Goukouni, and Habre's Forces Armées du Nord (FAN). In December 1980, Goukouni was suddenly successful when he activated a 1980 mutual defense treaty with Libya. Libyan troops pushed Habre's troops out of Ndjamen and eastward across Chad into Sudan.

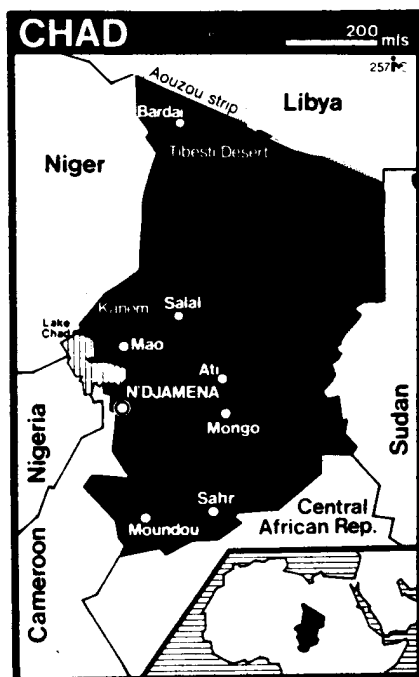
The French government — a longstanding foe of Libya in Chad because of Libya's support to the Chadian anti-colonialist struggle against France — had earlier given assurances to Qaddafi that it would not oppose Libyan assistance to GUNT. Now, President Giscard d'Estaing reneged on those assurances.<sup>2</sup> Unable to intervene militarily, Giscard instituted sanctions against Libya. He condemned the intervention as an "invasion," embargoed arms exports to Libya, and suspended an oil exploration agreement. Further, the French government orchestrated an OAU campaign against Libya. On January 6, 1981, Goukouni and Qaddafi issued a communique declaring that Libyan troops would continue to "keep security and maintain peace" in Chad. The communique stated that the two countries had

*Le Monde* reported that Goukouni had backed away from a merger, and Qaddafi explained that his opponents had mistranslated the word "unity" as "merger," incorrectly implying annexation.<sup>3</sup>

Still, capitalizing on this propaganda, the French government maneuvered the OAU's Chad committee, composed mainly of French client states, to issue a strongly-worded communique ordering Libya and Chad to nullify their mythical merger agreement and to demand that Libya withdraw its troops. Incredibly, in the midst of chaos inside Chad, the communique also mandated elections in Chad under OAU auspices by April 1981 and an OAU peacekeeping force for Chad. The election mandate was probably intended as propaganda. Edem Kodjo, OAU's General Secretary himself, stated that such an early election was impossible. The peacekeeping force proposal seems to have been dishonest as well. The authorization for an OAU force had been in effect since the August 1979 agreement, yet no force had materialized. In fact, Libya's troops soon became a *de facto* peacekeeping force, and as subsequent OAU statements made clear, most African nations were satisfied with it especially after Francois Mitterrand replaced Giscard in May 1981.

Most were satisfied, that is. Egypt and Sudan were not. Although the OAU demanded that states bordering Chad refrain from permitting non-African powers or Chadian dissidents to mount attacks into Chad, France and Saudi Arabia immediately became involved with Sudan and Egypt in planning such attacks. These two countries came to regard Chad as an important strategic back door for attacks upon Libya. The French government also set out to destabilize the GUNT coalition directly. Southern Chad, Christian and animist, is culturally distinct from the Arab and Muslim north. It is also economically more developed than the north and it continued to maintain close political and economic ties to France after the Foreign Legion was withdrawn.

The south is controlled politically and militarily by Wadal Abd al-Kader Kamougue's Forces Armées Tchadiennes (FAT). "A



agreed "to work for the realization of complete unity between the two countries." This line was deliberately misread by anti-Libyan propagandists to mean that Libya had annexed Chad. There was ample evidence that this reading of the communique was a false one.

*(Jeff McConnell is a political activist living in Cambridge, Massachusetts. He is the author of two major articles on Libya published in CounterSpy.)*

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consensus appears to have developed among Nigeria and other key states of the OAU (in consultation with French strategists)" noted the anti-Libyan African Index three months after Libyan troops went into Chad, "that the preferable way to get the Libyans out of Chad" involves an effort to activate "Kamougue's opposition to the Libyan connection."<sup>4</sup>

### Reagan Moves to Destabilize

The Reagan administration also increased its involvement after Giscard's defeat in May. In February 1981, a high-level French official came to Washington to discuss the coordination of actions against Libya with top administration officials. Among the actions discussed was the possible assassination of Qaddafi.<sup>5</sup> Presumably another point of discussion at the meeting was Chad. The administration was concerned about increasing Libyan influence in Africa, and in particular about the security of Egypt and Sudan. Also, during the spring, the U.S. government completed an inter-agency study began under Carter on U.S. options against Libya and inaugurated a large-scale campaign against Libya based on the study. This campaign, a small part of which was leaked to the press in May and June 1981<sup>6</sup> included:

- expelling Libyan diplomats from the U.S.;
- intervening in Mauritius to (unsuccessfully) prevent progressive forces considered "pro-Qaddafi" from coming to power;<sup>7</sup> and in proposed "elections" in the Western Sahara<sup>8</sup> and in post-coup Liberia;
- organizing Libyan exiles into a unified "Libyan Liberation Front" in Somalia and Egypt;
- mounting an Africa-wide anti-Qaddafi propaganda campaign, similar to that used against Cuban leader Fidel Castro in the early 1960s, portraying Libya as a source of terrorism and subversion, falsely attributing to Libya incidents in Nigeria, Tunisia, Ghana, Somalia, The Gambia and Sudan;
- increasing CIA and Pentagon presence in North Africa<sup>9</sup>;
- destabilizing Libya economically, mainly through disrupting its oil sales;<sup>10</sup>
- undermining unity in the OAU in anticipation of Qaddafi's chairpersonship after August 1982;
- creating military pressure on Libya by militarizing its border areas and by conducting land and naval maneuvers around it; and
- attempting to provoke a coup in Libya and to assassinate Qaddafi.

In a sense, Chad was a "sideshow" to this larger plan — but an important one. The

U.S. reportedly provided arms, money and supplies to the anti-Goukouni effort.<sup>11</sup> Egypt handed over weapons from bases in Sudan, and since most Egyptian weapons are U.S.-made, President Anwar Sadat needed U.S. approval (required by law) to transfer these weapons. Habre's forces were also trained by Egyptian and Sudanese military officers in the Sudanese towns of Koulbous and El Geneina, and Saudi Arabia reportedly provided him with money.<sup>12</sup>

At the same time, the U.S. withdrew its diplomatic staff from Chad and cancelled all bilateral aid including food aid. This embargo was especially devastating amid the turmoil created by Habre's forced withdrawal to Sudan. His troops killed nearly 5,000 people, destroyed the crops and livestock of anyone thought to be supporting Libya, and forced more than 100,000 to become refugees.<sup>13</sup> The State Department professed to have very little information about events inside Chad, but this claim is dubious: there are reports that U.S. military men, recruited by Edwin Wilson and working for Libya inside Chad, were routinely debriefed by the U.S. government upon their return to the U.S.<sup>14</sup>

In July and August 1981, Egypt airlifted arms to Habre's forces in El Geneina,<sup>15</sup> and in September, Habre mounted an offensive against Chad from Sudan. Sudanese President Jaafar Numeiri used the uncertainty during the crisis following the shooting of Sadat, and the fact that Libyan troops were counterattacking against Habre, to create the impression that Libya was threatening Sudan militarily from Chad. The Reagan administration responded with "training teams" and AWACs<sup>16</sup> for Sudan, and Numeiri stated that the U.S. was committed to defending Sudan. However, after European diplomats characterized Numeiri's statements about a Libyan threat as "exaggerated,"<sup>17</sup> senior Sudanese officials said they believed Qaddafi had postponed plans to invade Sudan. Most observers agree, though, that logistically a Libyan invasion of Sudan was not possible.

### The OAU "Peacekeeping Force"

After consultations between Goukouni and French President Mitterrand in October 1981, France began supplying arms to Chad and soon had persuaded Goukouni to ask Libya to withdraw its troops. An OAU peacekeeping force was to take Libya's place. Goukouni had been interested in the creation of such a force since the Lagos accord of August 1979. Mitterrand now persuaded Goukouni that such a force could be raised. Internationally, it was

reported that Goukouni happily ordered Libyan troops to leave. However, the Western media chose to all but ignore statements by Goukouni which indicate otherwise. In an interview with West Africa, he stated: "In view of the attitude of African brothers and due to extra-African pressure, we were forced to demand the withdrawal of Libyan forces from our soil, to enable those countries which are fearful about Chad because of the presence of Libyan forces to have confidence in us." West Africa commented: "The one bright spot in the immediate future is the end of Chad's ostracism from the traditional sources of financial assistance."<sup>18</sup>

But these new sources of assistance did not develop. Although small amounts of French aid came in, a consortium of potential Western aid donors to be put together by the U.S. after Libya's departure got nowhere. Moreover, France and the U.S., which had promised to bankroll the OAU force, came up with no more than \$24 million, enough for about two months duty.

The peacekeeping force was made up of troops from France's client Senegal, the U.S. client Zaire, and Nigeria. All three countries are staunch foes of Libya. Habre announced a ceasefire, and Sudan proclaimed that it was no longer assisting Habre, but Numeiri, after meeting with Goukouni to normalize relations, stated that Goukouni was still an obstacle to peace in Chad because he would not negotiate.<sup>19</sup> Goukouni in fact had expressed willingness to negotiate with Habre's forces though not with Habre himself. For Goukouni, there was too much blood on Habre's hands to make him a legitimate Chadian leader. Habre began military action again in 1982, and the OAU forces refused to intervene. Moreover, it was reported that soon after, there had been secret contacts between Kamougue and Habre. Thereafter Kamougue called for direct negotiations with Habre. Many African observers saw non-African hands behind Kamougue's actions.<sup>20</sup>

More indications of the double-cross surfaced in Zaire. The contribution by Zaire to the OAU force arrived in Chad long before the other troops, only days after President Mobutu had been formally asked to contribute to the force. Mobutu's eagerness to dispatch his crack French-trained 31st Battalion, especially in light of his own internal problems, surprised observers at the time.<sup>21</sup> Mobutu's staff director Me Nyma was reportedly told by Mobutu in January 1982 that Secretary of State Haig "had developed a plan to end the Chad crisis by dividing the country into two parts."

One part would be given to Habre, considered a reliable "Westerner" and anti-Libya. "The U.S. aim, said Mobutu, is not only against the Soviet-Libyan menace but also to eject the French who under President Francois Mitterrand supported the official [GUNT] government." During a visit to Washington, Mobutu was reportedly told "not to take any step that could aid the stability of GUNT... in whom the White House has 'no confidence.' Tacitly to aid FAN... so that they could, supported by... Sudan, gain control of a larger part of the country and thus be in a better position when it eventually came to negotiations between GUNT and FAN. To give active, if secret, support to any of the Chad military who declare their intention of a coup against [Goukouni]."<sup>22</sup>

The negotiations game continued and the OAU committee on Chad, still made up of French and U.S. clients, threatened to pull the OAU force out unless Goukouni agreed to negotiate. The New York Times reported that "pro-Western African countries have shown increasing impatience with Mr. Goukouni, accusing him of blocking settlement efforts."<sup>23</sup> Finally, at a May 21 conference in Zaire; Nigeria, Senegal and Zaire made their pullout

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## **The U.S. reportedly provided arms, money and supplies to the anti-Goukouni effort. Egypt handed over weapons from bases in Sudan.**

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threat formal, giving Goukouni until the end of June.

Meanwhile, encouraged overtly by these developments and probably covertly as well, Habre began a march toward Ndjamena. A Washington Post correspondent wrote from Paris that "Habre's one-time backers during the Libyan occupation [sic] period — especially the United States, Egypt, and neighboring Sudan — have sworn they have stopped supplying his troops. However, even in French official circles, some analysts are not convinced that the United States has cut off ties with Habre."<sup>24</sup> Once again Habre laid waste to crops, creating famine conditions. Kamougue placed more pressure on the GUNT

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coalition, and Goukouni responded by trying to reorganize the government. By June 1982, however, the situation for GUNT was hopeless. GUNT forces disintegrated into private armies, and many of them refused to face Habre's forces. Habre marched into Ndjamen on June 7.

Soon afterwards, Zaire announced that it would be pulling out its troops promptly. However, when the United States asked the OAU to keep troops in Chad a while longer, Zaire immediately complied with the U.S. request. Although the U.S. offered no reconstruction aid, it did want to make sure that Habre was able to consolidate his hold over Chad militarily. Chad's "sideshow" status was made plain: the U.S. would only do in Chad the minimum necessary to keep out Libya. Habre hypocritically told The Economist that "getting Chad to make to make do without foreigners" is his goal. (Cynically, this goal is now shared by the U.S., "exonerating" it of further responsibilities there.)

Habre also told The Economist that atrocities that had occurred since June 7 were "only natural since armies have a habit of behaving badly after winning a long war." The Economist observed: "Mr. Habre's certainly do. A French doctor who witnessed his short-lived conquests of Ndjamen in 1978 and 1980 [times of ferocious brutality] estimates that some 700 people have been executed since the rebels marched into the city two weeks ago .... The water in Ndjamen is contaminated with typhoid. Shops are shuttered and empty. Mr. Habre's soldiers have looted what little was worth stealing. The outdoor markets are crowded but basic foodstuffs are scarce ...." In order to neutralize factions of the GUNT coalition that are holding out and refuse to be disarmed, Mr. Habre's army, having "laid waste to crops in many districts, ... is now deliberately withholding food supplies from villages suspected of supporting rival factions." A U.N. adviser estimates that food production will fall by one-third this year and that "one million people may be near starvation."<sup>25</sup>

The U.S. contribution to relief efforts has been seven planeloads of grain in July 1982, a very modest contribution compared to U.S. efforts during politically significant crises. It is a contribution nonetheless, and a small price indeed for maintaining Western leverage over one of Africa's largest countries and for teaching the lesson of the high cost of close relations with Libya to other nations.

#### Footnotes:

- 1) New York Times (NYT), 6/19/82.
- 2) Le Monde (LM), 12/27/80 - 12/31/80. For history, see 32 -- *CounterSpy* -- Sept.-Nov. 1982

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- 3) LM, 1/8/81 and after; see also International Affairs, Winter 1981-82, p.35; FBIS, Middle East, 1/7/81; African Index, 3/23/81.
- 4) African Index, 3/23/81.
- 5) Atlanta Constitution, 1/27/81.
- 6) Daily News (New York), 5/17/81; Newsweek, 8/3/81, p. 19.
- 7) Wall Street Journal, 8/4/81, p. 30; NYT, 6/10/82; Africa News, 7/5/82.
- 8) Los Angeles Times, 2/12/82.
- 9) New Statesman, 1/1/82, p. 14.
- 10) See G. Henry Schuler, "A Policy for Dealing with Libya," SAIS Review, Winter 1981-82, pp. 199-212.
- 11) The Economist, 11/14/81, 6/5/82; Christian Science Monitor (CSM), 6/11/82.
- 12) West Africa (WA), 6/21/82.
- 13) The Economist, 11/14/81.
- 14) NYT, 10/24/81; WP 10/26/81.
- 15) The Economist, 10/10/81.
- 16) WP, 10/14/81, 10/15/81.
- 17) NYT, 10/17/81.
- 18) WA, 11/23/81.
- 19) NYT, 2/12/82;
- 20) Afrique-Asie, 6/21/82.
- 21) WA, 11/16/81.
- 22) Africa Now, June 1982, p. 49.
- 23) NYT, 3/13/82.
- 24) WP, 6/4/82.
- 25) The Economist, 6/19/82.

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# Falklands/Malvinas Misinformation

by M. Richard Shaw

By March of this year, the British government had the idea that something was "going on" around the Malvinas/Falkland Islands. After all, on March 18, scrap merchants from Argentina raised the Argentine flag on the "Falklands dependency of South Georgia." The British government's response was two-fold: publicly, it was skeptical about reports that the action might be a prelude to an invasion of the main islands. On the other hand, with a view to dissuading the Argentine government from launching any military action, the Ministry of Defense (MOD) at the end of March allowed "information" to leak out that a nuclear submarine, H.M.S. Superb was headed for the South Atlantic. This was never officially confirmed, but the MOD "clearly wanted the story published."<sup>1</sup> Subsequently, the MOD led the press to believe that the submarine was patrolling the islands.<sup>2</sup> But in April, the H.M.S. Superb turned up in Scotland.<sup>3</sup> It had never been to the South Atlantic.

The H.M.S. Superb story was the opening salvo of the MOD's disinformation campaign during the Malvinas/Falklands war. The war demonstrated that the Defense Ministry is as much devoted to propaganda as it is to war. It is an expert in disinformation and in controlling the flow of the news: it knows how to lie. Ex-Navy Minister Lord Mayhew explained and supported the government's disinformation campaign: "Government statements should be in the least informative.... Indeed, I think we would forgive Ministers if, in the interest of the forces, some of their statements were positively disinformative at some time."<sup>4</sup>

One such "positively disinformative" statement was made by Sir Frank Cooper, the highest ranking civil service officer in the MOD. He told reporters in a background briefing (no attribution) that the British were planning only hit-and-run raids on the Malvinas and no full-scale invasion. On May 21, 1982, British dailies duly reported his statement, and a typical headline read: "Full-Scale Invasion Unlikely: Phased Landings and Bombardments Expected." Within hours of the news reports, the British launched a frontal assault on San Carlos Bay, and Sir Cooper was only saved from being exposed as a liar by his assured anonymity.<sup>5</sup>

To ensure that no news items that would have run counter to official British statements about the war reached the public, the government set up an elaborate mechanism of censorship from the day the fleet left England with carefully selected reporters from the BBC and certain newspapers on board. The arrangement was that a correspondent had to submit his or her copy to one of the three MOD "public relations officers" — known to the journalists as "minders" or "thought police" — who detected anything that offended the rules, such as reports about the ships' positions, troop movements, personnel and equipment, or "stories that might sap morale."<sup>6</sup>

A journalist's report was further checked by the Captain of the ship's secretary, followed by the Captain. It was then transmitted to the H.M.S. Warrior at Northwood in Middlesex, England, the headquarters of Admiral Sir John Fieldhouse, Commander-in-Chief of the fleet,<sup>7</sup> to be vetted once more. Journalists' reports were then sent to the Defense Ministry, London, where prior to their release, they were again checked by press officers — and doubtful cases were referred to Rear-Admiral William Ash, Secretary of the Defense, Press and Broadcasting Committee, better known as the "D" Notice Committee.<sup>8</sup> In at least two instances, Ash contacted the editor of the newspaper concerned and asked for certain material to be deleted. The editors complied.

Some amazing absurdities resulted from the censorship: on one day correspondents were not allowed to name a unit commander involved in the South Georgia landing, but the following day his photograph appeared in the Sun, courtesy of the MOD.<sup>9</sup> In another instance, H.M.S. Warrior's shore-based censors wanted to cut references to two bombing raids on Port Stanley by British Royal Air Force Vulcans, and the number of Argentine troops billeted on the islands. In both cases, the information had already been printed by all major newspapers.

On board the fleet, British journalists chafed at the censorship. Alistair McQueen complained that "on the few occasions we have been allowed to send stories to Britain they have been censored out of recognition, or

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delayed so long they arrive too late." He added that the Navy did not want the press in the first place and "only political pressure from the very top [the government] forced the Admirals to grudgingly allow us to accompany the force."<sup>10</sup>

One Briton who returned to England during the conflict found that he "was considerably more up-to-date [about] the conflict than the rest of the British public." He had been working in Scandinavia, where the media had been "full of the news of the Falklands dispute." On Monday, May 31, newspapers contained accounts of the landing of 3,500 troops from the Q.E.2, complete with maps showing the landing places. The British newspapers gave no such information, but only vague news of "rumors" with denials from the Ministry of Defense.

The censorship of TV film and photos of the fighting was even more stringent. Some British reporters believe that the Navy never wanted TV coverage and informed TV crews only after the ships were well on their way that the transmitting facilities were not sufficient for television. Other reporters think that the transmission of TV films via a military satellite might have worked, but the Navy commanders never authorized a test run to see

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## **The war demonstrated that the Defense Ministry is as much devoted to propaganda as it is to war. It is an expert in disinformation and in controlling the flow of the news: it knows how to lie.**

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whether transmission would have been possible.<sup>11</sup>

It was not until seven weeks into the crisis that the MOD began producing the first black-and-white stills from the battle zone.<sup>12</sup> Until then, British newspaper readers found themselves looking at sketches of military successes — not seen since the Boer War. Government officials claimed that news photographs arrived weeks later in London because there were no proper facilities aboard

the ships. However, with the landing of the British marines at San Carlos Bay, the task force suddenly had the ability to transmit instant photographs. The first photo to be published in London within hours — rather than weeks — after it was taken showed three marines raising the British flag after the successful invasion, but live action film of the military landing on Goose Green on May 28 was not televised until June 9, and pictures of the battle for Port Stanley on June 14 were not shown until June 19. However, given a secure land base, and the fact that the film crews on the spot were equipped with the latest electronic equipment, there was no reason that film of the war should not have been on British TV much sooner.

The MOD's reasons for censoring films and photographs are obvious. The government did not want pictures showing the horror of Britain's "heroic" war to be seen by the public — pictures of the sinking of the troopships Sir Galahad and Sir Tristan where "people were screaming, trapped in their rooms, people were in agony"<sup>13</sup> or pictures of Argentine survivors arriving in Montevideo "with scorched faces, peeling skin and burnt hands thrust into plastic bags to prevent infection."<sup>14</sup> No shots of blood, guts, gore and mangled bodies, or pictures of the bodies of those who leapt off ships with their body fats burning, were ever televised.

The same rule was applied to pictures of the dead, decapitated and injured Argentinian troops. Prior to the capture of Goose Green, many Argentine troops died during a fierce air and artillery bombardment when outlawed anti-personnel BL 755 cluster bombs<sup>15</sup> were deployed. These explode about 50 feet above ground, sending hundreds of razor-sharp projectiles slicing through the air to shred any human being in the vicinity. The scene when the British finally had won the battle of Goose Green must have resembled an open-air slaughterhouse where — according to MOD figures — 250 Argentinians and only 17 British soldiers died.

Six-hundred-pound cluster bombs were used again when British troops captured Port Stanley.<sup>16</sup> Once Argentine positions had been taken by paratroopers, the Gurkhas (British-recruited mercenaries from Nepal) were given the job of "mopping up the enemy positions."<sup>17</sup> The term "mopping up" is a euphemism for slaughter. British censors didn't want any pictures or reports of British officers forcing Argentine prisoners of war to clear minefields — a violation of the Geneva Convention. Likewise, film of British paratroopers pushing to Port Stanley "blind to anything but victory"

and bayonetting Argentines out of their trenches when they did not immediately surrender were undesirable for the MOD. (During the sea voyage to the Malvinas, the British troops had apparently been psychologically prepared for brutal killings by officers' statements such as "any silly sod who thinks it's better to take prisoners than to shoot the Argies is a dummy. Shoot them."<sup>18</sup> According to the feminist London-based outwrite, hard-core pornographic movies were also screened for the troops.)

The British government and media gained much propaganda leverage with the discovery of napalm containers at Goose Green. The weapons were never used by the Argentine troops. However, British troops were fully prepared to employ the horrifying weapon in the defense of South Georgia. Lt. Keith Mills told the Sunday Times that he arranged for improvised napalm booby-trap bombs, of plastic explosives attached to cans of paint and petrol, to detonate if the Argentinians stormed the beaches. "The paint was just to give the burning petrol some substance and weight so that it would travel and stick. Had they landed on the beach and jetty, they would have been incinerated. We would have turned the beach into an inferno."<sup>19</sup>

British reporters and editors, who rarely dared to attack the British government during



the war, now have begun to speak out, and a bipartisan panel of the Parliamentary Defense Committee has begun hearings on the government's handling of censorship. It appears that the censorship often had little to do with protecting British soldiers and military secrets. Its real intent was to keep information from the British public which might have led it to question or oppose the war. London Times reporter John Witherow and other journalists were told by Invincible Captain Jeremy Black that "Britain lost the cod war [conflict over

fishing rights] with Iceland because of a bad press,... and that he was trying to rectify it."<sup>20</sup>

British censors apparently also remembered that critical reporting about the U.S. war in Vietnam — limited as it was and late as it came — contributed to public sentiment against the war in the U.S. Said John Nicholson of Independent Television News, "It was a question of 'Look what you people did in Vietnam, turning a nation against the war.'" The BBC's Brian Hanrahan — many of whose censored reports were run on U.S. radio — argued that a balance should have been struck "between the military need to keep things secret,... and to provide information in an acceptable form to the country which is supporting, financing and running the operation."<sup>21</sup>

Margaret Thatcher's government tried to portray the Malvinas war as a battle for principles, liberty, self-determination and democracy. At the same time, her MOD instituted censorship which was designed to prevent the people in Britain from being informed about the war. A large segment of the British media, instead of fighting government restrictions, went along with Thatcher's censorship and portrayed any questioning about the war as unpatriotic. Censorship and the willingness of most British editors and reporters to go along with it were a critical factor in creating and maintaining considerable public support for Thatcher's war in the South Atlantic. The people in "democratic" Britain hardly had a chance to decide whether or not to support the war. They were simply not informed about crucial issues, and knowledge about the issues is a prime condition for making a decision.

#### Footnotes:

- 1) The Economist, 5/15/82, p. 28.
- 2) New Statesman, 5/7/82, p. 16.
- 3) The Sunday Times, 5/16/82.
- 4) The Sunday Times, 5/30/82, p.19.
- 5) See New York Times, 6/25/82, p.A-12.
- 6) The Observer, 5/9/82, p.31. A "minder" is a term of British criminal slang referring to a "heavy guy" or "protector" of a criminal boss.
- 7) The Economist, 5/22/82, p.31.
- 8) See M. Richard Shaw, "British Right Censors for South Africa," CounterSpy, vol. 6, no. 2, pp.47-54.
- 9) The Observer, 5/9/82.
- 10) Daily Mirror, 5/14/82.
- 11) See New York Times, 7/3/82, p.2.
- 12) Daily Telegraph, 5/21/82, p.4.
- 13) See Sunday Express, 6/13/82.
- 14) Daily Telegraph, 6/17/82, p.1.
- 15) The Sunday Telegraph, 6/13/82.
- 16) Time, 6/21/82, p.31.
- 17) Daily Telegraph, 6/16/82, p.32.
- 18) Washington Post, 7/4/82, p.A-17.
- 19) Sunday Times, 6/6/82.
- 20) Cf. *supra*, #11.
- 21) *Ibid*.

## New Resources on Guatemala

Bitter Fruit, by Stephen Schlesinger and Stephen Kinzer, Doubleday, \$16.95.

The C.I.A. in Guatemala, by Richard Immerman, University of Texas Press, \$24.50.  
Guatemala, by North American Congress on Latin America (NACLA, 151 W. 19th St., NY, NY 10011). \$9.75.

The July 1 declaration of a state of siege in Guatemala by the military regime of General Efraín Ríos Montt, with the words, "it is time to do what God orders," makes it even more urgent that people in the U.S. become aware of the recent history of U.S. relations with that country. Fortunately, the resources under consideration here provide the opportunity to construct an historical view of the 1954 CIA overthrow of a democratically elected Guatemalan government, as well as Gen. Montt's 1982 coup, and of the structural factors that determine the relations between the U.S. and Guatemala.

Bitter Fruit and The CIA in Guatemala dramatically tell the story of the 1954 coup, with a detailed account of "Operation Success," and the role of the CIA, State Department and corporate officials responsible for it. Both are based on primary sources available in the U.S., and on documents released through the Freedom of Information Act. Written by former Time staff writer Stephen Schlesinger and the Boston Globe's Latin American correspondent Stephen Kinzer, Bitter Fruit is billed as "a fast-paced adventure" book with "as much action as a spy novel." The book focuses on the people and events behind the scenes as the action unfolds. Though descriptive and extensively researched, this "popularization" leads at times to a confusing lack of analysis and an over-valuation of the importance of individual actors. For example, Guatemala's indigenous population is at one point described as "passive peasants," but two pages later, when massacred by the government, they become "rebellious Indians." During their recounting of the United Fruit Company's (UFCO) plunder of Guatemala, the authors still assert that "in some senses, the Fruit Company was benevolent and paternal."

History professor Richard Immerman starts from the thesis that the U.S. intervention in Guatemala in 1954 "involved much more than a covert operation to defend United Fruit

Company." The basis for the U.S.-Guatemalan conflict, was "in sum, this: during the period of cold war tension, neither the United States government nor the public understood Guatemalans." Immerman's account is as limited as the questions he poses — his conclusion barely mentions the consequences to Guatemala of the 1954 coup, but instead reasons that because of the easy CIA success in Guatemala, U.S. policy makers failed to learn the real political lessons, and therefore reflexively applied the same tactics to disastrous effect in the Bay of Pigs. Immerman's study of the cold war mentality represses the question of the continuity of U.S. policy in the region to the present, despite the ever-changing public relations campaigns of successive governments.

NACLA has recently re-issued its 1974 book on Guatemala, edited by former staff members Suzanne Jonas and David Tobis. Although not updated, it remains a crucial exposition of the economic, social and cultural composition of Guatemala, and of the economic and military strategy the U.S. has used there to prevent national development and democratic government. The articles in Guatemala present a thorough class analysis without reducing events to abstract categories, or solely to the effects of U.S. hegemony. While rigorous and demanding, it is graphically excellent and accessible to the non-specialist.

These three sources are factual and well-documented, but their aims and achievements differ widely. The first two present the appearance of "fairness to both sides," but since they are based on U.S. government and press sources, they reflect the "objectivity" of these sources, and limit the conclusions of their research in order to stay within the bounds of "respectable" criticism. The NACLA book makes use of the same factual revelations, but goes beyond them to situate events such as the 1954 coup in the context of the determining relations of power. At the same time, NACLA does not sacrifice popular accessibility as it builds an adequate and complex analysis of historical events. The first two will be of interest to those already familiar with Guatemala, who seek the details behind the archetypal CIA coup. NACLA's book is an excellent introduction to Guatemala's history and to the structural aspects of underdevelopment and domination. - David Schaller -

# Special Supplement on World Bank and IMF

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## Introduction

# The Bretton Woods Twins

by Cheryl Payer

The International Monetary Fund and the World Bank were founded in 1946, after the end of World War II. They are called the Bretton Woods institutions after the New Hampshire resort which was the site of the planning conference in 1944. The intent of the planners was to restore some semblance of the free movement of international trade and payments which had existed, briefly, around the turn of the century. After the great crash of 1929, most nations attempted to protect their economies by imposing restrictions on trade and payments, and this protectionism was held by the planners to be responsible for the length and severity of the depression of the 1930s. It was believed that if governments could easily obtain international loans in times of crisis they could avoid imposing restrictions on international payments while other solutions were invoked.

The Third World (most of which was still under colonial rule at the time) did not play much of a role in the original design of the IMF and the World Bank. The Fund was designed to be the referee of exchange rate changes of the major developed countries as well as the source of funds in times of crisis, and the reconstruction of war-ravaged Europe was supposed to be carried out by the Bank, as its original name (International Bank for Reconstruction and Development) recalls. But it was quickly discovered that the industrial powers would not tolerate supervision by an international organization controlled by economic rivals, and the IBRD was soon superseded by the Marshall Plan as a supplier

of capital for European rebuilding. By 1949, both institutions had turned to Latin America and to the areas undergoing formal decolonization as their major field of activity. For over 30 years they have played a role second only to the bilateral aid program of the United States in determining the course of economic change in the Third World, and their multilateral form has made them a convenient facade from behind which the industrial countries can dictate policies which would be strongly resented on a bilateral basis.

Member nations of the IMF and the World Bank control the institutions on the basis of a system of weighted voting which ensures veto power on the most important issues to a handful of the wealthiest nations in North America and Europe. As these controlling powers are without exception capitalist, they have taken care to elaborate and to impose on their borrowers a philosophy of economic development which invariably favors the capitalist class and imposes the burden of austerity on the working classes and the poor. The Third World governments which borrow money from the Fund and the Bank are both victims and co-conspirators, in varying proportions, of this capitalist scheme.

The United States, by far the most powerful member and the largest subscriber to both institutions, frequently imposes its policies

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(Cheryl Payer is a former visiting professor at the University of Hawaii and author of *Debt Trap: The IMF and the Third World*, and the forthcoming book, *World Bank: A Critical Analysis*. Both books are published by Monthly Review Press.)

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on them. The U.S. Treasury Department, in its report on the multilateral development banks issued last February, even boasts of the occasions on which it has been able to determine policy and practice in the Fund and Bank. For the most part, however, their policies represent a consensus, a united front, of the wealthy nations vis-a-vis Third World members.

### The International Monetary Fund

The function of the International Monetary Fund (IMF) is to extend short-term balance-of-payments support to countries which are in temporary payment difficulties, so that these countries will not be forced to impose restrictions on international trade and payments. In recent years such credits have been extended almost exclusively to Third World nations. The typical form of such support is that of a "stand-by arrangement" or line-of-credit which is extended after agreement is reached between Fund officials and high financial officers of the borrowing country on the specifics of a stabilization program to be implemented by the latter. The IMF credit is made conditional on the faithful implementation of this program, and the higher the sum that is lent, proportional to that country's quota in the Fund, the more severe is the "conditionality."

Although it cannot be denied that the economic management of most of the governments which borrow from the Fund very much needs to be improved, the terms of the IMF's stabilization agreements are a giant step in the wrong direction. They are invariably socially regressive, penalizing the working classes with wage freezes and higher prices while offering generous tax and legislative concessions to foreign investors. Further, if one assumes that the correction of the underlying balance of payments problem is the aim of the program, they are self-defeating, for the effect of the program is usually an intensification of both present and future deficits, and thus an intensification of the foreign debt crisis. As neither the IMF bureaucracy nor the wealthy nations which fund and control its operations are unintelligent or suicidal, one must assume that the real purpose of this conditionality lies elsewhere. To be explicit, these credits serve to discipline governments which are inclined to criticize and confront foreign investors, and to support governments which are approved by the IMF's major stockholders.

The discipline function is apparent in

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the conditions which borrowing countries are forced to accept. These typically included liberalization of imports and removal of restrictions on foreign payments, devaluation

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**The terms of the IMF's stabilization agreements are . . invariably socially regressive, penalizing the working classes with wage freezes and higher prices while offering generous tax and legislative concessions to foreign investors.**

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of currency, tight domestic credit restrictions, an end to subsidies on items of popular consumption, and the previously mentioned wage controls and subsidies to private (and especially foreign) investors. The key item is the first, the dismantling of import and exchange controls. For a country which has a balance of payments problem to begin with, such a prescription must lead to a worsening of that problem, and it can only be carried out with the help of the foreign credits supplied by the IMF and by other credit institutions.

These credits do nothing to help the plight of the poor and working people in the affected country. On the contrary, the IMF-designed stabilization program aims at reducing local purchasing power in order to free resources for export or for payments on the foreign debt; and it does so in the most socially regressive fashion, taking only from the poorer classes — because the wealthy, and the corporations, must be pampered as potential investors. Such programs bear a strong similarity to the Reagan administration's "supply-side" policies in the U.S. Local businesses, however, may be hurt or destroyed by the credit squeeze and the reduced purchasing power of their customers, and in a typical stabilization program many of them are bought out by foreign competitors.

This tough (and class-biased) economic discipline is not applied even-handedly to all

clients of the IMF, even though all stabilization programs will appear superficially similar, containing most of the elements enumerated above. The severity with which these conditions are imposed varies considerably among countries, and a double standard ensues which makes clear the second major function of the IMF — that of supporting governments allied with or approved by the United States and other major donors. To understand this, one has only to observe the difference in the way certain governments are treated when they fail to meet the performance targets set for them as part of the stabilization program. For example, a confidential evaluation of a three-year Extended Fund Facility (EFF) program in the Philippines acknowledged that the government had failed to meet virtually all the performance targets set by the program. Despite this, the IMF judged the performance as "satisfactory," and blamed the disparities on external forces beyond the control of the government. In that same year, however, the Fund quickly suspended its standby arrangement with the government of Jamaica when that country (which was no less at the mercy of international conditions) missed a few performance targets. The difference in treatment is no doubt explained by the fact that the Jamaican government was slightly leftist and its major opponent was on its right, while in the Philippines the opposite was the case. Other conspicuous cases in recent years in which strong support has been extended to corrupt and repressive governments which have not been seriously disciplined are Zaire and Turkey.

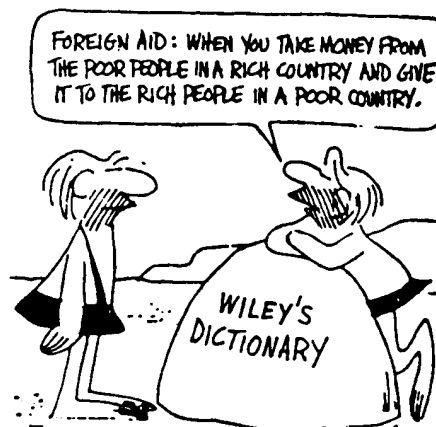
When I chose the phrase "the debt trap" as the title of a book on the IMF several years ago, I was thinking of nothing more sinister than the natural seduction offered by the availability of cheap credit. In recent years, however, a pattern has emerged which suggested that the IMF is deliberately baiting a "trap" for potential borrowers who are understandably wary of accepting Fund conditionality and/or are not yet in a crisis so severe as to force them to borrow money on any terms available. In such cases the IMF appears to be offering especially easy conditions in the first agreement signed with such reluctant borrowers. Then when (as is almost inevitable) the government misses one or more performance targets, the agreement is suspended by the Fund. In the meantime, however, the money borrowed from the Fund, and the much larger amounts made available by the commercial banks which hide behind the skirts of the Fund, have already been spent

and must be repaid. The trap is sprung. The second agreement, negotiated by the borrowing government under much less favorable conditions, contains much harsher conditions than the first. Costa Rica, Bangladesh, and Tanzania are three of the fifteen countries which found their credits suspended in the past year. It is almost certain that the \$5.9 billion credit to India last fall will prove to be this kind of a trap, enticing a reluctant borrower into a first, easy contract which will eventually be followed by a harsher one.

### The World Bank

The World Bank is supposed to lend funds for economic development, in contrast to the balance of payments support supplied by the IMF. The greater part of its funds are committed to the financing of specific projects. In the early years of the Bank, most of the money was devoted to the fields of transportation and electric power, which are still among the largest categories of Bank loans. In subsequent decades the number of sectors eligible for Bank funding was widened considerably — industry, mining, health, education, and population control all receive loans. Under the presidency of Robert McNamara (1968-1981) new forms of lending were devised which were supposed to increase the productivity of poor people (according to Bank publicity). Lending to agriculture became the most important single sector, including a large subclass of loans targeted at small farmers. In Third World cities the upgrading of slum and shantytown areas was claimed to aid in solving the shelter problems of poor people.

In the past few years two new forms of lending have become important. Loans for the



exploration and development of oil and gas fields were made or the first time, while lending for mine development increased. Secondly, the Bank began to make so-called

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"structural adjustment loans." These closely resemble IMF program loans both because they represent balance of payments support not tied to specific imports and because the conditions attached to these loans are very similar in content to the conditions imposed by the IMF. These are called "nonproject" loans by the World Bank.

In addition to the large amounts of its own resources which are committed each year to this type of lending (\$13 billion in fiscal year 1981), the Bank magnifies its financial leverage by coordinating and subordinating a number of international financial and technical organizations, bilateral aid agencies, and export credit institutions. Through its massive program of research on economic policy and the economic conditions of specific member countries it has achieved a position of financial and intellectual hegemony over other agencies, including the regional development banks, several specialized agencies of the United Nations (the Food and Agricultural Organization and UNESCO), and several of the most "liberal" bilateral aid programs (of Canada, the Netherlands, and the Scandinavian countries). The World Bank also plays a critical role in the coordination of the overall aid programs of bilateral and IMF credit to individual countries through its position as convenor of nearly all existing aid consortia or consultative groups. In so doing it is effectively organizing creditors' cartels which present a united front to borrowers and limit their possibilities of negotiation.

The basic aims and philosophy of the World Bank are very close to those of the IMF, which is hardly surprising considering that both institutions are owned and ruled by an almost identical group of stockholding nations, with weighted voting ensuring that the wealthy industrial nations are almost always able to control decisions, whether on broad policy questions or on specific loans.

Like the IMF, the World Bank has the primary aim of promoting the interests of private, international capital in its expansion to every corner of the world. Unlike the IMF, however, it can intervene in a much greater variety of ways and at many different points of the policy process — from the financing of specific projects, through policy for the "sectors" in which such projects lie, on up to the grand questions of the overall direction of national policy and of the extension of or denial of support to particular national governments.

Specifically, the World Bank assists the expansion of international capital in all of the following ways:

- By acting as intermediary for the flow of funds abroad, with taxpayers' money from its developed member countries serving to guarantee the safety of the bonds it sells;
- By opening up previously remote regions through transportation and telecommunications investments, thus destroying the natural geographical protection such regions had previously enjoyed;
- By directly aiding certain multinational corporations, notably but not exclusively in the mining sector;
- By pressuring borrowing governments to improve the legal privileges of and to moderate the tax burdens on foreign investment;
- By insisting on production for export, which benefits chiefly the corporations which control international trade and purchase the produce;
- By selectively refusing to loan to governments which repudiate international debts or expropriate foreign-owned property;
- By opposing minimum wage laws, trade union activity, and all kinds of measures which would improve the share of labor in the national income;
- By insisting on procurement through international competitive bidding, which favors the largest multinationals;
- By opposing all kinds of protection for locally owned business and industry; and
- By financing projects and promoting national policies which deny control of basic resources — land, water, forests — to poor people and instead appropriate them for the benefit of multinationals and their collaborative local elites.

Although, for obvious reasons, the IMF and the Bank refuse to acknowledge the fact, there are profound contradictions between the interests of international corporations and those of impoverished citizens in the Bank's borrowing countries, and the latter have been and are being severely hurt both by the overall thrust of the two institution's pro-corporate policies and by the specific projects financed by the World Bank.

It must be recognized, however, that the governments which borrow from these two institutions are not innocent victims of international pressure, but beneficiaries of the credits. Uncritical support of borrowing governments vis-a-vis the IMF and the World Bank will not reach the heart of the problem. These governments are always, more or less, collaborators and co-conspirators against the best interests of their own people.



## IMF Asks Employees to Keep Documents Secret


The following memorandum is being circulated in the World Bank and the IMF because of leaks of documents from these two institutions to CounterSpy magazine and the Congress Task Force of the Philippine Solidarity Network. The main argument of the memo asking Bank and Fund employees to stop passing on documents is virtually the same argument the CIA has used in carrying out its dirty work. CounterSpy's position, and our reason for publishing the IMF and World Bank material is

very similar to the argument of an Executive IMF Director who leaked secret IMF documents to the Indian newspaper Hindu. According to the Hindu, he "explained that he was breaking the confidentiality rule not in order to prejudice the [impending IMF] loan [to India], but solely because he was persuaded that a transaction of this scope and size by any country deserved to be discussed in full by its Parliament, press and public."

### OFFICE MEMORANDUM

Operational Vice Presidents

DATE: June 8, 1982

FROM: Ernest Stern, SVP, Operations 

SUBJECT: Confidential Documents

Recently there have been a number of confidential documents leaked to the Press. Some of these have been Bank documents and others documents of the International Monetary Fund. In the most recent cases the organizations which have made use of this material have claimed that the IMF documents were obtained from Bank sources. There is, I hasten to add, no evidence that our investigations have uncovered thus far, to prove that this is true. Nonetheless, I think it is timely that we all remind ourselves and our colleagues of our obligations to maintain confidential information for official use only.

It may be that from time to time individuals feel strongly about governmental policies in a member country but it should be clear that such feelings cannot be expressed through the misuse of official information without violating our basic obligation and commitment to serve as international civil servants. What is at stake is the credibility of the Bank as a repository of information which is necessary to the formation of our professional judgement and to the soundness of the advice we can offer our member governments. The misuse of official information will gradually but inevitably reduce the willingness of officials in member countries to be frank with us and will adversely affect the willingness of other institutions to collaborate with us. This cannot be the result which any staff member desires.

Because there have been a number of such instances, I would appreciate it if you would take the opportunity at your regular staff meetings in the coming weeks to discuss this issue with all staff. If there are any questions about how the Bank handles confidential documents, or about rules for their release, feel free to consult my Operational Advisers or the relevant staff in PA.

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# Banking on El Salvador and Against Nicaragua

by John Kelly  
and Walden Bello

Major Robert d'Abuissou isn't worried about Congress or even whether President Reagan certifies his human rights record: he has the International Monetary Fund (IMF) and the Inter-American Development Bank (IDB) in his back pocket. The IDB is preparing a \$194.1 million program for El Salvador. This program includes a loan for what the Washington Letter on Latin America calls the "most frankly political, if not military, transaction in the IDB's history"<sup>1</sup> — \$20 million to rebuild the Golden Bridge (Puente de Oro), destroyed by guerrilla forces in 1981.

The IDB has also scheduled \$55 million to complete the San Lorenzo hydroelectric dam project. The IMF reports that guerrillas continue to sabotage power lines throughout the country. In this context, funding the San Lorenzo dam can be seen as a political/military transaction. Yet another military-type transaction was the IDB's recent provision of \$30.8 million for some 200 kilometers of rural roads in the northwestern part of Chalatenango,<sup>2</sup> a center of guerrilla activity. Bruce Brown of Chicago's Harza Engineering Company was in El Salvador in June and August of 1981 completing a road feasibility study for the IDB. In doing the study, Brown told the Salpress News Agency, fighting conditions in the area "were taken into account and it was estimated that the project could be executed under the prevailing conditions."<sup>3</sup>

In October 1981, some 7,000 troops were sent into Chalatenango. In May 1982, the military launched a so-called "clean-up" offensive involving about 4,000 troops in Chalatenango.<sup>4</sup> El Paraiso, which is to be serviced by the IDB-financed roads, is the base of the military's Fourth Brigade and, according to Salpress, all the bridges and roads from El Paraiso to the eastern part of the zone have been cut.<sup>5</sup> Regarding another IDB-financed road being built further to the east in Chalatenango, Brown said that "a few sections are right in the heart of guerrilla-controlled territory."<sup>6</sup>

Thanks to the IMF, the Salvadoran regime can also all but ignore the Senate Foreign Relation Committee's threat to end

U.S. economic aid if the government modifies or delays the land reform. In fact, the suspension of the land reform by President Alvaro Magana and the rightist Constituent Assembly came shortly after the IMF recommended cutbacks in the land reform. The IMF also stated that coffee production in 1982 could be "some 500,000 quintals less than projected" because of "low prices and undertainties about land ownership." Cotton production would also be greatly reduced, in part, "by lingering problems related to agrarian reform."<sup>7</sup>

When the regime suspended the land reform, it said its goal was to increase production. The suspension thus conforms to the IMF's strategy to increase production and export earnings and to the Reagan administration's position on land reform reflected in its recent instructions to the government of Honduras. "Continuation of the land reform" in Honduras, said the U.S. Embassy, "is desirable if it can be achieved without disrupting production."

The IMF recommendations and projections were contained in a confidential IMF staff report — leaked to CounterSpy magazine, — which proposes granting El Salvador a loan of \$83 million. President Magana, who said he was "happy" following a recent meeting with IMF representatives, said the Fund would soon announce the granting of the loan.<sup>8</sup>

On July 16, 1982 the IMF granted the Salvadoran regime a loan of \$84.7 million — \$36.3 million to reimburse El Salvador for the decline in value of coffee exports and \$48.4 million in standby credit. Tom Leddy, Deputy Assistant Treasury Secretary for International Monetary Affairs told the New York Times that there had been considerable debate in the Reagan administration about the loan. In response to the Times suggestion that the money could be used for arms, Leddy acknowledged that the IMF "doesn't say you

(John Kelly is co-editor of CounterSpy magazine and the author of the forthcoming book, The CIA in America. Walden Bello is the director of the Congress Taskforce of the Philippine Solidarity Network and the Coalition Against the Marcos Dictatorship.)

can't spend it on this or that." Representative Stephen Neal (D.-N.C.), chairperson of the House Subcommittee on International Trade, Investment and Monetary Policy, told the Times that: "It seems unusual to me that such a loan would be treated in a routine fashion, when there is so much controversy about the country."<sup>9</sup>

The starkly political nature of this loan is underscored by the support it gives to one side of an ongoing war. It recalls the IMF loan granted to Nicaraguan dictator Somoza nine weeks before his defeat and as such represents much more than "business-as-usual" at the IMF. As noted, it could contribute to circumventing any aid suspension by the U.S. Congress. The loan is unusual even in a fiscal sense because El Salvador's economy is in a shambles. According to the IMF report:

- The government is virtually bankrupt with its liquid reserves (readily available cash) reduced to \$2.5 million in 1981.

- Massive flight of capital has wreaked havoc in the private sector, with net capital outflow amounting to more than \$800 million between 1979 and 1982.

- Arrears in payments of debts to international private banks rose from \$41 million in 1980 to \$65.5 million in 1981.

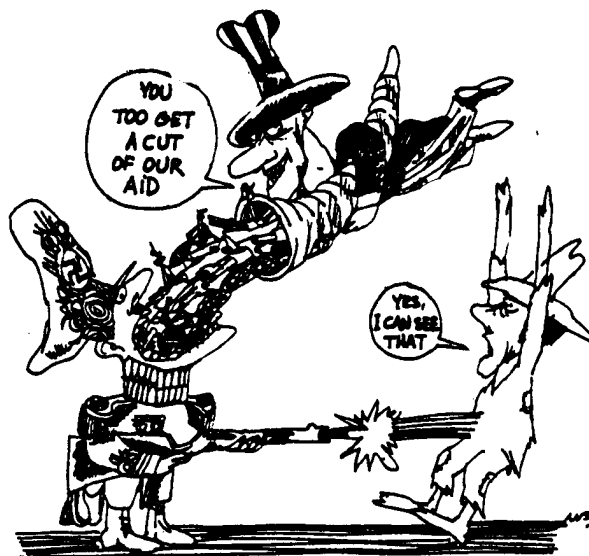
- The state enterprise sector is in dire straits with its overall deficit totalling \$600 million in 1981.

Financially speaking, the Fund is throwing money down a rathole. Politically, it's a different story. As the report admits, the IMF is supporting a "holding pattern" for the rightist regime and a set of policies for "restoring and retaining an economic setting conducive to the renewal of growth and private investment — once noneconomic factors permit it." The Fund, in short, is trying to sustain the economy until the country is pacified politically. This is precisely the strategy

The unevenhandedness of the IMF is poignantly illustrated in its recent report on Vietnam as quoted by the New York Times (7/11/82). The Fund, which is promoting a parallel (black) market exchange rate arrangement in El Salvador, has advised Vietnam to stop offering better-than-official exchange rates to Vietnamese citizens and tourists who bring in hard currencies. Through this arrangement Vietnam obtains sorely-needed foreign exchange. If the government offered less than it does now for privately remitted dollars, it would, of course, obtain fewer of them, which would increase Vietnam's shortage of hard currency.

articulated by President Magana following his recent meeting with IMF representatives.

Two components of the IMF's strategy for El Salvador highlight its complicity in the government's pacification. To relieve the balance of payments deficit, the IMF report proposes making imports more expensive, thus reducing the demand for them, by devaluing the colon. However, the colon will not simply be devalued. There will be a black ("parallel")



market exchange rate (4 colones to the dollar) and an official exchange rate (2.5 colones to the dollar). The Fund arrangement allows "non-essential imports" to be purchased at the black market rate while the regime can buy essential commodities — including guns, warplanes, and ammunition at the cheaper, official exchange rate. As the report points out, "monetary and fiscal policies" are "designed to accommodate national priorities;" and "national defense" tops the regime's "highest national priorities."

A second key component of the Fund's strategy is continuation of the wage freeze which reduced workers' real wages by 11 percent in 1981. The IMF's complicity here is seen in the report's admission that the government's "constraints on the militancy of the labor unions are likely to keep the growth of wage rates below inflation levels." Government constraints in El Salvador include assassinations of union leaders and rank-and-file members.

An \$83 million loan cannot by itself sustain the Salvadoran regime, particularly if Congress reduces U.S. aid. However, stamping the rightist regime with the IMF seal of approval could give it access to aid from other countries and from international commercial banks. The report acknowledges as much: "The authorities hope that an arrangement with the Fund in due course would contribute to

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strengthen the confidence of the international community in the economic management of the country, thereby permitting them to restructure their short-term debt and to reopen badly needed foreign lines of credit."

President Reagan is also in a position to circumvent the will of Congress with regard to El Salvador. Loopholes in the law — some not used since the Vietnam war — allow Reagan to unilaterally provide military aid. The President's emergency drawdown authority under section 506 of the Foreign Assistance Act permits \$75 million a year in military aid without Congressional approval. Reagan used this authority in fiscal 1982 to send \$55 million in military aid to El Salvador — more than double the \$26 million Congress authorized. Reagan can also sidestep Congress on economic aid. In fiscal year 1982, the Commodity Credit Corporation and the Housing Guarantee Program provided \$34 million to El Salvador and are, of course, available to give funds in 1983.

#### Nicaragua

"Economic shortcomings might provoke at least limited civil unrest by the end of the current harvest season (May-June 1981)."<sup>10</sup>

In Nicaragua, the World Bank has to carry the ball because "political passions" have yet to "cool" over the IMF's \$66 million loan to Somoza just before his defeat. "It is, therefore, left to the Bank," says its Country Program Paper (CPP) for Nicaragua, "to continue pressing for a rational policy framework, necessary to overcome its current economic problems."<sup>11</sup>

The confidential CPP — also leaked to *CounterSpy* magazine — like the IMF's El Salvador report, reveals that is much more than "business-as-usual" at the Bank. In it an unmistakable allusion to the Reagan administration, the CPP admits to "increasing constraints and political limitations of the Bank" regarding Nicaragua. In line with these political limitations, the CPP lays out an agenda recalling Richard Nixon's "game plan" to "make the economy scream" in Chile under President Salvador Allende. As such, the CPP statement can be seen as supplementing the widely-reported \$19 million covert CIA destabilization of the Sandinista government.

Baldly asserting that the "ideological struggle between economic models is, in the final analysis, a power struggle," the CPP comes down firmly on the side of the private

sector which prevailed during Somoza's reign. The CPP literally complains that the government has given the "unhappy" private sector "no longer-term assurances or power." While it is usual for the Bank to support the private sector, it is much more than "business-as-usual" for the Bank to interject itself into an on-going, ideological struggle and demand power for one side.

The CPP contemplated the immediate termination of all Bank assistance. This option was rejected because the "Bank might [also] be accused of an inability and/or unwillingness to support a 'progressive' Government in Central America and of not understanding its post-revolution difficulties." Actually, the Bank fully understands Nicaragua's post-revolution difficulties. It understands that the Sandinista economic system is still in "flux" and thus vulnerable to being undermined. "In spite of the Marxist/Leninist proclivities of Nicaragua's leaders and the greater role of the state in the economy," says the CPP, "the usual tools of centralized economic management are still nascent." The Bank also wants to keep a toehold in Nicaragua because some 80 percent of the production and commercial enterprises are privately owned.

While opting to stay in Nicaragua, the CPP proposes the immediate suspension of all Bank assistance in the areas of water supply, roads, and education. This proposal flies in the face of the Bank's mission to support economic infrastructures. It can also be seen as a conscious undermining of the government's program since the CPP admits that the government has targeted these areas as vital to Nicaragua's recovery. The failure of the government to deliver in these areas could generate anti-Sandinista sentiment similar to what arose against Allende in Chile. These proposals are highly provocative given the CPP's own findings that the "demand for education (especially basic education) is high," and only 34 percent of the rural population has access to safe water and only 32 percent to a sewage disposal system. As a condition for receiving additional Bank assistance, the CPP demands that the Sandinistas should "adopt a set of consistent economic policies to restore internal stability, both economically and politically, raise the level and quality of private investment, restore the productivity of capital stock, closely monitor the level and orientation of public expenditures, improve the efficiency of state enterprises and recover the human capital lost in the past three years." In short, let the economic model of the private sector prevail which, as we saw, the CPP admits would

mean relinquishing of power by the Sandinista government.

The CPP discusses three areas in which the Bank will continue to "carrot and stick" Nicaragua: agriculture, industry, and energy. For agriculture, the CPP proposed a credit program "directed to the private sector primarily for livestock development." The Bank, however, is delaying funds for this project even though it is in line with the Bank's strategy of promoting production and exports. The Bank even refused anxiously-sought funds in time for the April 1982 planting season — a latter day, "Let them eat cake" policy. The Bank is delaying until the government agrees to the terms of the private sector which apparently is willing to watch other Nicaraguans go short on food. Industry has been brought to a near standstill by the private sector, and the CPP says there should be no Bank funding here until the private sector is given power.

Regarding the energy sector, the CPP complains that the power company (INE) "management has been relatively unresponsive to Bank inquiries and suggestions." The CPP proposes assisting the INE "provided problems with ongoing projects can be resolved and the INE become receptive to the Bank's advice." Presumably, following Bank advice would include firing what the CPP called "superfluous lower-level employees."

Perhaps unwittingly, the CPP paints a rather unattractive picture of the private sector. Capital flight prior to and during the revolutionary war exceeded half a billion dollars with "disastrous effects on the financial system." At the same time, most of the private sector supposedly opposed Somoza. Obviously,

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## **The [World Bank] lays out an agenda recalling Richard Nixon's "game plan" to "make the economy scream" in Chile under President Salvador Allende.**

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they were hedging their bets. Private sector members who have remained in Nicaragua have taken "cheap and, at times, abundant credit," and made use of existing "low wages." They

have used this abundant credit, says the CPP, for "short-term investments" which turn a fast buck but don't aid Nicaragua's reconstruction.

On the other hand, the CPP presents the Sandinista government in a favorable light — even in World Bank terms. Shortly after coming to power, the government instituted a "massive expenditure of rural credit for the small holder — who previously had had little access to financing." The government has also set low wage ceilings — a constant demand of the Bank. In general, concludes the CPP, "Nicaragua has handled its external obligations responsibly and in spite of continuous foreign exchange constraints, met debt service payments punctually. It lived up to an agreement with the Bank to repay the Somoza-era arrears, and it has expressed a strong desire to maintain an active relationship with the Bank and the IDB."

Nevertheless, the CPP recommends drastic cuts in Bank assistance for Nicaragua and that future Bank assistance be contingent on Sandinista "plans to follow our Bank advice."

The one-sided political nature of the CPP is underscored further by another World Bank report, "Nicaragua: The Challenge of Reconstruction" completed only three months before the CPP.<sup>12</sup> This report said that the Sandinista government had agreed to implement the Bank's economic recommendations; that its intentions were "encouraging;" and that the Sandinista economic programs are "expected to define a framework wherein private sector business can satisfactorily operate." The report urged that the government seek "large amounts of external financing, much of it at concessional terms." With foreign assistance and efficient management, it concluded, "Nicaragua will indeed be able to reconstruct its economy as well as continue to enhance the social situation of its citizens."

In line with this assessment, the Bank prepared for vote a \$16 million loan to finance storm drainage and low-income-neighborhood improvements in Managua. This was in January 1982, only a few weeks before the CPP would recommend its drastic cuts. The \$16 million loan had the approval of the U.S. executive director at the Bank, the U.S. Treasury Department, and the Latin American bureau of the State Department. They recommended approval of the loan in a cable to then-Secretary of State, Alexander Haig, while he was abroad.<sup>13</sup> Haig ordered a "no" vote, claiming that anything else would violate U.S. policy toward Nicaragua. The loan was approved on January 14, 1982 with only the U.S. voting against it. On January 17, 1982,

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The U.S. State Department is reportedly pressuring private banks to refuse credit to Nicaragua. Evidence of this pressure was reported in the Journal of Commerce (3/9/82) regarding a \$130 million loan to Nicaragua being syndicated by the London-based consortium Intermex. One U.S. banker told the Journal that the loan might be politically impossible because: "We are listening to what happens in ... Washington."

the Mexican daily UnoMasUno reported a statement by State Department spokesperson Sue Pittman that the Reagan administration would oppose any Nicaraguan credit and aid request to any international lending institution. Shortly thereafter, in February 1982, the Bank's middle management — who reportedly bypassed the Bank's Nicaragua loan officers<sup>14</sup> — circulated the CPP, and Nicaragua has not received a cent from the Bank since its January loan. In an indirect admission of the extraordinary nature of the CPP, the Bank has denied that the CPP represents official Bank policy in a letter by Nicolas Ardito Barletta, vice president for Latin America and the Caribbean.<sup>15</sup> However, each of the CPP's recommendations for Nicaragua has been implemented.

Explaining an earlier denial of an IDB loan to Nicaragua, an official of the U.S.

executive director's office of the Treasury Department told the Center for International Policy that "we had an overall problem with the direction" of the Nicaraguan government.<sup>16</sup> This appears to be the truth of the matter in the World Bank's more than usual "business as usual" dealings with Nicaragua. In the meantime, the economy screams in Nicaragua.

#### Footnotes:

1. Washington Letter on Latin America (WLLA), 6/23/82, p. 5.
2. IDB Profile, #3321F, 11/19/81 (IDB publication).
3. Salpress, 12/11/81, p. 1.
4. Washington Post, 7/4/82, p.A-23.
5. Cf supra, #3, p. 2.
6. Ibid.
7. IMF, El Salvador - Staff Report for the 1981 Article IV Consultation, 4/8/82.
8. New York Times (NYT), 6/11/82, p. 6.
9. NYT, 7/17/82, p. 2.
10. Cleto DiGiovanni, "U.S. Policy and the Marxist Threat to Central America," The Heritage Foundation Backgrounder, 10/15/81. DiGiovanni is an admitted former CIA officer. The Heritage Foundation has provided many officials in the Reagan administration. DiGiovanni's backgrounder also reported that "Nicaraguan workers continue to have an emotional attachment to the revolutionary movement. This attachment can be expected to weaken as the economy deteriorates.... There are some indications of growing broadly based support to take to arms to overthrow the Sandinista government; and this support could increase as further economic problems develop."
11. IBRD, "Country Program Paper: Nicaragua," 2/16/82.
12. IBRD, "Nicaragua: The Challenge of Reconstruction," 10/9/81.
13. Center for International Policy, "AID Memo," 5/11/82, p. 6.
14. Ibid.
15. WLLA, 6/9/82, p. 8.
16. Cf supra, #13.

## Indira Gandhi's Voluntary Debt Trap

by Arjun Makhijani

In November 1981, year-long secret negotiations paid off when the government of India got a loan of \$5.9 billion from the International Monetary Fund (IMF). This loan is the largest IMF loan ever; it is also the largest amount of money the Indian government has ever borrowed. It will increase India's foreign debt from 11 to 15 percent of the national income and double the burden of India's debt service.

As usual, the IMF loan is made provided that the government agrees to certain conditions and "performance tests." These add up to promoting the interests of multinational corporations and India's monopolists (i.e. several large Indian conglomerates which

control much of India's industrial output) with whom these corporations collaborate closely. This will be done at the expense of the working people's living conditions, poor as they already are. There will be even more hunger and misery. A similar loan to Bangladesh is already taking its toll of lives in that country.

The IMF packet does not call for a curbing of military expenditure. This too is normal — perhaps the IMF anticipates protest and government repression of the protests as part of the IMF "medicine."

The conditions of the loan to India and the interests the loan serves are a modern version of the conditions under which British (John Kelly also contributed to this article.)

imperialists created famine in India in the nineteenth century. "India must be bled," Lord Salisbury proclaimed in British Parliament in 1875. The multinationals of Britain (and, after independence, the monopolies of India) were created on the rubble of the indigenous Indian manufacturers and on the bones of the millions who starved and are still starving as a result of the thorough destruction of what was in pre-British times one of the centers of world manufacture. Today the instrument of bleeding is the IMF.

#### Conditions and "Performance Clauses"

In obtaining its \$5.9 billion loan, the Indian government agreed in writing to meet IMF "performance" criteria and "conditions" revealed in confidential documents circulated to the Fund's Executive Board. "Performance" criteria are established for the first year of the arrangement and then set for each successive period.

India got the first part of its loan — \$300 million — by January 1982, another \$600 million by March 25, 1982, and \$900 million by June 30, 1982. In 1983, \$1.8 billion will be given, and the final \$2.3 billion in 1984. There are two sets of conditions applied to the loan. The first set applies to the entire period 1981-84; the second set contains specific performance criteria for 1981-82. These criteria will be reviewed in 1982, leading to modified and/or additional "suitable performance clauses" to be met by the government.

The general conditions which apply for the duration of the entire loan are:

- no imposition or intensification of restrictions on payments and no restrictions on transfers for current international transactions;
- no imposition of import restrictions for balance of payment reasons;
- no multiple currency practices; and
- no bilateral economic agreements not approved by the IMF. Each of these conditions is designed to make it easier for multinational corporations to expand their markets in India and to repatriate profits. These conditions will tend to aggravate the balance of payments problem and lead to a drain of resources from India.

The specific "performance" criteria which applied until June 30, 1982 were:

- a ceiling on net domestic credit expansion in 1981-82 to 19.4 percent;
- limitations on growth in total liquidity (i.e., money supply) in 1981-82 to 15.7 percent and on credits from the banking system to the government;

- a ceiling of \$1.7 billion during 1981-82 on the government's nonconcessional (i.e., commercial) loans with an original maturity between one and twelve years.

Beyond these specific conditions and "performance clauses," the government of India

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**The Indian government's stated excuse for accepting the IMF loan was to alleviate the current account balance of payments deficits which reached \$1.4 billion in 1981. However, the conditions of the IMF loan will aggravate medium and long-term balance of payments problems.**

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has given additional assurances in a secret memorandum to the IMF. It has pledged to take "measures to encourage investment and production in the private sector," ease excessive regulations, "reform the price structure" (i.e., increase prices) of public sector and agricultural goods, "contain subsidies on public foodgrain distribution," decrease direct taxes to "promote investment" and follow a "realistic policy" on exchange rates. These conditions, "performance clauses" and assurances clearly add up to the "supply side" economic policies espoused by the Reagan administration.

Non-fulfillment of any condition can interrupt the whole loan arrangement which then cannot be resumed without consultation with the Fund. The Fund can then impose additional conditions. The bottom-line is that the government "shall remain in close consultation with the Fund" and "shall provide the Fund ... with such information as the Fund requests in connection with the progress of India in achieving the objectives and policies set forth."



### The Attack on Workers' Livelihood

The effect of the credit ceilings imposed by the IMF will be a "severe curtailment in the living standards of the working people," according to Professor Patnaik of the Jawaharlal Nehru University. Credit squeezes endanger small and medium enterprises, and many of them simply close and fire their workers. Tight money also causes delayed wage payments, denied bonuses and wage increases, and even reduced wages. Credit stringency forces the government to raise funds by increasing indirect taxes and the prices of public sector goods and services. Public expenditures must also be curtailed which results in reduced salary increases and welfare and relief expenditures. This involves limiting or even eliminating the distribution of foodgrain at controlled prices, which the IMF regards as "subsidies" to the working people.

Further decreases in income would result from the overall effects of these policies. As Patnaik points out, a "shift from direct to indirect taxes in India has a regressive impact on income distribution ... 55 percent of the indirect tax revenue in 1973-74 came from households with a monthly per capita income of [\$12] or less. Likewise, when private profitability is protected and even stimulated, the impact of public sector price increases must be borne largely by ordinary people.

### Profits and Markets

While the meager income of workers is thus attacked, there will be more money for

multinational corporations and Indian monopolists because of a "considerable liberalization" of transactions relating to foreign collaboration and royalty payments as well as the "liberalized" import regime to which the government has agreed, according to an IMF staff report. In a secret memorandum to the IMF, Indian Finance Minister Venkataraman emphasized that he would lift anti-monopoly regulations and domestic licensing provisions and would allow an expansion in the "import of foreign technology." These conditions represent a bare-faced "open sesame" to increased profits for multinational corporations and Indian monopolists at the expense of the public. As Patnaik summarized, "the removal of controls, delicensing, creating a hospitable climate for multinational goods (via import liberalization) and for multinational capital ... are means for strengthening the monopoly sector; accelerating concentration of output and capital, destroying indigenous skills and technology, and increasing dependence on technology imports and capital."

Exports are to be "promoted" even at the expense of domestic consumption. There are no conditions which limit subsidies to exporters. In addition to these conditions which amount to the usual IMF "medicine" for promoting multinational corporations, the IMF has imposed a ban on bilateral payment agreements. Such agreements are a principal means of India's trade with the socialist countries. The ban undercuts both the monetary authority and foreign policy of the Indian government by forcing the mediation of U.S. dollars in all of India's foreign trade

## **Sovereignty?**

In his September 28, 1981 letter of intent to the IMF's Managing Director J. DeLarosiere, Indian Finance Minister Venkataraman stated that "the Government will consult with the Fund on the adoption of any appropriate measures consistent with the national policies accepted by our Parliament, in accordance with the policies of the Fund." Later, Venkataraman stated publicly that "we have clearly indicated to the Fund that the measures we adopt will be fully in line with our declared policies accepted by Parliament. We have not allowed, nor shall we permit in the future, any abridgement of the sovereign right of Parliament and of the government responsible to it to determine national policies."

What the Finance Minister did not reveal was that the Fund wrenched his meek assertion of the Parliament's role and that the

government in turn assured the IMF that the phrase "consistent with national policies" was only meant to suggest "actual adoption of measures" and not at all "intended to exclude from the consultation process... any policies that the Fund considers are and would be consistent with achieving the objectives of the [IMF] programme."

Such secrecy has been important in getting the loan. Venkataraman offered to make the documents "almost public." He then changed that to a statement "summarizing" the details because "these documents" were "never released" — although some 50 copies were expected to be circulated within the IMF. Evidently, the executives of the IMF are allowed to know the conditions under which the Indian people would live, but the Indian people are not.

transactions. This ban will also be a setback to mutually beneficial independent trade with other Third World countries. This is particularly important for India as it is quite highly industrialized in terms of total industrial production (though not per capita). Such a void in the market left by a decrease of these bilateral agreements would, of course, be filled by the multinational corporations.

Finally, the Indian government has undertaken to follow a "realistic policy in regard to exchange rates" — which means that a large scale devaluation, while not an immediate IMF demand, is an option for the near future. In the confidential IMF staff report assessing the loan, it is noted that the government recognizes that "the profitability and competitiveness of exports is an important objective and that exchange rate policy has an important bearing on this." It adds that while the IMF does not believe that a "discrete change in the nominal exchange rate is necessary at the present time," it intends to "keep exchange rate policy under review."

#### Promoting Multinationals and Monopolists

The Indian government's stated excuse for accepting the IMF loan was to alleviate the current account balance of payments deficits which reached \$1.4 billion in 1981. However, the conditions of the IMF loan are such that the loan will aggravate medium and long-term balance of payments problems even as it provides a stop gap measure to alleviate current deficits. A long-term strategy for solving balance of payments deficits requires a decrease in imports relative to exports. However, the IMF conditions call for a simultaneous increase of imports and exports. Moreover, the already poor terms of trade will deteriorate further under the conditions imposed. Finally, protectionism in the capitalist countries has been one of the basic factors which has caused export growth to be slow. All this means that imports and profit repatriation will tend to grow faster than exports, a development which will be reinforced by those IMF conditions which disable small and medium size industries in India. The export volume is thus unlikely to keep pace with imports and the enormous added debt service requirements created by the IMF loan itself. In sum, by the time the repayments of the IMF loan begin, India will in all likelihood be in greater balance of payments difficulties as a result of the loan and its conditions.

Further borrowing on capital account (medium and long term) will, no doubt, follow the increased deficits. This process of ever-

increasing debts on capital account to meet current deficits is much like tearing down the timbers from one's house in order to stoke the fireplace. The IMF anticipates this and looks forward to imposing further conditions, a fact illustrated by the restrictions the IMF imposed on India's commercial borrowing. These effectively prevent the government of India from escaping the IMF conditions by resorting to such commercial borrowing. The prohibition practically ensures that the government will borrow from the IMF and submit to its conditions. Thus, Finance Minister Venkataraman's argument that India has nothing to fear from the IMF's conditions since it can resort to commercial borrowing is false, in the near term.

In the medium and long term the other IMF conditions will probably result in a partial failure to meet at least some of the "performance" criteria, or at least a worsening of the balance of payments situation. This will likely cause India's credit rating to fall, preventing commercial borrowing.

It is in this complicated moneylender's web that the IMF has sought to trap India at the behest of the interests representing the multinational corporations and Indian monopolists. The multinational corporations in particular have striven hard to erode the modest economic and political independence which was the fruit of the many decades of struggle by the Indian people against British imperialism. The IMF loan is the latest and biggest step in that erosion.

Doctor Eye Em Ef,  
neatly shod, comes early  
down dusty village roads in his  
white coat.

Silently, he measures and formulates.

Take this bitter medicine,  
says he, forcing down her a dose of  
anti-body marked DEVALUATION,  
it will make me well.

# IMF to South Korea: Devalue Again!

by Tim Shorrock

In a move to decrease domestic spending and increase exports, the International Monetary Fund (IMF) is pressuring the South Korean government to devalue its currency for the third time in two years. But the government, weakened by a massive financial scandal and growing popular unrest — and aware of the possible political consequences of further consumer price increases — is resisting. This controversy is only the latest indication of the serious differences between the IMF and the World Bank and the Korean government over the direction of the Korean economy which have surfaced in the last two years.

The World Bank and the IMF have played a major role in South Korea since the 1960's, when the military government of Park Chung Hee launched a program of rapid economic growth through reliance on exports and foreign capital. Organized by the U.S. Agency for International Development, the export program followed the general direction for developing countries set by the World Bank: basing growth on markets in the advanced capitalist countries; channelling capital to competitive sectors of the economy; integrating the export sector with the international division of labor; limiting growth or expansion of the domestic economy; keeping domestic consumption to a minimum; and organizing production through a powerful state apparatus. In the early stages of the program, the Korean government was a model pupil. Much of its export production was for U.S. or Japanese corporations, primarily in the textiles and electronics industry. But in the late 1970's, using capital supplied by Japanese banks, the Park government began to invest in heavy industry against the advice of the World Bank and the U.S. government.

This new program was carried out under two disastrous illusions: the first was that cheap electric power would be available indefinitely. The second was that the world economy would pick up in the late seventies and early eighties, bringing South Korea into the ranks of the industrialized countries by 1990. These illusions died hard in spite of drastically higher oil prices which deepened the world recession, and protectionist measures which were enacted by Western Europe, the U.S. and Japan to alleviate unemployment. In

the U.S. and Japan, South Korea's biggest markets, the housing industry took a nosedive, as did consumer spending. All of these factors damaged the industries that accounted for the bulk of South Korea's earnings — shoes, plywood, and textiles. The slowing down of the world economy destroyed all hopes of export markets for South Korea's heavy industrial products.

The heavy industry program instead brought havoc to the industrial and financial structure of the country. The government distributed millions of dollars of loans at low interest rates to firms anxious to capitalize on the new programs in steel, petrochemicals, cars, and power generation equipment. Little capital was spent on new equipment or modernizing the traditional export earners, such as textiles, clothing or electronics. The capital shortage in these industries caused thousands of bankruptcies and growing unemployment. The influx of foreign loans, and money from Korean workers in the Middle East, also brought soaring inflation, which reached 50 percent in 1979. Combined with the massive worker and student unrest generated by Park's repressive rule; the Korean economic situation reached a crisis level. In the uncertainty following the assassination of Park in October 1979, foreign capital imports almost stopped, and many foreign companies began to count their profits and run. In May 1980, Chun Doo Hwan took control of the government in a military coup. Soon after taking power, his new military government — with the help of the World Bank, the IMF and the U.S. government — began to enact reforms to "rein in" Korea's wayward economy and realign its industrial structure to the role Korea had been assigned in the international division of labor.

The basic direction of Chun's economic policies was set by the World Bank in a report written in the spring of 1980 by a Bank economic team. The team's primary criticisms were that, first, under Park, the government became too involved in making economic decisions and funnelled capital into industries that

*(Tim Shorrock is a freelance writer living in San Francisco. He traveled to South Korea last year as part of a two-year study on nuclear power in South Korea conducted by Nautilus.)*

were not internationally competitive; second, wages were too high. The report states that "a sustained economic recovery, aside from a number of political adjustments" requires "a willingness to make difficult choices, and the ability to convince people through political means that a bout of austerity is in their long-term self-interest." Most of the Bank's criticism was directed against the import substitution industries (steel, auto, petrochemicals) which had been developed to lessen South Korea's dependence on the U.S. and Japan. In other words, South Korea had violated the World Bank's idea of a proper division of labor.

To get the economy back on the (World Bank) track, the Bank recommended a series of policy changes, most of which were adopted by the Chun government, as a condition for receiving further Bank loans. The most important changes were called for in the heavy industry sector, which the Bank wanted reorganized and consolidated. South Korea was ordered to participate in the international division of labor by opening its economy further to multinational corporations, even in sectors previously closed, such as consumer goods, pharmaceuticals and insurance.

The World Bank ruled out domestic expansion — building the economy through supplying goods and services to Koreans

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**In the 1980s, [Korea] will still supply cheap labor—only now it will be the high technology U.S. worker rather than the textile or shoe worker that will be replaced.**

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— "because it would not improve the competitiveness of Korean industry, and in part because it would lead to a deterioration of Korea's balance of payments." The major thrust of the Bank's recommendations was a return to a policy of export orientation, along with cut backs in wage increases. The key paragraph of the 1980 report underlines the Bank's stress on integration with the division of labor:

In conjunction with import liberalization and the increased participation of foreign capital, the government should let

inefficient, high-cost activities disappear, to be replaced by firms that produce on an efficient scale and are integrated into the world economy.... Further consideration should be given to participating in the international division of the production process that would involve producing some parts and components for domestic use and for export while importing others. One alternative is to take part in worldwide sourcing by General Motors that has interests in Korea; another possibility is to establish links with Japanese firms.

General Chun is following these directives closely. One of his first moves after taking power was to consolidate heavy industries, such as the automobile and turbine generator industries. Both were running at low (sometimes less than 20 percent) capacity. Major conglomerates were reorganized, with each large industry assigned to one company. New policies for foreign investment now allow 100 percent equity in any sector of the economy.

The government also went on a campaign to convince workers that their wage increases in the mid-70's were responsible for inflation and the loss of export competitiveness. Wage increases were being kept far below inflation levels. Chun and his secret police attacked the labor movement and sent many unionists to prison. The Federation of Korean Trade Unions was reorganized on the principle of one company, one union, and the industrial unions were dismantled. The government set up "labor-management committees" to take the place of collective bargaining. As one Korean activist said last year, "The Korean labor movement has been destroyed." By the end of 1980, Chun had restored "order" — at a price. The Carter administration was pleased with his performance and increased economic aid and military aid. With the election of Ronald Reagan, the feelings grew even warmer, and Chun was rewarded for his work by a state visit to the United States in February 1981.

The "new era" in U.S.-South Korean relations — announced at the meeting between Chun and Reagan — has not increased U.S. investment in any appreciable way. In fact, investments have slowed down, and many small-scale Japanese investors have also left in spite of South Korea's "streamlining" of several export industries to induce investments in accordance with World Bank directives. The new policy will link Korean high-skilled labor — still relatively inexpensive — with U.S. and Japanese technology and capital. The key industries in this strategy are cars, shipbuilding, aircraft parts, nuclear power plants, computers, and overseas construction. Some recent

agreements include the following:

Automobiles. The Korean car industry has been running at around 30 percent capacity since it was forcibly reorganized in 1980. There are currently two companies: Saehan, a joint venture between Daewoo and General Motors; and Hyundai. Recently, Mitsubishi Motors of Japan announced that it would acquire a 10 percent stake in Hyundai and quadruple its capacity to 400,000 vehicles. The new plant will build Mitsubishi-designed cars, possibly for sale in the United States. The Korean government has also proposed to U.S. companies that they utilize its low-cost labor to produce car parts. Already, two U.S. companies (Burns Brothers and International Harvester) are buying Korean parts.

Nuclear power. Several companies in the U.S. nuclear industry are now looking to Korea as a production base for reactor exports. Westinghouse, which is already building six reactors in South Korea, has been discussing plans with the giant Hyundai company and the Korean government to manufacture nuclear reactor components for export. Bechtel Corporation has reached agreement with the government-owned Korea Nuclear Engineering Company to form a joint venture. The firm will be guaranteed a monopoly on the domestic nuclear markets for engineering, and will attempt to secure contracts overseas. Both companies are depending on new markets for nuclear technology in the Third World. But their most promising market, Mexico, recently announced the indefinite postponement of its large nuclear program, casting doubts on these hopes.

Computers. Several large Korean firms are moving into link-ups with U.S. computer and telecommunication companies. Lee Byung Chul, founder of Samsung, South Korea's largest company, recently visited the United States to discuss cooperation in this field with General Electric, ITT and Hewlett-Packard.

These ties with Japan and the U.S. reflect changes in the international division of labor. South Korea is now playing a different role than in the 1960's when it produced mainly components or assembled goods. But it remains tied to the level of technology and the state of the Japanese and U.S. economies. In the 1980's, it will still supply cheap labor — only now it will be the high technology U.S. worker rather than the textile or shoe worker that will be replaced.

These new investments and the changes in economic structure and policy have not improved the Korean economy. The GNP (Gross National Product) growth of seven percent in 1981 barely offset the GNP drop of

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six percent in 1980. South Korea's domestic economy remains in a depressed state. The government's policy of limiting credit to hold down inflation has restricted borrowing, leaving small and medium firms in precarious positions. Profits are down throughout the economy. The depression has increased unemployment, now running at an official rate of five percent. Some analysts put real unemployment at close to 30 percent. The drop in real wages for the second year in a row has worsened the position of the workers, while the crackdown on organized labor has increased their anger (recently two executives of a U.S. computer firm, Control Data, were taken hostage and held for several hours by angry workers.) Rural incomes have also dropped substantially.

Because of the lack of substantial new foreign investment, South Korea's foreign debt has skyrocketed. Total debt by the end of 1981 stood at \$32.5 billion, nearly 55 percent of the GNP. In 1981, South Korea paid over \$3.6 billion in interest alone — an increase of \$1 billion from 1980. All of these factors have seriously damaged the country's competitive edge over its trade rivals in Taiwan, Singapore, and Hong Kong. In the last year, export orders have fallen drastically. The government has tried to take some measures to stabilize the economy. Interest rates have been lowered, and public spending in housing has increased. But Chun's policies have come under attack from the IMF, which is seeking to restore export competitiveness by devaluing the currency.

The IMF is pressuring the government to devalue the won because such a move, says the Fund, would give exporters a boost and bring in the foreign exchange that is needed to pay Korea's debt. It is also cautioning the government not to rely solely on wage cuts or improvements in productivity to increase exports. The IMF pressures have come to light in a position paper, made available to CounterSpy.

The falling off of exports in the last two years, says this Fund paper, "is a matter of concern, since a sustained growth of exports is needed to accomplish the two-fold task facing the Korean authorities: to complete the required external adjustment and to renew sustained economic growth. But the government strategy — keeping wages and prices low, curbing inflation by reducing the current account deficit — "involves risks.... The reduction in the rate of inflation has been achieved to some extent at the expense of export incentives." Instead, the IMF is pushing for a sudden restoration of competitiveness through devaluation. The Fund did note that

"the prospects for significant wage moderation were much better now than in early 1980... after two years of economic difficulties, the public had come to appreciate the need for wage restraint, and nominal wage increases were expected not to exceed 10 percent in 1982.... Based on settlements so far concluded the [Korean] authorities were hopeful that their wage objectives for 1982 would be achieved."

The Fund warned, though, that "wage moderation and gains in productivity" alone would not be sufficient "to bring about the needed boost to exports." The Fund also advised against lowering interest rates. This would force companies to borrow from domestic banks, which the Fund says could "lead to the crowding out of small and medium-size enterprises as large companies would be in a better position to obtain financing." Therefore, the IMF concludes, "given the depressed profit situation, exporters need better incentives to undertake the investments

necessary to improve productivity. An adequately flexible exchange rate policy would not only provide more effective export incentives, but is also likely to be less costly, in the long run, in terms of price stability."

It is probable that the Korean government will undertake the devaluation. It badly needs to \$100 million structural adjustment loan from the IMF, which will be released once the IMF "has reviewed and is satisfied with the progress achieved by Korea in carrying out the measures agreed upon under the loan program." The devaluation will be painful, and is likely to fuel unrest by pushing up consumer prices. Many domestically-oriented firms also oppose the devaluation because it will increase the prices of raw material and machinery imports.

South Korea has little room to maneuver. As long as its economy is dependent on exports, the country will continue to be hostage to the demands of the World Bank and the IMF.

## Twenty Years of Intervention: The IMF and the Philippines

by Walden Bello and Robin Broad

The recent exposure of confidential International Monetary Fund (IMF) directives to the Marcos regime prescribing draconian measures to "stabilize" the unravelling Philippine economy has returned one of the capitalist world's most powerful — and most obscure — institutions to the center of national controversy. The Fund probably enjoys a notoriety worse than the CIA in the Philippines. Because of its on-going interventions in economic policy-making and their harsh impact on living standards, the IMF is seen as one of the chief engineers of the crisis now engulfing the nation.<sup>1</sup>

### The First Devaluation

In 1962, the IMF carried out its first decisive intervention. It forced the government of President Diosdada Macapagal to abolish

foreign exchange controls on imports and devalue the peso by 100 percent relative to the dollar. Decontrol and devaluation were part of the IMF's strategy of "liberalization," which as usual consisted of lifting protectionist barriers to imports, abolishing controls on foreign investment, and depreciating "overvalued" currencies. The latter were regarded by the Fund as obstacles to the "free flow" of capital and commodities — that is, the unrestricted entry of foreign capital and goods into Third World economies.

The Fund was regarded as singularly fitted for its role as the vanguard of liberalization by the U.S. government and U.S. corporations which stood to benefit the most from the strategy. Though the U.S. government was the decisive voice in the IMF — controlling as it did over 21 percent of voting power — the image of the Fund as a multilateral institution

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composed of 140 member nations provided a guise of neutrality and objectivity to its dictates. This was underlined by a high-level panel of U.S. business and government officials in 1971. "As the Filipinos deal more with...the IMF, World Bank and the Asian Development Bank (ADB), they will learn to address economic problems more realistically and accept the constraints on economic behavior that are required for participation in the international economic community."<sup>2</sup>

The impact of the 1962 devaluation was severe. Between 1962 and 1964, Philippine workers saw their real wages decline by 10 percent.<sup>3</sup> While big agricultural exporters such as the sugar landlords reaped windfall profits from the devaluation, the nascent Filipino entrepreneurial class found itself in a very precarious position, facing a 100 percent increase in the peso cost of their imported inputs and repayments on foreign loans. An estimated 1500 Filipino entrepreneurs were forced into bankruptcy, and many of those who survived were pushed into joint ventures with U.S. capital. The inevitable economic slowdown helped depress the growth of manufacturing from the 11 to 12 percent average annual growth of the 1950-57 period to a mere five percent annually throughout the sixties.

To counteract the IMF's abolition of import controls, desperate national manufacturers propelled the creation of a protectionist system of tariffs which effectively undermined the key objective of the IMF's liberalization strategy — the unrestricted entry of foreign goods into the domestic Philippine market. "Although the strict import restrictions prevailing in the 1950s were gradually decontrolled in the early 1960s," complained the World Bank, the IMF's sister agency, "they were replaced by a highly protected tariff system.... Policy reform in the 1960s did not alter the bias of the incentive system in favor of import substitution" by national entrepreneurs.<sup>4</sup>

#### Repeat Performance

The opportunity for a more drastic intervention presented itself in late 1969, after Macapagal's successor, Ferdinand Marcos, "won" an unprecedented second term in the fraudulent elections held in November of that year. Marcos' costly electoral drive bankrupted the Philippine treasury, leaving the country with hardly any foreign exchange to cover the mounting trade deficit and to service the external debt. Desperate, Marcos turned to the IMF for help.

But in return for granting a \$37 million loan, the Fund demanded and got what it wanted — another devaluation of the peso, this time by over 60 percent relative to the dollar.

As in 1962, the devaluation wreaked havoc on Filipino entrepreneurs. As they teetered on the brink or fell into the abyss of bankruptcy, the World Bank congratulated Marcos for his "commendable display of political courage."<sup>5</sup> The quid pro quo for the IMF loan went beyond devaluation. A "Consultative Group" of aid-giving countries and international agencies was created under the joint leadership of the IMF and the Bank. The key function of this body was revealed by the U.S. Treasury Department: "The [World] Bank has sought to influence borrowers' policies indirectly through the mechanism of inter-governmental Consultative Groups on particular borrowing countries. Through these groups, the Bank attempts to rally other donors around its recommendations."<sup>6</sup>

Another condition for the loan was the installation of an IMF "resident officer" right in the Philippine Central Bank and the creation of a joint "Central Bank-IMF Commission" to overhaul the debt management policies of the government. According to one report, the IMF representative "sees reports, official figures and analysis from government agencies.... He probably has access to more documents than some high Central Bank officials."<sup>7</sup> The Central Bank-IMF Commission went beyond sanitizing debt management: it pushed the government to allow foreign equity participation of up to 40 percent in local banks in line with its plan to double the capital base

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**Throughout the seventies, the Philippines was under one or other variety of "standby program," giving the country the dubious distinction of being one of the few nations to complete not just one but several IMF stabilization agreements.**

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of the commercial banking system. Nine international private banks, including some of the larger U.S. banks, promptly seized this opportunity.<sup>8</sup>

### The IMF and Martial Law

The imposition of martial law on September 22, 1972, provided unprecedented opportunities for the IMF and the World Bank to fully restructure the Philippine economy. While the World Bank presided over an ambitious strategy of technocratic "development from above," the Fund assumed near total control over external economic policies.

Throughout the seventies, the Philippines was under one or other variety of "standby program," giving the country the dubious distinction of being one of the very few nations to complete not just one but several IMF stabilization agreements. By mid-1980, the Philippines owed the IMF almost \$1.6 billion, making it the Third World country most indebted to the agency and second only to the United Kingdom in overall indebtedness.<sup>9</sup> The Fund's power, however, stemmed not only from its large claims on Philippine debt. Perhaps even more important was the "good credit risk" status that it stamped on the regime. As one Bank report saw it, "the Government regards the IMF's role as essential not only for the large volume of resources provided, but also for the reassurance on economic management provided to private sources of finance."<sup>10</sup> The IMF now became increasingly important as the country's chronic balance-of-payments crisis went from bad to worse, necessitating huge infusions of foreign capital to bridge the gap.

The root cause of the worsening external economic position was the IMF-prescribed economic strategy itself. Beginning in the mid-seventies, the Fund and the World Bank threw the Philippines onto a path of economic liberalization and "export-led growth." That is, they based economic growth not on an expanding domestic market but hitched it to the demand of export markets in the advanced capitalist countries. This growth path was seen as a way to avoid radical income redistribution, which was the only means to expand the internal market to sustain continued growth. Developments in the late seventies, however, showed that export-led growth was a suicidal strategy: the world prices for the Philippines' key exports, sugar and coconut, declined drastically; the deepening international recession stopped the growth of export markets in the West; and, because of the recession, the advanced capitalist countries began to erect tariff and non-tariff barriers to labor-intensive

manufactured imports from the Philippines and the Third World.

With imports continuing to rise while export earnings were declining, the current account widened steadily to \$2 billion in 1980 — a development that forced the Marcos regime to contract over \$11 billion in loans to international banks to cover the yearly deficits. By 1981, servicing the external debt came to about \$1.6 billion, forcing the regime to go deeper in debt, simply in order to pay off installments of the already existing debt.

To many observers, it was obvious that the IMF-World Bank strategy of making the Philippines almost completely dependent on export markets was responsible for the disaster overtaking the economy. But the Fund and the World Bank proceeded to administer a cure that consisted of heavier doses of the disease of liberalization. The Fund took advantage of its power to dictate the credit ratings of the Philippines in order to knock out, once and for all, the protectionist system and ideology.

The IMF had become impatient with Marcos' unfulfilled promise to dismantle the protective mechanisms sheltering politically powerful national capitalists producing for the domestic market. The IMF-World Bank ultimatum delivered to the government during the Consultative Group meeting in December 1979 called for "restructuring of the economy."<sup>11</sup> Industry Minister Roberto Ongpin tendered the government's capitulation: "We are in agreement with the findings... that Philippine industry has suffered because of an over-protected system. We are determined to take the difficult and often painful decisions to dismantle some of the protective devices and thus to promote a free and competitive system."<sup>12</sup> The Fund could not conceal its pleasure, triumphantly announcing to the Group that "further steps will be taken to reduce the level of protection in order to open import substitution industries to the test of external competition."<sup>13</sup>

### "Structural Adjustment"

The main weapon for the destruction of the Philippines' protected industries was a \$200 million Structural Adjustment Loan from the World Bank. The carrot was a package of two IMF loans totalling \$654 million, which was badly needed to tide the regime through its balance-of-payments difficulties. The concerted pressure bore fruit: in January, 1981, the government decreed drastic tariff reductions on 590 commodities. But structural adjustment — which was a euphemism for the execution of the national entrepreneurial class

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formerly sheltered by the protectionist measures — was not the only demand of the IMF and the World Bank. The Fund demanded another round of devaluation.

Under the "flexible" exchange rate system imposed by the Fund after the devastating devaluation of 1970, the peso had depreciated from P6.43 to the dollar in 1970

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## **The root cause of the worsening external economic position was the IMF-prescribed economic strategy itself.**

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to P6.78 in 1973 and P7.50 in 1975. For the IMF, devaluation represented a "quick fix" to the Philippines' worsening external payments position in the late seventies: it would supposedly "cheapen" Philippine exports, resulting in a much greater volume of goods sold and thus more foreign exchange earnings.

But the Fund had another, more strategic objective in pushing devaluation: by raising the peso, prices of raw material, intermediate goods and machinery exports, monetary depreciation would help squeeze out the remaining "inefficient" Filipino producers. It was one more prong of the concerted offensive to totally denationalize Philippine industry in the name of efficiency.

### The IMF Versus the Central Bank

The IMF plan, however, encountered opposition from several Filipino officials, including Central Bank Governor Gregorio Licaros. Having helped implement the previous devaluations, Licaros had apparently learned the bitter lesson that the so-called virtues of monetary depreciation were an illusion. He now argued that the "relief" provided by devaluation — an upsurge in foreign exchange earnings — would at best be temporary and superficial while the consequences — recession — would be severe.

The growing gulf between the Fund and Licaros is captured in a number of recently leaked IMF documents. An IMF mission in May 1980 recommended that, in order to achieve "external competitiveness" and "promote greater balance of payments adjustment... the authorities permit greater flexibility in the

exchange rate."<sup>14</sup> The response from Licaros was disconcerting: "The Philippine representatives regarded the current level of the exchange rate as broadly applicable."<sup>15</sup> In August 1980, the World Bank added its voice to the IMF's call for devaluation, informing the Philippine government that "the foreign exchange account could be balanced by a moderate devaluation."<sup>16</sup>

The opportunity for the Fund and the technocrats to get rid of the stubborn Licaros emerged early in 1981, in the aftermath of the "Dewey Dee affair." After Dee, a Filipino-Chinese industrialist, fled the country, leaving \$100 million in bad debts, it was discovered that Licaros had been receiving kickbacks from Chinese-Filipino friends like Dee whenever the Central Bank approved their foreign exchange deals. The Licaros scandal was hushed up for fear of the impact on the Philippines' credit rating should it become widely known that the Central Bank Governor was not, after all, a model of bourgeois propriety. Yet it provided the excuse that the IMF, World Bank, and their technocrat allies within the Philippine government needed to oust Licaros in early 1981.

With Licaros out of the way and replaced by a more flexible technocrat, the devaluation demanded by the IMF took place. In June 1981, the exchange rate had deteriorated from P7.5 to the dollar to P7.9. By March 1982, it stood at P8.3. The IMF was pleased, but it also made it clear to the new authorities that the currency had to be debauched even more to make up for Licaros' earlier stubbornness.<sup>17</sup>

By 1981, the Fund and the World Bank stood at the pinnacle of their power in the Philippines. Not only had they virtually completed the liberalization of the Philippine economy and thus brought about its fuller integration into the world capitalist order, but they had also managed to install a cabinet of technocrats headed by Prime Minister Cesar Virata who amounted to no more than fronts for the implementation of Bank and Fund-dictated policies. Yet, it was a pyrrhic victory, for in the process major sectors of Philippine society had united in a determined nationalist movement to regain economic sovereignty.

### Footnotes:

- 1) Many of the materials used in this article are from Development Debacle: The World Bank and the Philippines, Institute for Food and Development Policy, San Francisco, 1982, authored by Broad and Bello with David Kinley, Elaine Elinson, David O'Connor and Vincent Bielsky.
- 2) CSIS, U.S.-Philippine Relations, Georgetown University, Washington, D.C., 1971, p. 72.
- 3) John Power and Gerardo Sicat, The Philippines:

*Continued on page 59*

## The World Bank: An Apolitical Institution?

The following excerpts from a World Bank memorandum seriously undermine the image of the Bank as an apolitical institution. The first paragraph shows that Bank personnel are physically present even in military situations. The second paragraph describes the Bank's intimate relations with three of the most brutal regimes in South America and its rather blasé attitude towards the social repercussions of Bank-enforced programs.

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

### OFFICE MEMORANDUM

TO: Files

DATE May 17, 1982

FROM: Office of the Senior Vice President, Operations

SUBJECT: Minutes of Operational Vice Presidents' Meeting of May 5, 1982

Present:

Members: Messrs. Stern (Chairman), Ardito-Barletta, Baum, Chaufournier, de la Renaudiere, Kirmani, Kraske, Thalwitz.

Others: Messrs. de Silva, Theodores, Köpp, Ms. Pratt.

Security in the Field

1. The meeting discussed a memorandum on the above subject (memo Pajmans to Stern, April 9). The meeting generally endorsed the policy recommendations and procedures contained in the memorandum and agreed that the primary principle to be followed was that staff would not be placed in the field where it is determined that a significant security risk exists. It was agreed, however, that primary responsibility for decisions regarding evacuation of staff, purchase of air tickets in advance, and continuation of supervision, should rest with the Resident Representative in countries having such staff. The Bank would generally follow UN guidelines regarding security and evacuation. Resident Representatives would have the authority to deviate from them and, in general, Resident Representatives would be expected to evacuate their staff when, in their judgment, staff would be exposed to unreasonable risks as a result of remaining in country. All staff (and dependents) having a direct contractual relationship with the Bank would be included in any evacuation plan. This would include local staff, who should be offered the option of being evacuated if remaining in country would expose them to serious risk. Examples of such risks should be provided for the guidance of Resident Representatives and headquarters would be consulted to the extent practicable. Local staff who were evacuated would normally be expected to return to their home country as soon as condi-

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tions permitted. (Personnel and Administration had noted that there may be other practical problems in implementing the recommendation on on local staff evacuation.) In countries where no field office exists, the Region should designate an appropriate senior manager to make decisions regarding security/emergency situations, in consultation with the Field Office Coordinator. The Senior Vice President, Operations, should be kept informed regarding all reports on crisis situations. Managers were asked to discuss these issues with their staff and to clarify that project supervision involving armed escort is not permitted, not only because of the threat to the safety of staff, which staff themselves have tended to discount, but also because effective supervision of development projects is incompatible with the association of a military presence.

#### Mr. Ardito-Barletta's Recent Trip

3. Mr. Ardito-Barletta reported on his recent trip to Uruguay, Chile and Argentina, all of which have tried, with varying degrees of success, to open their economies in recent years in an attempt to remedy severe Balance of Payments difficulties, exacerbated by depressed commodity prices. Chile appears to be having the greatest success and has moved very rapidly. Interest rates are highly positive and inflation is now very low. The adjustment process was proving to be socially painful, however, with stagnant levels of investment and very high unemployment. Uruguay had done somewhat less well, but was still making good progress in balancing its budget and reducing inflation. In addition, Uruguay had introduced a series of mini-devaluations, with the result that the adjustment process, while somewhat slower, may be less painful than in Chile. In Argentina, the opening of the economy had put tremendous pressure on the industrial sector and on investments. Argentina did not devalue or balance its budget initially, however, and this had forced the country to undertake a very large devaluation subsequently. The addition of the economic blockade resulting from the current military situation created further severe stress, which the economy was not likely to be able to sustain.

4. The difficulty faced by these and other countries pointed to some gaps in our understanding of policy measures at the micro level, particularly regarding the timing and magnitude of adjustments we should recommend. An evaluation of stabilization policies pursued by the IMF and the World Bank would be extremely useful. Knowing what has and has not worked in the past would be a helpful guide in making policy recommendations in the future. Concern also was expressed regarding the possible implications of a slower-than-anticipated recovery of the world economy, and the need to focus systematically on the global adjustment process. In this context, the Chairman noted the recent appointment of Professor Anne Krueger to succeed Mr. Chenery as Vice President, Economics and Research Staff. Professor Krueger has a long-standing interest in these particular areas, and it was hoped that she would initiate such studies after assuming her new post next September.

*Continued from page 13*

less stringent defeat criterion, IT or LL can be used. The coverage criterion selected should consider the time-dependent effects of nuclear radiation. The evacuation of personnel with sublethal or delayed lethality doses may be adequate to reduce a unit's strength and capability sufficiently to abort a mission. For these reasons, use of the LL (650 rad) casualty criterion may be sufficient for targeting in some cases.

(3) *Consideration of lesser effects over entire target area.* An area target is attacked with a specified coverage and defeat criterion (IP, IT, or LL). It is important to realize that target degradation occurs beyond the distance where the specified radius of damage extends. The smallest nuclear weapon has potentially lethal effects that cover more than a square kilometer of area. Also, to estimate the overall effect on a targeted unit, the combination of effects should not be overlooked. Each degrading effect by itself might not result in serious impairment of a soldier's performance. However, a soldier suffering with burns from thermal radiation, ear drum damage from overpressure, cuts and broken bones from flying objects, and vomiting from radiation sickness is not likely to be very effective in any capacity. Hence, when a commander requests that a certain percentage of the target receive a specified degree of damage, it should be recognized that much of the remaining portion of the target would receive damaging effects....

## 2.6. Collateral Damage

a. Collateral damage is *undesirable* civilian materiel damage or personnel injuries produced by the effects of friendly nuclear weapons.

b. While the overall goal is to limit collateral damage, there must be a balance between collateral damage constraints and military effectiveness if operations are to be successful. Therefore, some damage to populated areas should be expected....

*Continued from page 56*

Industrialization and Trade Policies, Oxford University Press, New York, 1971, p. 38.

4) World Bank, Transition Toward More Rapid and Labor Intensive Development: The Case of the Philippines, Washington, D.C., Oct. 1980, p. 5.

5) Quoted in D. Rosenberg (ed.), Marcos and Martial Law in the Philippines, Cornell University Press, Ithaca, NY, 1979, p. 196.

6) U.S. Department of the Treasury, "Assessment of U.S. Participation in the Multilateral Development Banks in the 1980s," Consultation Draft, 9/21/81.

7) Asian Wall Street Journal, 8/15/79.

8) Central Bank of the Philippines data, 1975; see also World Bank, Current Economic Prospects and Position of the Philippines, 1975, p. 12.

9) World Bank, "Working-Level Draft Country Program Paper," Memorandum from Bruce Jones, 8/29/80, p. 13.

10) *Ibid.*, p. 14.

11) World Bank, "Consultative Group for the Philippines: Chairman's Report of Proceedings," 3/20/80, p. 71.

12) Robert Ongpin, "Statement," in World Bank, "Meeting of the Consultative Group for the Philippines ... December 13 and 14, 1979," Washington, D.C., Annex VI, p. 5.

13) Andreas Abadjis, "Statement," in *ibid.*, Annex V, p. 2.

14) IMF, "Philippines - Staff Report for the 1980 Article IV Consultation and Review of Stand-by Arrangement," Washington, D.C., 7/17/80, p. 14.

15) *Ibid.*

16) World Bank, "Working Level Draft Country Program Paper," p. 14.

17) IMF, "Philippines - Staff Report for the 1982 Article IV Consultation," Washington, D.C., 3/24/82, p. 20.

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