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Folder Title:
Drug Strategy II-Newspaper Publisher's Luncheon 1/25/90 [OA 8310] [2]

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Interdiction Highlights

- Enhanced and expanded role for the Department of Defense in the area of detection and monitoring of drug trafficking.
- Improved coordination of air, land, and maritime interdiction efforts to deter and intercept drug smuggling and the illegal shipment of drug-related money, munitions, and precursor chemicals.
- Increased focus on drug smuggling across the Southwest Border. Additional U.S. Customs canine drug detection teams to be provided at ports of entry.
- Additional Immigration and Naturalization Service resources and personnel to be provided to deter and prevent illegal entry by drug smugglers into the United States.
- Development of enhanced drug detection technology to increase cargo and baggage inspection at ports of entry.
- Improved automated data processing equipment for use by the U.S. Customs Service, the Immigration and Naturalization Service, and the U.S. Coast Guard.
- Completion of the Command, Control, Communications, and Intelligence (C3I) systems, and their integration with the Department of Defense Joint Task Forces.

MEMORANDUM

TO: LANGE

FROM: CAWLEY

SUBJECT: INFO FROM BENNETT'S SHOP ON "STRATEGY I

BRUCE CARNES
Director of Budget and Planning for Bennett

**Congress appropriated $25M for the 5 High Intensity Drug Trafficking Areas. $5M for each area will go to federal agencies to beef up their manpower in each area. (IE: the money does not go directly there)

These areas are designated by crime statistics...the hard numbers. Regular drug programs target problem by stats, to these particular areas would receive $1.3B even without being specified by the new drug plan.

Daniel Casse

**This "Strategy II" follows the same format as the strategy outlined in September, with 6-7 major chapters that it addresses. THE FUNDAMENTAL PRINCIPLES HAVE NOT CHANGED: reduce drug use through a mixture of supply-specific and demand-specific approaches. This is a detailed version for the fiscal year, agency by agency, activity by activity, task by task.

HIGHLIGHTS:

**DRUG TREATMENT
$1.5B for the next fiscal year ('91) for treatment. This figure is a total, to include research. A 68% increase over the past fiscal year ('89)...ie: when Bush came into office

last 13 mos.

nearly doubled

up 12% since last fall

Tell: "unfinished increase for treatment."

**INTERNATIONAL

Much $$ to support the Andean region in law enforcement efforts. May want to mention the summit in Cartagena; this includes the fact the it is a big accomplishment to get Peru to go (not verified yet). There has been an increase from $295M to $528M for cooperative law enforcement for all international activities, which includes better coordination with Mexico.

CONGRAT BARCO. NO DEALS W/ DEALERS

**INTERDICTION

DoD now plays a big role in detection and monitoring. Don't oversell this; they do not want us to say HOW big a role DoD is playing but they suggest "A coordinated, cooperative offshore effort". It was a big achievement to bring DoD into our effort.

**INTELLIGENCE

We are beginning a new National Drug Intelligence Center.

**A brand new initiative to produce a concise strategic picture of trafficking organizations.

ATTITUDES ((de-crim)) of human potential see p.5 – tragic; the state condoning waste

REVIEW & OUTLOOK

Drugs: Why Not?

Next Tuesday, President Bush is going to deliver his much-anticipated speech about America's drug problem. Unfortunately, the talk coming out of the White House lately has been very much in tune with the failed siren songs of drug wars past. The current obsession is Colombian drug kingpins. We'd be happy to support almost any action the U.S. might take to punish the gangsters that threaten Colombian sovereignty, but that is a foreign policy problem. The truth is that the drug problem begins on American streets, not in Colombia.

The Colombia fixation misleads people into thinking that drugs are merely a foreign scourge imported into innocent American neighborhoods. That was the premise of past drug efforts. It's not true, and the policies that grow from it don't work.

Drugs don't destroy urban neighborhoods. The destruction was well under way before the drugs arrived. Hard-core drug users are often already committing crimes before they indulge in drugs. They are already living disorganized lives, outside of families and schools. Drugs only make their problems worse.

Instead of blaming foreigners and drugs for the drug problem, Mr. Bush could be the first President to hold drug users responsible for their immoral behavior. That takes a subtler form of courage, because polite opinion has been committed to denying individual responsibility. Senator Joseph Biden is typical; he calls the drug problem a "public health emergency," which conveniently abstracts drugs from any moral considerations. Others talk about an "addiction crisis," as if it were all just a matter of biochemistry.

Holding people responsible for their actions is especially difficult in ghetto areas. One of the advantages an affluent kid has over an underclass kid is that when a suburban kid is caught with cocaine, nobody starts asking about the "root causes" of the problem. The ghetto kid, on the other hand, is reduced to sociology; he is left to live in a moral fog.

Judging by the media thrust on this subject, one could draw the conclusion that every underclass kid in America is a dealer or an addict, or soon will be. What a cruel insult this is to the majority of underclass kids who are resisting drugs. William Bennett has rightly used Ralph Ellison's phrase the "invisible man" to refer to this group because it gets no media attention. There are inner-city kids showing up every day for their high-school classes, but let just one drug-related shooting occur and the TV crews are climbing all over the place. Viewer reaction: *They* are out of control.

The only serious treatment we've seen was done by Insight magazine, which profiled kids who passed up the drug trade to make money the old-fashioned way. Quincy McLane, 19, of Washington, was making $200 a day as a runner for a crack dealer. He gave that up to earn $4.88 an hour cooking chicken at a Popeye's. At night he's a dishwasher at a Holiday Inn.

It is simply ridiculous to say that people are incapable of governing themselves. It is worse than ridiculous; it undermines the efforts of the people in these areas who really are trying to teach individual responsibility in their neighborhoods. More of them have begun to appear in the past few years. One such group is Black Men Together, headed by Alvin Brooks in Kansas City. Mr. Brooks gathers a group of tough-looking men for rallies in front of crack houses. With bullhorns they challenge dealers to get out of the neighborhood. Black Men Together teaches kids that not all the strong guys are dealers. It's possible to be cool as well as good. These groups exemplify and teach individual responsibility.

Drug Czar William Bennett has designed a plan consistent with that philosophy, emphasizing that drugs are not a discrete problem, but are intertwined with the decay of community institutions and values that started in the late 1960s. Placing more cops on the street, making jail terms for retail dealers more likely, forcing users into treatment programs and dealers into boot camps—these and other Bennett-endorsed programs make those involved with drugs face the consequences of their actions.

Irving Kristol has described the challenge well: "The moral code for all civilizations must, at one time or another, be prepared to face the ultimate subversive question: 'Why not?' Our civilization is now facing that very question in the form of the drug problem. . . ." He wrote that in 1970. Almost 20 years later, with so many people willing to run the risks of a life with narcotics, George Bush has the opportunity to give a clear answer to that tough question: Why not?

Expand. Why.

Academic Protectionism

Stanford University finally managed to get rid of W. Glenn Campbell, who will begin his forced retirement this evening. In 29 years as director of the university's Hoover Institution, Mr. Campbell made it one the most important research organizations in the world. It now has a magnificent library, a $300 million endowment, and a staff that includes five Nobel Prize winners as well as notable scholars such as Thomas Sowell, Robert Ge-

only in a place such as Palo Alto.

The politicized professors maintain the fiction that they are non-partisan. They want Hoover off campus. Typically, Stanford president Donald Kennedy and the Stanford Board of Trustees are more oblique. They merely want to gain control of Hoover and its abundant resources, and they hope to do so by eventually replacing Mr. Campbell with someone more conge-

Reagan Judges: Bad News For Business?

By Gerald D. Skoning

Several major decisions of the Reaganized Supreme Court's first full term have been hailed as evidence of a change of direction toward stricter statutory construction, states' rights, and openness to a reconsideration of decisions of the Burger and Warren Courts.

Many believe that a conservative Supreme Court would be good for business. In one sense this is true. Certainly companies can expect a more sympathetic response from the current Supreme Court than from some of its predecessors in controversial areas such as employment discrimination, labor-management relations, securities regulation, and so on. In fact, corporate defendants tallied at least some significant victories in these areas during this past term. However, business leaders should be wary of some consequence of the victories they are winning. There are four major areas of concern:

• *Legislative reversal of corporate legal victories.* The congressional reaction to the Supreme Court's civil rights decisions this term has been swift. Legislation has already been introduced in the Senate to overturn the Supreme Court's decisions in three major employment cases. For example, Sen. Howard Metzenbaum (D., Ohio) has introduced the Fair Employment Reinstatement Act, which would overturn the Supreme Court's decision in *Ward's Cove v. Atonio* and require an employer to prove a business justification in disparate impact discrimination cases. Similarly, a bill introduced by Sen. Paul Simon (D., Ill.), would overturn the court's ruling in *Richmond v. J.A. Croson, Co.*, which severely restricted the legality of the minority set-aside programs in effect in 36 states and 200 municipalities. Sen. John Heinz (R., Penn.) has introduced a resolution that would overturn the Supreme Court's ruling in *Public Employees Retirement System of Ohio v. Betts* and apply the Age Discrimination in Employment Act to clarify employee benefit plans.

Congress's reaction should not surprise anyone—it responded in exactly the same way to many of the conservative decisions of the Burger court. Congress moved unusually swiftly to overturn *General Electric v. Gilbert* (holding that discrimination on the basis of pregnancy does not violate Title VII of the 1964 Civil Rights Act), *Grove City College v. Bell* (curtailing enforcement of Title IX of the act), and *NLRB v. Bildisco* (permitting bankrupt employers to repudiate labor contracts). In each case, the legislation to correct the court—the Pregnancy Discrimination Act, the Civil Rights Restoration Act, and the Bankruptcy Amendments of 1984, arguably imposed more onerous restrictions and burdens on employers than legal defeats would have exposed them to.

• *Resurgence of States' Rights.* Judicial conservatism has always prized states' rights. When liberal courts read the federal constitution's supremacy clause broadly, states' rights languished. But now, the Reagan court has already issued several decisions sharply curtailing the so-called federal preemption doctrine. This will open up to the states areas of law making that have long been foreclosed by pervasive federal regulation.

Conservative as this trend may be, it is hardly a completely happy one for American business. States will be free to exercise their regulatory muscle in areas formerly dominated by uniform federal standards. Companies that have multi-state operations face the grim prospect of complying with a crazyquilt of 50 different state laws in a multitude of regulatory

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BEYOND THE BORDERS

Cost Rica Columbia next month ...
congrat BARCO

- Costa Rica summit last October
  - Bush presented plans to assist foreign govts in crop eradication & fight violence. It was a "side issue" among bigger things at the summit but was successful

- money laundering
  - After the Paris Economic Summit, the Financial Action Task Force was created; it's now doing it's final report.
  - Int'l Cooperation & coordination on chasing $ has greatly improved. The Noriega case is a prime example: US was able to get other countries to freeze his $ & assets

AID $ → Strategy I announced $65 M in Emergency Assistance for assisting Andean nations v. the cartels; the major of this money, which is doled out in stages, has already been put to use.

Int'l agreem't → The Senate gave its advice & consent to the UN Anti-Drug Convention. 20 member countries (a few have yet to sign it before it goes into effect). It gives the countries the legal & int'l tools to fight laundering, stop chemical flows, extradite, etc. (so called "extranational issues". Signatories include: US, Bahamas, Senegal, Mexico ... (complete list is coming

COLOMBIA DRUG CARTEL DIRECTS WE-GIVE-UP MESSAGE TO BUSH

BOGOTA -- The Medellin cocaine cartel freed a kidnap victim on Thursday who bore a memorized message for President Bush repeating the drug lords' pledge to release all their hostages and abandon their illicit trade....

"We are going to release all of our hostages," the Extraditables...promised in their message to Bush. The message was repeated from memory by Roberto Toro Gonzolez, who was kidnapped on Dec. 14....

The Extraditables' message indicated that Bush should view cartel leaders as any other suspected traffickers willing to cut a deal with authorities.

"If President Bush and the men of the...(DEA) do not believe the word of the drug traffickers, why do they negotiate with them and why do they let them testify against other suspects?" the message asked.

(Stan Yarbro, AP)

WE DON'T MAKE DEALS WITH DEALERS
the summit in Colombia next month -- we're going... to take the teeth out of terrorism
don't confuse caution w/ cowardice...

WORLD NEWS

Colombia Winner in Drug War, Says Cartel

Medellin Traffickers Vow to Halt Operations If Pardoned; Bogota Reacts Coolly to Offer

By Tom Wells
Associated Press

BOGOTA, Colombia, Jan. 17—The Medellin cocaine cartel said today that the government had won the war on drugs and that the traffickers would halt their terror campaign and stop dealing drugs in exchange for a pardon.

The cartel released two kidnap victims to back up its offer, which was similar to previous proposals that have been rejected by the government. The difference in this proposal was the cartel's statement that it accepted defeat.

The communique followed President Virgilio Barco's statement Tuesday night that his government is "not inflexible" in regards to a negotiated settlement with drug lords. Previously, Barco ruled out talks.

Barco, President Bush and the leaders of the cocaine-producing countries of Peru and Bolivia have joined forces to fight drug traffickers. They are expected to sign an accord to that effect at an anti-drug summit in Colombia next month.

Patricia Echavarria, who was kidnapped Dec. 16 in Medellin along with her daughter, carried the 11-point communique when the two were freed today in Medellin.

Interior Minister Carlos Lemos Simmonds verified the authenticity of the communique. [Later, the Reuter news agency reported, Simmonds said: "The government has won this war on the basis of not making concessions. I don't see why we have to change this political strategy when our own enemies have declared that our policy has triumphed."

[In Washington, an administration official, speaking on condition that he not be identified, said the communique appeared to be "the same offer as they made in September" and was not being taken seriously by the United States. The official added, "Any time they want to make a deal, they are hurting."]

The communique, like others from the traffickers, was signed by The Extraditables, a name often used by prominent members of the Medellin cartel.

"We accept the triumph of the state," said the communique. "Thus we will lay down our arms and abandon our objectives for the benefit of the highest interests of the fatherland."

"We submit to the existing legal establishment in the hope of obtaining from the government and from society respect for our rights and our return to our families and communities," the communique said. That has been the traffickers' way in the past of saying they want pardons and a pledge that they will not be extradited to the United States.

"We have decided to suspend the shipment of drugs and surrender the weapons, explosives, laboratories, hostages, the clandestine landing strips and other effects related to our activities at such a time as we are granted constitutional and legal guarantees," it continued, reiterating previous offers.

The communique said Echavarria and her daughter Dina had been freed as proof of the cartels' desire to make peace.

Barco began his crackdown on drug dealers in August after drug lords assassinated a leading presidential candidate, Carlos Galan, who demanded more action against drug trafficking.

As part of the crackdown, Barco revived Colombia's extradition treaty with the United States, and 13 suspected drug dealers have been sent to the United States for prosecution—including two flown to North Carolina today to face trafficking charges.

The traffickers responded with a terror campaign that has killed 209 people and left more than 1,000 injured. The government also says drug traffickers bombed a jet that crashed outside Bogota in November, killing 107 people.

In the last 45 days, 85 people have been kidnapped, and police say most of them were abducted by the traffickers.

In the communique, the traffickers offered to act as intermediaries to end violence by groups fighting for control of Colombia's emerald mines and to stop activities of right-wing death squads. In the last four years, death squads have killed more than 1,000 people suspected of being sympathizers with Marxist guerrilla groups.

Presumably, government pardons would mean none of the traffickers would be prosecuted for the murders of scores of people in Colombia, including governmment officials, judges, journalists, and members of security forces.

Barco's position up until Tuesday night had been to keep up the fight against the traffickers with no chance for negotiation.

But on Monday, the Catholic Church in Colombia and the leaders of the three biggest political parties said in a joint statement there should be a peaceful end to the drug war.

It was that statement that prompted reporters to ask Barco on Tuesday night at a banquet on whether he was opposed to a negotiated settlement with the traffickers. "We are not inflexible," Barco responded. The traffickers' communique also was a response to the church's initiative.

Washington Post correspondent Eugene Robinson added from Buenos Aires:

It was unclear just what the impact of the cartel's communique would be on the Colombian drug industry, which supplies more than 80 percent of the cocaine consumed in the United States. While it was considered genuine and may represent the views of drug barons Pablo Escobar, Jorge Luis Ochoa and other members of the Medellin cartel, the message did not necessarily speak for a rival group based in the city of Cali.

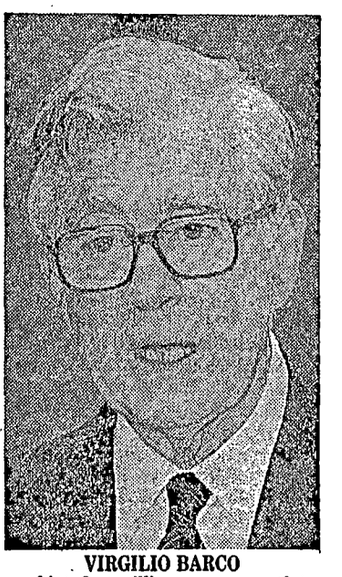
The more businesslike, less violent Cali cartel—which is believed to control several major U.S. markets, including New York City—has been largely untouched by the government's offensive and may not be

See COLOMBIA, A26, Col. 1



REUTER

Lina Echavarria after kidnappers freed the 16-year-old and her mother.



VIRGILIO BARCO
... hinted at willingness to negotiate

Cartel Offers to Quit Trafficking

COLOMBIA, From A25

so eager to discuss giving up the lucrative drug trade.

Additionally, there is a question of whether the top cartel leaders could guarantee an end to drug processing and sales. An army of middle- and low-level traffickers could be available to take up the slack if Escobar and the Ochoa family got out.

The communique appeared to be aimed at public opinion, which has been backing away from its initial support of Barco's all-out war against the traffickers.

Last August, polls showed most Colombians favored extraditing drug lords to face trial in the United States. More recent polls have showed most Colombians once again opposing extradition.

Photocopy-Preservation

Q On the drug question, the Medellin cartel has apparently put out a message today saying that they're willing to end the drug war in return for "fair treatment for their families" was one of the things that they put in. Are you aware of this message and is there any response to it?

MR. FITZWATER: I am not aware of it, but we have always said no deals.

Q Well, they seem to be responding to the former presidents in Colombia. That's not within the parameters that you would expect them to --

MR. FITZWATER: I can't make a judgment about those specific comments, but President Barco has been clear on no deals, and so have we.

Q What do you mean, no deals? You mean the families would be affected?

MR. FITZWATER: Just means we don't make deals with the Medellin cartel, period.

7

Reduce Steroid Abuse

- Increase efforts to inform the public, particularly youth, about the dangers of steroid abuse.

International Initiatives

Expanded Andean Strategy

- $215 million of increased military, law enforcement, and economic assistance to Colombia, Peru, and Bolivia.

Increased Cooperation with Mexico

- Cooperative law enforcement efforts with Mexico to include drug-related investigations, money laundering disruption, and the enhancement of Mexican drug interdiction programs.

Strengthened Financial Crimes Enforcement

- Money laundering and other drug-related financial crimes to become an Administration priority through the Department of Treasury's Financial Crimes Enforcement Network (FINCEN) and the multi-agency Drug-Related Financial Crimes Policy Group.

Interdiction Efforts

Focus on the Southwest Border

cross-designation

- Increased numbers of Customs Inspectors and INS Border Patrol along the Southwest border.

Larger Department of Defense Role

- Expanded Department of Defense role in the detection and monitoring phase of drug interdiction, and Department support to border control agencies.

A Research Agenda

Wider Range of Basic Drug Information

- Better estimates of production and consumption; the economic impact of drugs; criminal justice simulation models.
- Expanded drug use survey research.

Regional and State Measures of Progress

- Development of a "status report" on State drug use indicators and drug control efforts.

INTERNATIONAL INITIATIVES

(BA in millions of dollars)

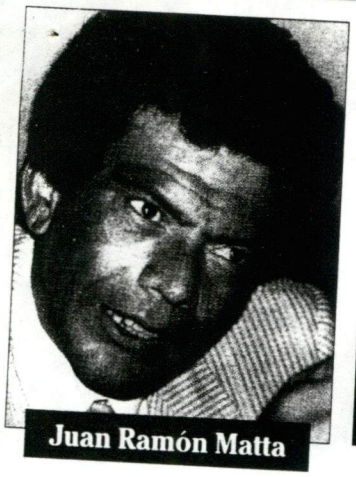
	1989	1990	1991	Increase 90-91 $	Increase 90-91 %
Andean	61	205	420	215	105
Other	243	214	270	56	26
Total	304	419	690	271	65

CURRENT STATUS

- Developed Andean Strategy to target cocaine source countries (Colombia, Peru, Bolivia). Negotiations on implementing Andean initiatives nearing completion.
- Established multi-agency Drug-related Financial Crimes Policy Group (DCFPG) to review and coordinate National policies aimed at curtailing money laundering and seizing and forfeiting illegal currency and assets.

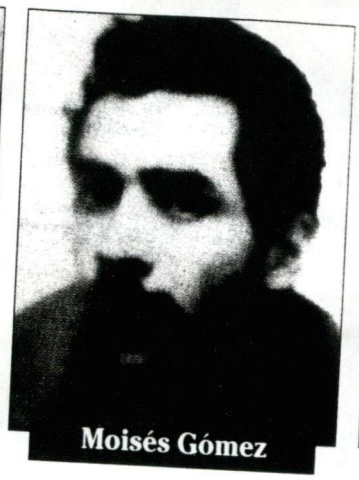
STRATEGY II PROPOSAL

- Increase funding for Andean Strategy to provide economic, military, and law enforcement assistance to Colombia, Peru, and Bolivia by $215M.
- Expand cooperation with Mexico in drug enforcement, money laundering disruption, interdiction, and demand reduction programs.
- Continue law enforcement and military programs in South American producer and transit countries: Ecuador, Venezuela, Paraguay, Argentina, and Chile.
- Continue development of law enforcement and intelligence programs with Central American and Caribbean nations.
- Develop an international strategy to counter the opium/heroin threat.
- Broaden efforts to counter international drug money laundering.
- Expand initiatives to reduce illegal manufacture and shipment of chemicals essential to illicit drug production.
- Promote international law enforcement cooperation through Mutual Legal Assistance Treaties.
- Pursue anti-drug intiatives at international fora (Andean Drug Summit, U.N. Special Session, Houston Economic Summit).



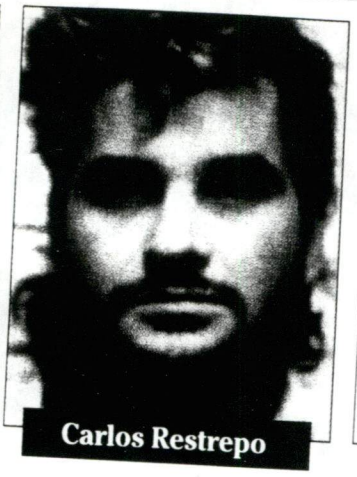
Juan Ramón Matta

Convicted kingpin trafficker and racketeer



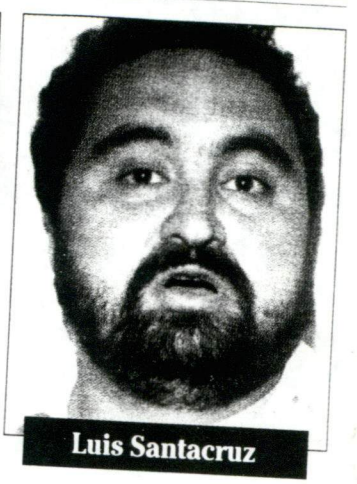
Moisés Gómez

Accused of distributing cocaine for Cali cartel



Carlos Restrepo

Convicted of laundering money for Cali



Luis Santacruz

Alleged overboss charged with smuggling

Cocaine's 'Dirty 300'

How the Colombian drug cartels operate their sophisticated, $5 billion drug business in America

THE DRUG CRISIS

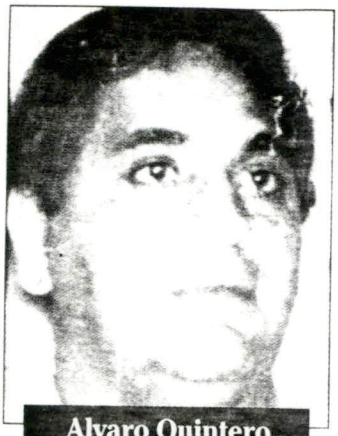
Like many big drug cases, this one began with the seizure of a large amount of cocaine and the arrest of a group of suspects nobody ever heard of—faceless men, men who were dumb enough or unlucky enough to be hanging around when the law came crashing in. The raid took place on July 29, 1987, at a produce market on Chicago's West Side. Nearly 5,000 pounds of pure cocaine were seized, and the big fish, as usual, got away. But today, more than two years later, federal authorities in Miami say they have the man who masterminded the Chicago shipment. His name is Luis (Lucho) Santacruz Echeverri, and he was arrested outside his home in suburban Dade County last July. Santacruz is married and a father, and has lived in Florida since 1983; he claims to be a law-abiding businessman. The Feds claim Santacruz is the U.S. overboss for one of Colombia's biggest cocaine cartels—and, they say, his presence in Miami is one sign that the cartels are revolutionizing cocaine trafficking in the United States.

According to the FBI and the U.S. Drug Enforcement Administration, the Colombian cartels are now directly distributing cocaine nationwide. Ten years ago the cartels were largely content to sell their product to American middlemen. Now, according to federal law-enforcement experts, cartel kingpins have established smuggling, marketing and money-laundering networks that extend from coast to coast. "Instead of hundreds of individual entrepreneurs dealing in smaller [loads], you saw a transformation into a very well-organized business with multiton shipments," says Tim McNally, assistant special agent in charge of the FBI's Miami field office. "The Colombians knew



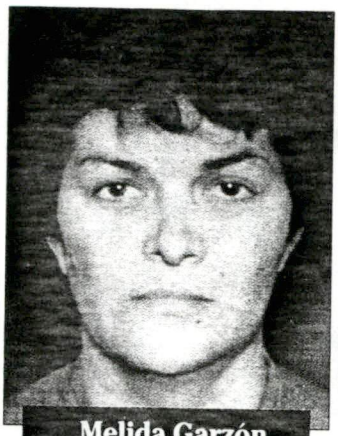
The crackdown is already fading: *Miami bust*

SUSAN GREENWOOD——GAMMA—LIAISON



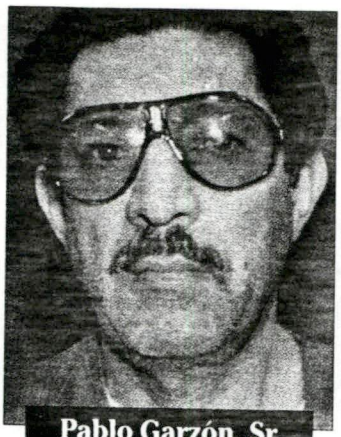
Alvaro Quintero

Fugitive indicted in major Cali coke seizure



Melida Garzón

Pleaded guilty on drug-trafficking charges



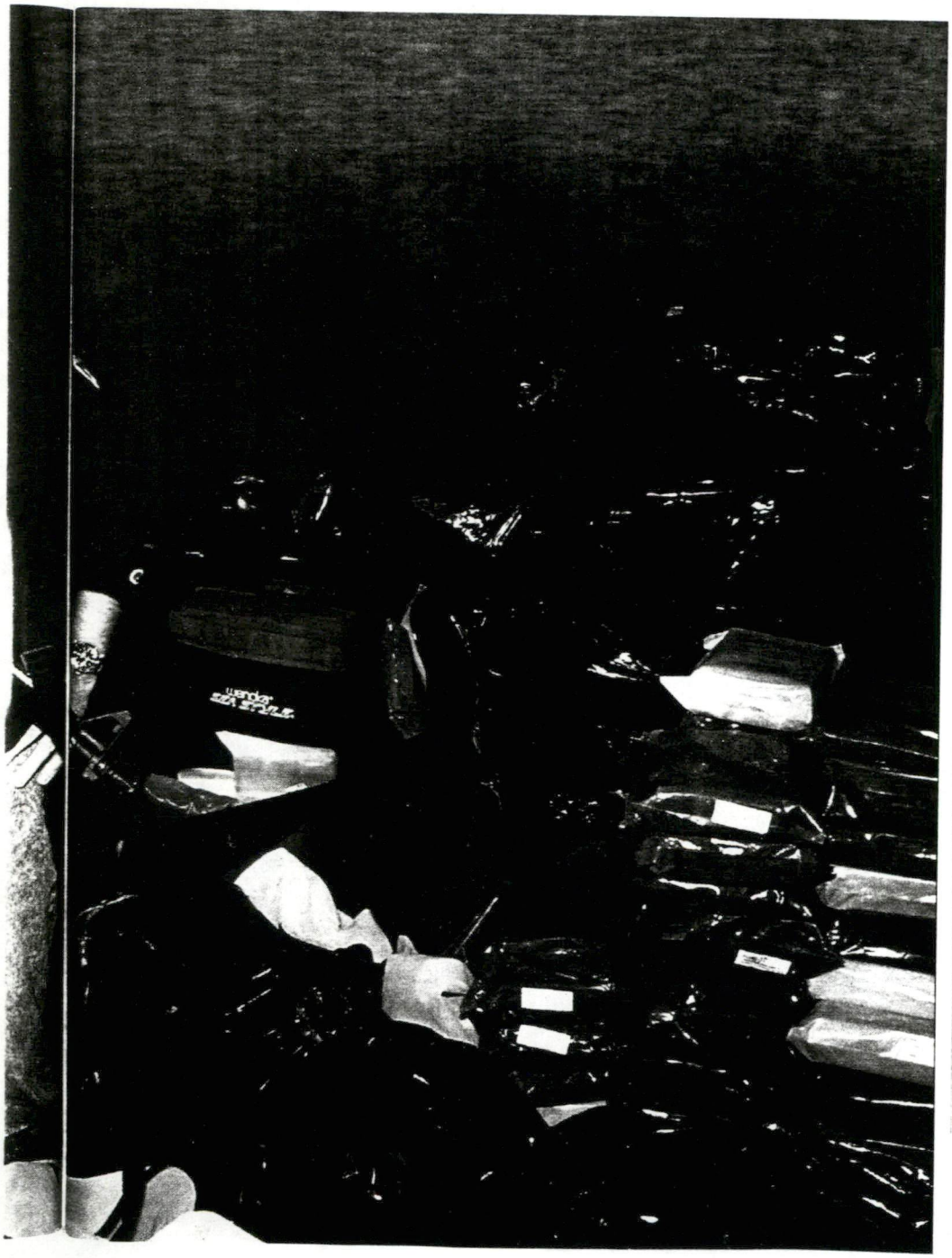
Pablo Garzón, Sr.

Admitted to cocaine possession in Florida



Carolina Garzón

Busted at her graduation-day banquet

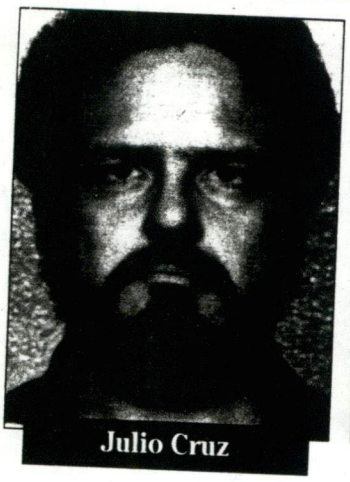


that if they . . . controlled the warehousing [in the United States] and sold to the first-line customer, they would enhance their profits dramatically—which they have."

McNally and other ranking lawmen say the Colombians' methods are highly sophisticated and the scale of the industry mind-boggling. The cartels' combined gross wholesale revenues may be as high as $5 billion a year. At least 22,000 Colombians are involved in the cocaine trade both here and in Latin America. Federal lawmen have identified about 300 Colombian trafficking groups now operating in this country, each headed by a Colombian sent to the United States from South America by the cartel heads. These men and women—brokers, expediters and smugglers, some identified by name and others still unknown—are NEWSWEEK's "Dirty 300."

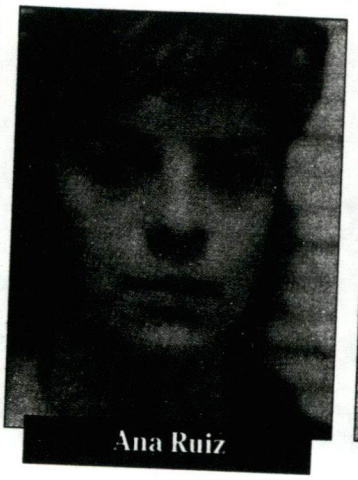
Clear picture: Many of these managers and trafficking groups are now being investigated by federal agencies, and a clearer picture of the cartels' U.S.-based organizations is emerging. In dozens of interviews with NEWSWEEK correspondents, federal prosecutors and FBI and DEA experts stress three broad findings about the Colombian traffickers. First, like any well-run corporation, the cartel networks are businesslike, pragmatic and flexible. Second, the Colombians are extremely skillful at evading police surveillance—and when they do get caught, they have an army of high-priced American lawyers at their disposal (page 41). As a result, though many investigators are confident the cartels can be broken, no one predicts that victory will come easily or soon. Finally, federal sources say, the impact of the Colombian government's current crackdown against the drug lords is already fading, and that the cartels' ability to move large amounts of cocaine to and within this country has probably been only temporarily affected.

The popular image of big-time coke traf-



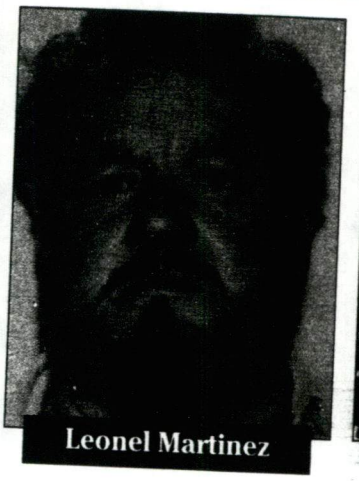
Julio Cruz

FBI fugitive indicted on distribution charges



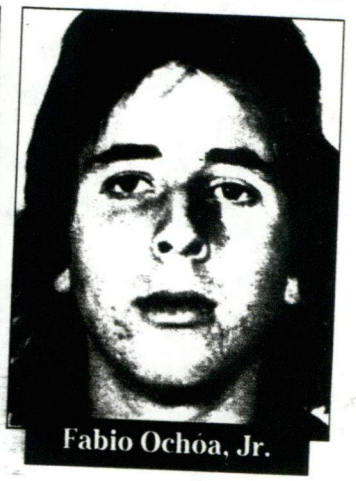
Ana Ruiz

One of Cali's money launderers



Leonel Martinez

Awaiting trial on charges of importing coke



Fabio Ochoa, Jr.

Member of a drug-smuggling clan

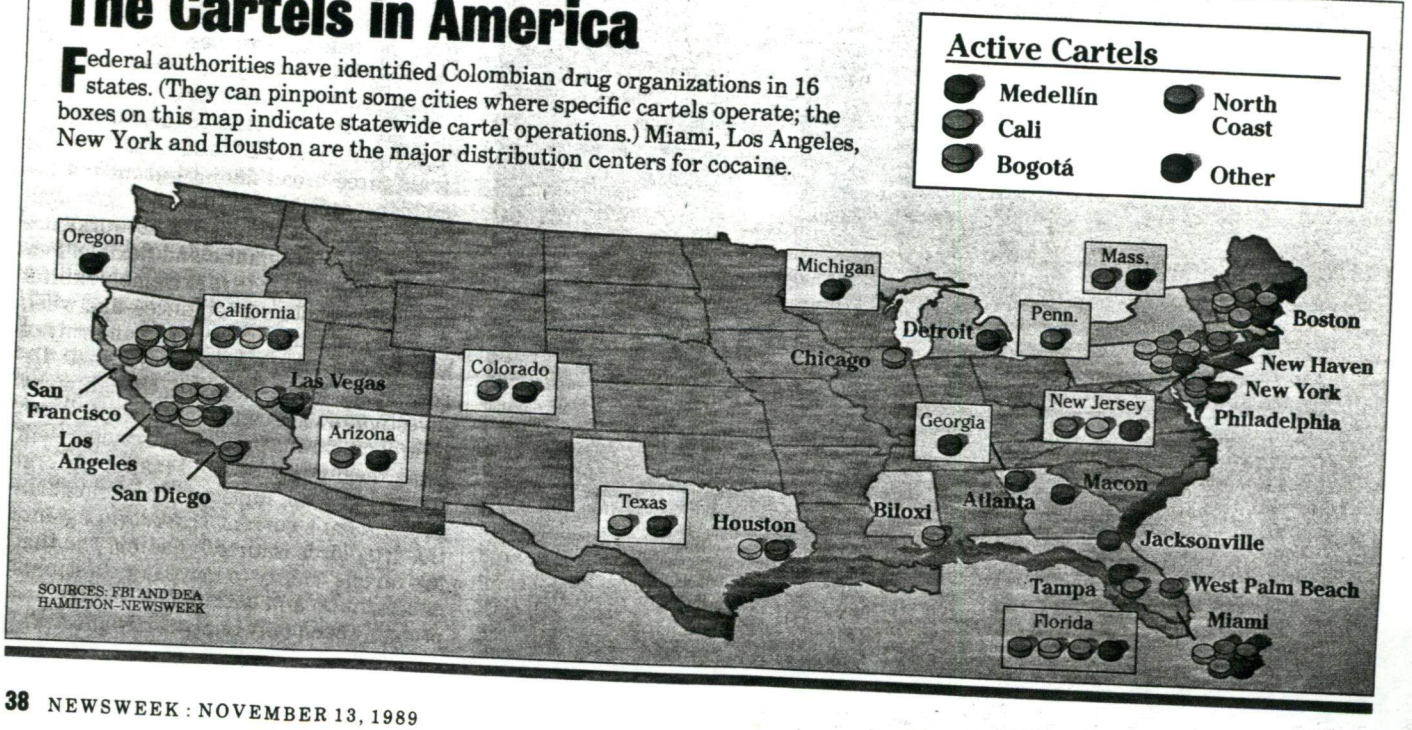
ficking is largely wrong. The Colombian networks do not much resemble La Cosa Nostra, and there are no flamboyant capos like Al Capone. The cartels are not particularly hierarchical. The 300 Colombian groups in the United States range in size from five to 50 members, FBI sources say, and they generally operate as self-contained cells: information is tightly compartmentalized, and only a handful of managers know all the operatives. The FBI and DEA believe that cartel chieftains in Colombia control their U.S. operations by demanding strict accountability from their U.S. managers. In the case that led to Lucho Santacruz's arrest, for example, one investigator says the Cali cartel "knew where the dope was to a gnat's ass."

The Santacruz case is alleged to be a prime example of the cartels' operational style—their agility, secretiveness and transcontinental sweep. Lucho Santacruz is the half brother of José Santacruz Londoño, said by the FBI to be cochief of the Cali cartel. (The Cali and Medellín cartels are believed to supply most of the cocaine on the U.S. market.) DEA officials say the cartel arranged with a Miami import-export firm to conceal just under 5,000 pounds of cocaine in a shipment of plantains, and that Lucho Santacruz or his associates supervised the load at every step. It was spotted in Miami by an alert U.S. Customs inspector, then tailed by federal agents from Miami to New York and to Chicago. The DEA believes Santacruz and two key associates were in Chicago when the load arrived: at wholesale prices of between $10,000 and $15,000 per kilo, the load was worth at least $23 million.

Multiply this case example a hundredfold and the scope of the Colombian conspiracy begins to come clear. Cartel operators are masters at smuggling cocaine into this country: using planes, ships, trucks, cars and human "mules," they are successfully penetrating the entire U.S. coastline and the Mexican border as well. From primary distribution centers in four U.S. cities—Miami, Los Angeles, New York and Houston—they have been able to move shipments of cocaine to virtually any point in the nation. Colombian cells have been identified in 16 states, and two recent mas-

The Cartels in America

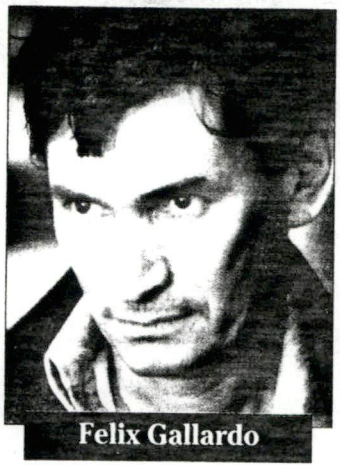
Federal authorities have identified Colombian drug organizations in 16 states. (They can pinpoint some cities where specific cartels operate; the boxes on this map indicate statewide cartel operations.) Miami, Los Angeles, New York and Houston are the major distribution centers for cocaine.





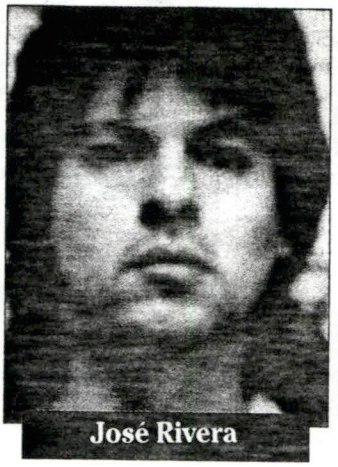
César Ramírez

Pleaded guilty to laundering money for Cali



Felix Gallardo

Alleged head of Mexican smuggling cartel



José Rivera

A confessed money launderer for Cali



Omar Ospina

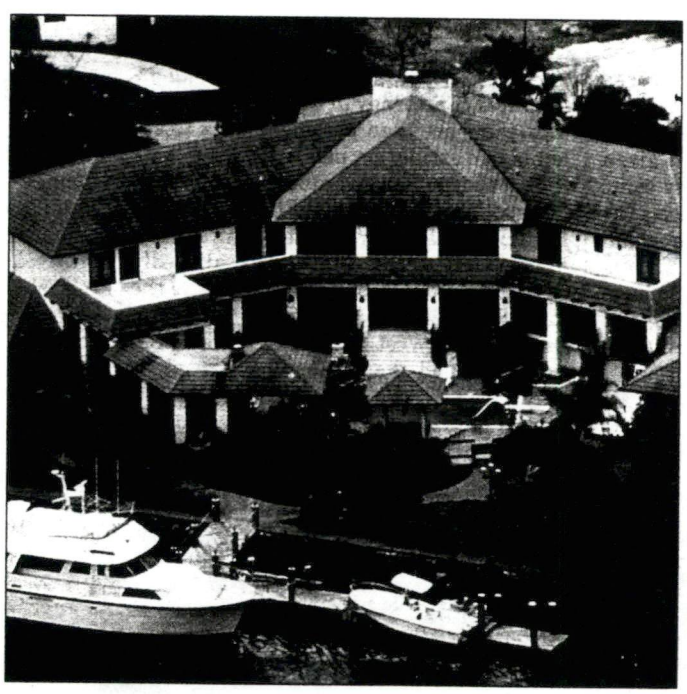
Entered guilty plea for money laundering for Cali

sive seizures have left U.S. lawmen both amazed and appalled. One, a record for a cocaine bust in the United States, was the discovery of a 20-ton mother lode in a Sylmar, Calif., warehouse. The other was a lucky hit on a farmhouse in Harlingen, Texas: nine tons of stockpiled cocaine were found. "It boggles my mind," says Lawrence Lawler, special agent in charge of the FBI Los Angeles field office. "This is the first time in my 27 years in this business that I've looked out and said, 'I wonder if society's gonna make it?' "

No turf: Frontline agents are more concerned by the war in the trenches—the exhausting task of chasing tips and leads and rumors through the twilight world of drug trafficking. The Colombians, they say, could teach a thing or two to other criminal groups. They are expert at disguise and are highly disciplined. Many top-level managers live in south Florida but do business all over the country; the Colombian organizations are not based on geographical turf. Second-tier operators—traffic managers, distributors and money-launderers—are scattered from New Haven, Conn., to Portland, Ore. A third tier, which Special Agent Tom Cash of the Miami DEA office calls "the ant army," consists of thousands of working-class Colombian immigrants who serve as loaders, lookouts, couriers and guards. The Los Angeles Herald Examiner reported that at least 6,000 Colombians living in the Los Angeles area are engaged in the cocaine trade, and federal sources say about 5,000 Colombians in the Miami area are doing the same thing. Consider the suspects in this "Dirty Half-Dozen":

- In 1982 cops arrested "Pablo Nieves" on drugs and weapons charges. Two years later he was living under the name Luis Martínez; in 1985 he used the names Carlos Rendón and Orlando Torres. He was Luis Martínez again in a 1987 drug bust in Houston. In September 1988 authorities nabbed him with 56 kilograms of cocaine and $1.3 million. He pleaded guilty under the name Carlos Moncado-Rua.
- Florida officials say Leonel Martínez used his Miami real-estate office to coordinate shipments of cocaine from the Bahamas—400 kilos at a time. They claim he stored coke in the false ceiling of his office; he took in $1 million in cash at a time in boxes and bags. Earlier this year—before his arrest—Dade County honored Martínez for his "fantastic accomplishments" as an entrepreneur.
- Humberto Sánchez and his family seemed to live an ordinary, middle-class life. His daughter Gloria was a debutante and attended Bonida High School outside San Diego. But customs agents arrested Sánchez after he accompanied a truck shipment of cocaine from the Mexican border to Los Angeles. Agents took Sánchez's keys—and, in garages and storage lots across San Diego, found Mercedeses, BMWs, a Jaguar and a trailer.
- In 13 months, Marguerite de Coninck and her daughters Cecilia and Beatriz laundered $36 million—most of it in $20 bills. Authorities who finally busted the Coninck in San Diego were reluctant to book 82-year-old Marguerite. But a sharp-eyed woman agent noticed that Marguerite's bosom had grown—and found thousands of dollars stuffed in the old woman's bra.

Melida and Pablo Garzón are probably typical of second-tier cartel managers operating under deep cover. Melida and the couple's three children—José, 25, Carolina, 20, and Pablo Jr., 19—lived in a modest house in Longwood, Fla., a suburb of Orlando. Pablo Garzón, a Colombian rancher, often visited his family at their U.S. home. But prosecutors say Melida Garzón spent hours on the phone arranging cocaine shipments and money transfers for the Medellín cartel, and that the drug work was "a family affair." Neighbors were stunned when, last summer, all five Garzóns and Mrs. Garzón's two sisters were arrested during a banquet



'Fantastic accomplishments': *Leonel Martínez's mansion*

celebrating Carolina's graduation from Rollins College. Pablo and Melida pleaded guilty to drug charges, Carolina and her aunts pleaded guilty to currency violations, and the charges against the two sons were dropped. "Unless you knew," says a cop who helped stake out the Garzóns, "you wouldn't have suspected a thing."

From Colombia and Peru to Los Angeles and New York, cartel operations follow the same general pattern. Cells and subgroups tend to specialize in smuggling, distribution or money laundering, and the connections among them are fluid. As a rule, cocaine stashes and money drops, both called *caletas* in Spanish, are kept separate, and buyers never see the main warehouses and countinghouses. Those who do are usually trained in detecting and eluding police. To avoid wiretaps, most business is conducted on pay phones or cellular phones. Truck and car shipments are often accompanied by guards who protect the load and conduct countersurveillance for police tails. The elaborate security measures create huge problems for federal agents. In a recent case in St. Petersburg, Fla., the stakeout team needed a hidden microphone, a hidden video camera, aerial surveillance and more than 100 officers and agents to do the job—but they did find 3,303 kilos of cocaine in a shipment of South American lumber.

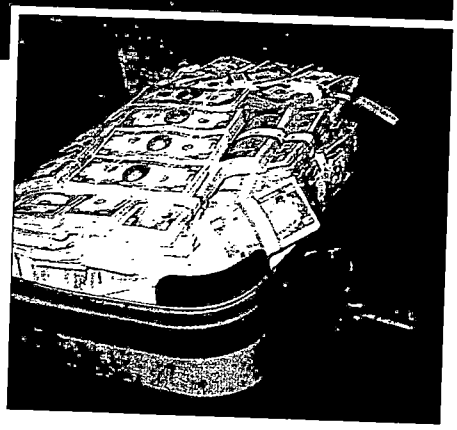
Rubber bands: The clandestine complexity of a cartel distribution center is illustrated by the Zoom warehouse case. According to DEA investigators, Zoom Furniture was a Cali cartel operation in Queens, N.Y. It was raided by the DEA on Jan. 4, 1989, with spectacular results: agents seized $19 million *in cash*—the U.S. record for cash busts. As the DEA tells it, Zoom was home base for a network of stash houses and countinghouses in suburban Long Island, and was serviced by a fleet of cars and trucks equipped with hidden compartments for cocaine. The coke came from as far away as Brownsville, Texas; couriers were given fake driver's licenses that allegedly came from a New York state Motor Vehicles Department office in Queens. The main countinghouse, in Great Neck, N.Y., contained two bill-counting machines, a huge collection of rubber bands and tape, and accounting records indicating revenues of $44 million in less than two months.

The huge stash-house busts in California and Texas are evidence of another development that lawmen agree is significant: the gradual shift westward, from Miami to Texas and Los Angeles, in the flow of smuggled cocaine. The trend may be the result of increasing Coast Guard and Customs Service pressure on smuggling across the Caribbean. South Florida is still awash with drugs and drug money, and the DEA and FBI believe most of the top U.S. managers for the Cali and Medellín cartels still live in the Miami area. But the DEA estimates that 40 percent of all cocaine entering the United States now comes across the Mexican border. It arrives in trucks, cars, vans, campers, airplanes and on mules—both human and real ones.



CHRISTOPHER BROWN—SIPA

Maintaining a low profile—and high profits: *Confiscated cars and currency*



The Sylmar bust—20 tons of cocaine and $10 million in cash—is seen by law-enforcement officials as proof positive of the Mexican connection. The Colombian cartels, they say, have allied with Mexican smugglers operating along the Texas, Arizona and California borders. The Mexicans, who have long used their knowledge of the backcountry along the border to smuggle in marijuana and heroin, are now carrying cocaine as well. DEA agents call it "the Mexican trampoline." "The drugs are being given by the Colombian cartels to the Mexican organizations, who move it north," says Susan Bryant-Deason, an assistant U.S. attorney in Los Angeles. "[The Mexicans] are then passing it back to Colombian distribution networks."

Joint venture: The inventor of the Mexican trampoline, say DEA and FBI officials, is a Honduran billionaire named Juan Ramón Matta Ballesteros. Matta has allegedly been involved in drug trafficking since the late 1960s. Federal sources say he organized a major West Coast cocaine-distribution ring, and that he has been a major player in both the Cali and Medellín cartels. In 1988 Matta was arrested by Honduran police and turned over to U.S. authorities; last month he was found guilty of drug trafficking and racketeering in a Los Angeles federal court. The prosecution charged that his joint venture with the Colombian cartels and Mexican smugglers had distributed $72 million worth of cocaine in Los Angeles, and that his narcotics empire was worth up to $2 billion. Matta's lawyer, who says he will appeal the case, says Matta is an innocent businessman convicted because of prejudicial publicity engineered by the government.

So far, at least, the Colombian cartels do not seem to be involved in street-level cocaine sales in the United States. Although the potential revenues on the retail level are enormous, FBI sources say there are good reasons why the cartels have not done so. One is that cartel operators, who rely almost entirely on Colombian nationals to do their dirty work, do not have the street knowledge or dealer network to do so. Also, American dealers—the cartels' best customers—already control the retail market. Finally, lawmen say, street-level sales are troublesome, labor-intensive—and put operatives dangerously close to cops. The cartels may in fact be wise in leaving that end of the trade to others. But there is no doubt that the cartels have close connections to major American dealers. Brian (Waterhead Bo) Bennett, for example, a suspected cocaine dealer awaiting trial in Los Angeles, has been linked to Los Angeles street gangs and to crack houses in Detroit. The investigation began with a tip from Danish police that Bennett was touring Europe with a suspected Colombian dealer and his wife. According to law-enforcement sources and court records, Bennett and his supplier arranged cocaine shipments from Colombia to Los Angeles with telephone calls made from Denmark and Italy.

The ongoing wave of assassinations and

bombings in Colombia has enhanced the cartels' reputation for ruthless violence. Theft, betrayal or any form of cooperation with the authorities is likely to lead to murder; death threats against Colombian judges, prosecutors and witnesses have become commonplace. "These guys have declared war, and they're shooting . . . they're nuts," says Joseph Russoniello, the U.S. attorney in San Francisco. "It's possible that the terror we see in Colombia will occur [here]." Although the Cali and Medellín cartels were widely believed to be on the brink of turf warfare in New York just last year, DEA sources say the feud seems to be resolved. But there is no question that the cartels regard murder and kidnapping as forms of organizational discipline.

Hit men: Over the past five years, Tom Healy, a New York police detective in Queens, has become an expert in Colombian murders. He says there were 55 drug-related Colombian hits in Queens during 1988, and at least that many so far this year. Healy also says a little-known group called Los Palestinos—"the Palestinians"—is responsible for many of them. When New York police first heard the name in 1984, they assumed there might be a link to Palestinian terrorists. They learned instead that Palestino was a tough slum in Medellín—and a notorious breeding ground for professional assassins. Los Palestinos are the muscle for the Cali cartel, Healy says; he believes they have killed about 50 people since coming to New York. But because victims' families rarely complain to police, few Colombian killings are solved. No member of Los Palestinos has ever been convicted of murder in Queens.

The Colombian cartels may constitute the biggest criminal conspiracy of this century—and perhaps inevitably, law-enforcement experts compare today's cocaine syndicates to the Mafia's involvement with heroin. But according to prosecutors like U.S. Attorney Andrew Maloney of Brooklyn, N.Y., the cartels' U.S. networks are 10 times larger than mob heroin rings ever were. "The drug money so dwarfs the money made by Cosa Nostra that the exact figures are inconsequential," says Ronald Goldstock of the New York State Organized Crime Task Force. So it came as no surprise last week when the FBI in Miami announced the indictment of an alleged mafioso in a cocaine-smuggling case that also involved a little-known Colombian cartel. It was the first hard evidence, the FBI said, of a direct link between the Sicilian Mafia and the Colombians—a conjunction, so to speak, of a terrible past and a future that may be even worse.

TOM MORGANTHAU *with* RICHARD SANDZA *and* MARK MILLER *in Washington,* DAVID L. GONZALEZ *and* ERIK CALONIUS *in Miami,* PETER MCKILLOP *and* PATRICK ROGERS *in New York,* MICHAEL A. LERNER *and* SHAWN DOHERTY *in Los Angeles and bureau reports*

THE DRUG CRISIS

The Drug Lawyers

Some attorneys who represent big-time cartel members are on a slippery ethical slope

The cocaine barons of Colombia may worry about the war on drugs, but some of the American lawyers who represent them have trouble suppressing their glee. "There's no question the U.S. crackdown is good for business," say Joseph Vodnoy, a Los Angeles drug defense lawyer. "Diamond Joel" Hirschhorn, a Miami defense lawyer, proudly refers to his 40-foot fishing boat (named the A Quit-All) as "the boat that drugs bought." These attorneys cite many canons of legal ethics to justify defending drug traffickers. Everyone accused of a crime is entitled to legal counsel, and criminal lawyers have the right to take drug cases. But armed with constitutional principles, some attorneys have, in effect, become defenders of the drug cartels—corporate lawyers for a criminal industry. Their efforts frustrate prosecutors and ultimately raise serious questions about the ethical malleability of the bar. "The legal profession," says Geoffrey Hazard, a legal-ethics expert at Yale University, "is being corrupted."

An attorney can provide a variety of useful services for his client the drug trafficker. Some lawyers simply act as criminal-defense attorneys, representing the accused in court. Others are members of the "boat bar," representing small-time smugglers on behalf of the traffickers who employ them. The drug bar even includes financial experts who set up dummy corporations to hide assets. "The number of lawyers and other professionals you see involved in drugs—either arranging for money laundering, having financial interests in [drug] loads or trafficking in narcotics directly—is astounding," says Mark Schnapp, a former assistant U.S. attorney in Miami.

The way drug lawyers conduct business has changed over the years. When spectacular cocaine profits first flooded Florida in the early 1980s, the swank bar at the Mutiny Hotel in Coconut Grove seemed like a Chicago speakeasy during Prohibition, a mixture of respectability and underworld. Drug lawyers in cowboy boots mingled with traffickers like businessmen courting new accounts. Today, attorneys are more discreet about socializing with clients, but some still speak of drug lords as if they were a cross between Ozzie and Harriet and the Vanderbilts. "I've met [Jorge Ochoa's] family and been in his house," says attorney Bill Moran of one of the Medellin cartel's reputed bosses. "It's just hard if not impossible for me to believe he is involved in that kind of behavior." Says Hirschhorn: "The [Colombians] I dealt with were very high-class people." And generous, too. Lawyers get more than $100,000 for big cases, and convicted cartel leader Carlos Lehder re-



DAN HELMS—COMPIX

Good for business? *Hirschhorn on his boat in Miami*

THE WHITE HOUSE
WASHINGTON

BACK LATE WED.

ONDCP: Publishers Luncheon

John Walters – call @ 4:00 if no Tell call

- David Tell #673-2612
- Bruce Caines - budget man #673-2628 - good gen. overview
- Daniel Casse #673-2830

DON HAMILTON (Barnett's Press Sec.)

Mark -

These are contacts from Michael Jackson for the announc. of the second drug strategy. He feels you should talk to one of the before getting started - here we go again!

Kristen

Capt Pennick

last entry this one

70 PEOPLE - Newspaper Publishers
[State Dining Room]

11:45 Cocktails
Lunch
Standing mike or table podium
{8-10 minutes}

— A 10% reduction would save $25 billion yr

Research
Prevention - Proposed $23M incr.
Ad campaign

THE TOASTMASTER'S TREASURE CHEST

- 725 Humorous Stories
- 500 Interesting and Useful Quotations
- 721 Wit and Wisdom of Famous Persons
- 203 Unusual Facts, Stories, and Quotations from Biography
- 220 Inspirational Quotations and Illustrations
- 1357 Epigrams and Witticisms on Many Subjects
- 177 Helpful Verses
- 189 Great Thoughts of Distinguished Americans
- 324 Humorous and Unusual Definitions
- 243 Toasts and Quotations for Special Occasions
- 352 Proverbs of Many Nations

erbert V. Prochnow & Herbert V. Prochnow, Jr.

must wish others would tell a lie about us rather

ves as a horrible example for others isn't entirely

y as fast as the people in it.

arried, because she was his little treasure and he

h certain inalienable rights, all of which he must

ce where a person with a black eye can't say he

get along now just about as well as the rest of

gressor may be hard, but it isn't lonely.

the doctor takes out before he decides it's gall-

ly in debt on installments wants more out of life

st persons by sitting down and listening to them.

who plays the TV to keep your children awake.

e a pal of your boy, don't do it until after he has
ns.

ore on wild life than we do on child life in this
his a puzzling distinction.

ss by which the grocer acquires an account the

l a garden is just after your wife tells you to.

; chair: it gives you something to do, but it won't

ne if you know the exact moment when a piece

that's not worth keeping or is too good to keep.

ake a spring, but one lark may make a fall.

3686 You can always tell a person who can't save because he is full of ideas about how to spend other people's money.

3687 The person who says he trusts no one should include himself.

3688 Maybe the reason girls prefer beauty to brains is that young men can generally see better than they think.

3689 Most of us would like to have all the money we spent foolishly—so we could spend it foolishly again.

3690 If you punch a man in the nose when he calls you a fool, it may prove he was right.

3691 The cost of living is up because many of us put nothing down when we buy.

3692 No man is as unpopular in government as the fellow who has ideas for saving money.

3693 If everyone thought before he spoke, the world would be almost silent.

3694 As long as so many persons take themselves seriously, there will be a great deal of humor in the world.

3695 At a party the conversation never gets good until a few couples leave.

3696 Women frequently change fashions, but their designs are always the same.

3697 In winter we always think what Noah might have done for us if he had left that pair of flu germs out of the ark.

3698 A bagpipe is the only instrument that sounds as good when you are learning to play it as it does afterward.

3699 Radio and TV have added five hundred words to the language, not including the words that are mispronounced.

3700 Sometime someone will come right out and run for office on a program of planned extravagance.

3701 In rural areas now they don't lock the barn door after the horse is stolen. They open a summer theater.

3702 The danger in giving a politician a free hand is that he will put it in your pocket.

3703 The way governments in some nations clamp down on the news, they seem to think no news is good news.

3704 Our agricultural policy is simple: A high price is paid for products which are sold at a lower price as exports and the taxpayer foots the bill.

4304 *Modern parents:* Parents who can't or won't control their children at home, but expect others to control them in the schools and on the streets.

4305 *Modesty:* The gentle art of enhancing your charm by pretending not to be aware of it.—*Oliver Herford*

4306 *Money:* About the only thing that is handier then a credit card.

4307 *Moonlighter:* One who holds two jobs so he can drive from one to another in a better car.

4308 *Moral indignation:* Jealousy with a halo.—*H. G. Wells*

4309 *Morale:* When your hands and feet keep on working when your head says it can't be done.—*Admiral Ben Moreell*

4310 *Nerve specialist:* One thing Russia does not need.

4311 *News:* The first rough draft of history.—*Ben Bradlee*

4312 *Newspaper:* A circulating library with high blood pressure.—*Arthur "Bugs" Baer*

4313 *Night watchmen:* Yawn patrol.

4314 *Nonprofit agency:* The weather bureau.

4315 *Nostalgia:* Recalling the fun without remembering the pain.

4316 *Nostalgia:* The good old days multiplied by a bad memory.

4317 *Oboe:* A tramp to an Englishman.

4318 *Obstinacy:* The strength of the weak-minded.

4319 *Office:* A place where the man who arrives after nine A.M. is either an executive or will never be one.

4320 *Old age:* When your memory is short, your experience long, your breath short, your eyesight dim, and your safe-deposit box full.

4321 *Old-timer:* A person who can remember when people rested on Sunday instead of Monday.

4322 *Old-timer:* One who can remember when it cost more to run a car than to park it.

4323 *Old-timer:* One who remembers when you could promise a child the moon without having to buy a space suit.

e, "you are now viewing a miracle. There flies

ack on the floor singing. A little later when her
n, Doris was on her stomach now, still singing

ed mother.
y, "I'm a record, and I've just turned myself

u eat slowly you will eat less. It is particularly
ge family.

ant: "Feeling sixty-five isn't good enough—you

ıe usual hot meal, the school cafeteria handed
wiches.
ader marching out the door complimented the
gave us a home-cooked meal."

at room," said the helper at the rummage sale,

ter's wife, "that was the cloakroom."

true we are having a little disagreement. I want
nd he wants to break off the engagement."

dirty, aren't you?"
n prettier clean."

578 *Why He Came*

As the man pulled the small boy out of a hole in the frozen river, he asked: "How did you come to fall in?"

"I didn't come to fall in," the boy gasped. "I came to skate."

579 *Smart*

Tim: "If you have ten potatoes and must divide them equally between seven persons, how would you do it?"

Sam: "I'd mash them."

580 *Right*

An airline pilot was explaining to a group of listeners how he had miraculously escaped from a serious crash. "We were flying along and suddenly just happened to get into an air pocket."

Said a sympathetic old-lady listener: "Oh, dear! And there was a hole in it!"

581 *Broke*

Departing vacationer to neighbor: "We'll be back in about $500."

582 *Get the Details*

The managing editor was very explicit in his instruction to the cub reporter. Among other things, he emphasized that names be obtained in writing all items. "In fact," he stressed, "names are essential."

Later the cub reporter handed in the following item:

"Last night lightning struck a barn northwest of town belonging to Ike Davis, and killed three cows. Their names were Rosie, Isabel, and Mabel."

583 *Economy Costs Money*

The couple shopping for a new automobile were startled by the price quoted for a compact car.

"But that's almost the cost of a big car!" they protested.

"Well," shrugged the salesman, "if you want economy, you gotta pay for it."

584 *Read the Fine Print*

"You say you were once stranded on a desert island entirely without food. How did you live?"

"Well, I had an insurance policy in my pocket and I found enough provisions in it to keep me alive till I was rescued."

lewfoundland dog given to him for his birthday,
"Is he for me, or am I for him?"

er have a difference of opinion?"
l her about it."

children to bed, then changed into an oversized
blue jeans and proceeded to wash her hair. All
hear the youngsters growing wilder and noisier.
could, wrapped a large towel around her head,
, and put them back to bed with a stern warning

year-old say to his brother in a trembling voice,

ean, Dad?" asked the young man.
ther, "is a four-year loaf made from the flavor
gh."

my shopping habits have changed," commented
opping cart with money and put the food in my

rk your car there?"
d, 'Fine for parking'!"

oming up," said the hostess. "You'd better stay

absently, "but I don't think it will be that bad."

discussing what most people want to get out of

"Dependability," said one fellow. "Styling," declared another. "Economy," stated the third.

Just then a fourth man, who had recently bought a new car, entered the room. They put the question to him. "What is the thing you'd like most to get out of your new car?"

"My teen-age son!" he replied.

62 *Why Buy?*

Woman at insurance counter at airport: "I used to buy flight insurance, but it doesn't seem to make any difference."

63 *Won't Take Long*

"I hope you don't think me too young for marriage with your daughter," said the young man anxiously.

"That's all right, my boy," was the cheerful reply. "You'll age fast enough!"

64 *Phonetics*

It is easy to make mistakes in print. A newspaper referred to a couple of very learned gentlemen as two "bibulous old flies." The reporter had phoned in the story and that was the typesetter's interpretation of "bibliophiles."

Upon receiving the protest from the offended, the editor undertook to right the wrong by printing their criticism, but in his comment he added that he thought they were too "fastidious."

He dictated his story and did not check the copy. The proofreader again distinguished himself with this mix-up: "two fast idiots."—*Sunshine Magazine*

65 *Salesmanship*

The sales manager was approached by some little Girl Scouts peddling cookies. "Why do you want to see me?" he asked.

"Because you are so handsome," smiled one little girl.

He bought twelve boxes and went back to his desk murmuring, "There is no brighter sales tool than truth."

66 *A Great Ride*

Little boy to Mother: "Did Dad take me for a ride! We passed two idiots, three morons, four fools, and I don't know how many knotheads!"

67 *No Pressure*

Life-insurance agent to prospect: "Don't let me frighten you into a decision. Sleep on it tonight and if you wake up in the morning let me know what you think."

To M. L.

Date 1-16 Time 415p.

WHILE YOU WERE OUT

M. David Dell
<-> JOHN WALTERS

of

Phone 673-2512
Area Code Number Extension

TELEPHONED	X	PLEASE CALL	X
CALLED TO SEE YOU		WILL CALL AGAIN	
WANTS TO SEE YOU		URGENT	
RETURNED YOUR CALL	X		

Message
Michael Jackson - don't let them repeat last time's leak and focus
John Walters - the real thing?
LN

Operator

AMPAD EFFICIENCY® 23-021 CARBONLESS

John Walters

Reggie Walton - State/local
Fred Kleeter

Another? assoc. dir.

FCON

8-10 min.

1

Last September, for the first time in this country's history, we launched a comprehensive strategy to **stop** the distribution and use of illegal drugs. → coordinated, coherent

Drugs, ~~unfortunately~~ regret to say, still our #1 concern – & I choose this word ~~problem~~ priority

Our line of attack is the same --

Committed to the same fundamental principles: reduce use

thru coherent mix of supply-side & demand-side approaches.

Strat I outlines what we intend to do (& why) (& why is obvious!!)

Strat II explains, in detail, how we intend to do it.

a unified effort { agency by agency, activity by activity, task by task.

enormously complex

Since I'm sure you all have plenty of reading, I'll keep going to read Strat.

~~Today I just want to highlight a few highlights/facts of Strat II~~

(p.7): For FiscAl '92, funding will be expanded to over $10.6 billion
Actual spending -- the budget outlays -- for FiscAl 91 will increase by $2.8 billion, a 41% increase in 3 yr.

SPENDING - determined to win the fight without adding to the budget deficit
$6.3 Bil - 70% hike in 1 yr.

Our 1990 drug-budget totals almost eight billion dollars. That's the largest increase in history. But we weren't planning to solve the drug problem with pronouncements from the shining city on the hill. proposed

ROI: No, the strategy demanded that we tap resources of **every** description -- public and private; volunteer and professional; civilian and military; local, state, and federal -- personal

A ten percent reduction in illegal drug usage could save the country an estimated $25 billion per year in addition to alleviating the extraordinary human suffering and social costs brought about by addiction.

VIETNAM-DRUG-ER fig.

[redacted] List for Newspaper Publishers' Luncheon
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[DEMAND] TREATMENT & PREV. / PRIV. SECTOR

Dr. Cleber.....Deputy Director of Demand and Reduction

POINTS TO HIGHLIGHT

over the 13 mos since we came in, spending for treatment already earmarked for an incr. of 68% -- up 12% since last fall

treatment:

**between strategy I and II, the total federal dollar amount spent on treatment has doubled

**we are expanding and improving treatment. We are increasing accountability. The Office for Treatment Improvement (OTI) (within HHS) has been established. This targets effectiveness of programs. i.e., evaluation. What works.

**to improve treatment, we need better methods. For coke: we are developing medication to improve treatment. NIDA (National Institute of Drug Abuse) has established a Medical Development Division to expand research on treatment. It is a public/private partnership, with many pharmaceutical firms involved.

**pregnant addicts and addicted babies are a priority. We are doing a great deal to improve outreach services.

BOTTOM LINE: we regard treatment as an essential part of the strategy. We are researching and developing new methods. We Believe In It.

prevention:

**we targeted local communities at the front line of the war on drugs (the demand side) and we determined that the best approach is a comprehensive community-based effort, with all sectors of the community involved.

We are dedicating over $102 million (in 1991), which is $52 million over the present amount to develop these comprehensive community approaches.

A few years ago, a group started the Fighting Back Initiative which offered $26 million to 12 communities for planning their programs. Some would get a few hundred thousand dollars, but the top 8 would each get $3 million. Over 300 communities applied!!!... so ONDCP expanded on this and is asking HHS to use some of the prevention funds to fund programs in the communities that didn't make it into the Big 8.

**We recognize that some populations are more at risk, therefore we have established a Minority Drug Prevention Center to develop models to aid in preventing drug abuse in minorities. (this is being done through NIDA). There has been a sharp increase of 60% (over $100 million) in funds through the Dept. of Education for drug education in schools. Schools and young people are a priority.

**In Strategy I, POTUS stressed the dire conditions in public housing projects. Additional funds for 1991 have been proposed to fight drugs in the projects: $150 million (a $52 million increase).

Cleber would like us to stress, overall, private sector cooperation. This expands on the goal of total involvement of the society, especially because it's the private sector that has the buckaroos. Private sector initiatives are detailed on page 42 of Strategy II.

**EDUCATION AND PREVENTION

There has been an increase for: more schools with prevention programs and grants for communities to build community prevention programs.

Treatment $:

FY 89 $888 M

FY 90 $1 B, 337 M

FY 91 $1 B 492 M

> 155 M Δ

-11.5% Δ = 12% Δ

These figures tie in w/ OMB & relevant agencies

From: Bruce Carnes
Dir. of Budget & Planning, ONDCP

Alexandria's 'Untouchables' Keep Drugs at a Distance

Teen Group Held Up as a Model Effort

By Kent Jenkins Jr.
Washington Post Staff Writer

They call themselves the Untouchables; surrounded by drugs, they vow to remain out of drugs' reach.

And last night, as Jason Terry, 15, recited the Untouchables' pledge to live as models for their fellow teenagers, a crowd of 150 people in Alexandria City Hall applauded the group as a valuable weapon in the fight against drugs.

The occasion was a public hearing on Alexandria's drug problems, an opportunity for members of the City Council and other municipal leaders to get advice from residents on how to better their anti-drug efforts. Terry, a student at T.C. Williams High School, became one of the evening's bright moments.

He told how about 20 youths who live near Charles Houston Recreation Center, a drug-plagued area in historic Old Town, banded together to help themselves and their neighborhood. "We started out as a black history group," Terry said, "but it became a way to avoid negative peer pressure. That's what drugs are."

"We're focusing on ways for African American males to do something positive," said Teddy Jones, a city employee who helps supervise the group. "We want to show these young men the world outside their neighborhood. And we feel we're making progress."

> ***"We're focusing on ways for African American males to do something positive."***
>
> — Teddy Jones

The Untouchables were praised repeatedly by a number of community leaders who addressed the City Council. Groups like this are vital, they said, if the city is to succeed in conquering its drug problem.

For several years Alexandria has struggled with a street-drug problem in several neighborhoods, including the Charles Houston area and the Lynhaven-Arlandria section just south of Arlington. Although drug-related violence has been less severe than in the District, an Alexandria police officer was shot to death last year by man under the influence of cocaine.

City officials say they have made progress in recent months in dispersing street drug sales, and President Bush came to Alexandria Tuesday to recognize anti-drug efforts by public housing residents in the Charles Houston area. But residents and officials agree that the problem remains severe.

"This city spends $500 per household [annually] to fight the war on drugs," said City Manager Vola Lawson. "It's a major commitment to try and maintain our neighborhoods."

Among those who addressed the hearing last night was Curtis Sliwa, founder of the Guardian Angels, a group that trains young people to conduct civilian patrols in high-crime areas. Sliwa is asking the city to provide space in the Charles Houston area for his group to use as a base for patrols. City officials said are considering the request.

Police Chief Gary Leonard said he is confident the city will continue to made progress with its anti-drug effort. "We're not going to tolerate it," Leonard said. "We want to make this the worst place in the world for people who want to do drugs."

Wash. Post Jan. 18, 90

Photocopy-Preservation

RESEARCH

Drug Use Forecasting (T

NEW RESEARCH ON ARRESTEES

DUF research shows that:

- drug use in arrestees is 10X higher than in households / high schools

With DUF data, innovative research is now possible in:

- prevalence of drug use in criminals
- cyclical trends
* age onset → progression of use
- relationship of drug use ≈ crime type
- AIDS risk behavior in arrestees
* predict other community problems —
  urine tests in DC predicted trends in emergency room drug episodes & child abuse cases a year in advance

1st Quarter Results:

positive for 1+ drugs: 50% - 85% men (arrestees)
44 - 87% women

regional diffs were found (ie: can target treatment)

arrestees in cities (DC, NY, Phil.) more likely to say they need treatment

Purpose of DUF institutedby Nt'l Institute of Justice

this rpt. has data on 13 cities (~~22~~ 25 now in program)

* designed to provide each city w/ info on trends; info can be used to plan allocation of law enforcement; treatment & prevention programs & resources; measure impact of efforts

US Dept of Justice

Ofc of Justice Programs

Nat'l Institute of Justice

Drug Use Forecasting Program

**RESEARCH

to include: law enforcement technology/drug detection technology/drug treatment/what causes addiction/how to help pregnant women and babies that are born addicted. May or may not want to mention that this includes research into the link between AIDS and IV drug users.

302 Pittsboro St.
Chapel 27514

Research Highlights

- Research projects to estimate the economic impact of drugs; the effectiveness of alternative drug control policies; and the impact of drug enforcement on the criminal justice system.

- Development of regional and State drug-related data to improve the information base on which to assess the efficacy of drug control activities.

- Expanded and broadened national data collection on drugs and drug use, including larger and more frequent household surveys; surveys targeted on hard-to-reach populations; broader high school surveys; enlarged information collection on drug treatment; and market-oriented drug consumption research.

- Increased technological and scientific research related to drug enforcement and interdiction.

- Expanded drug treatment research focused on addiction, AIDS and drug use, medications development, treatment for pregnant addicts, and basic issues related to neurobiological and behavioral studies on drug use.

Wolters Kluwer

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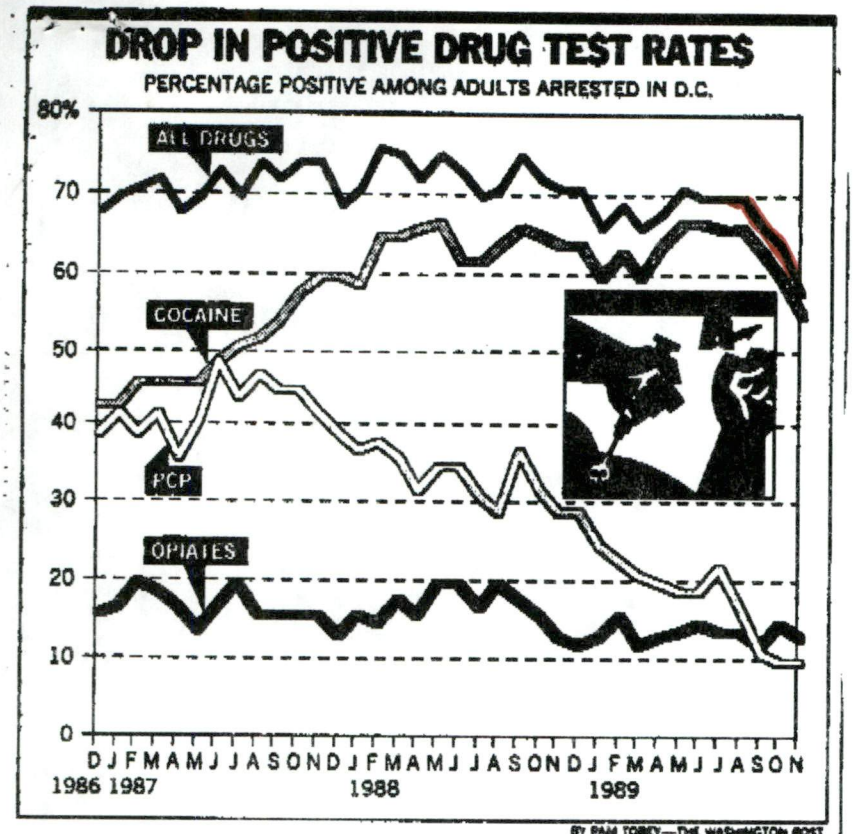
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MESSAGE:

We also have the Drug Use Forecasting Reports through June 1989 if historical information would be helpful.

IF ALL PAGES ARE NOT RECEIVED, PLEASE CALL SENDER AT NUMBER GIVEN.



Tests Show Drop in Drug Use

DRUGS, From B1

show a continuing decline in both the percentage testing positive for any drug and the percentage testing positive for cocaine.

Wish cautioned that it is premature to draw sweeping conclusions about national drug use from the figures, and said no similar declines have been recorded in cities such as New York and Philadelphia, where drug testing is done on a small sample of the persons arrested.

"We're very pleased with the statistics. This shows some light at the end of the tunnel," said Lt. Reginald Smith, a D.C. police spokesman. But he was at a loss to explain the decline. "I'm not sure what caused this," Smith said, noting that officers have not seen any significant decline in street drug trafficking and that narcotics continue to be plentiful in the District.

D.C. police statistics do not reflect a significant change in the number of persons arrested here or the percentage of total arrests that are for drug crimes.

Smith said the apparent drop in drug use, at least among those arrested on criminal charges, may be the result of intensive media coverage of the devastation wrought by drug use and of continuing, high-profile public education programs.

Adele Harrell, a senior research analyst at the Urban Institute who has studied whether the D.C. drug testing numbers are a reliable forecasting tool, has found that the court screening program focuses on a small segment of the population and drug use prevalence that is not typical of the household population.

But she found that trends of increased or decreased usage that show up among the arrested suspects find their way about a year later into the general population, as reflected in emergency room admissions.

For example, a plateau of cocaine usage in Superior Court suspects that showed up as early as mid-1988 seems to be reflected in new emergency admission statistics for the first half of 1989.

Staff writer Michael Isikoff contributed to this report.

WASH. POST 1-6-90

Drug Rate Declines Among D.C. Court Defendants

1-6-90

By Nancy Lewis
Washington Post Staff Writer

The percentage of adult suspects testing positive for drugs in D.C. Superior Court has dropped steadily for the last three months, and the 58 percent recorded in November was the lowest since April 1985, according to the D.C. Pretrial Services Agency.

Sharp declines in cocaine and PCP use are driving the downturn, which is the first overall drop since the agency's drug testing program was initiated here in March 1984.

The new findings come amid a record number of District homicides—many of which were drug-related, authorities said—and high levels of emergency room admissions for cocaine, and other indications of drug use.

A new study by the Urban Institute shows that the D.C. Pretrial Services Agency's test results tend to forecast trends in drug use that appear about a year later in the area's general population.

Eric Wish, scientific adviser to the National Institute of Justice's Drug Use Forecasting program, said the new D.C. statistics "look like a real trend . . . . If these results hold up, you would expect a year down the line to see reductions in emergency room admissions, child abuse and property crime."

The District's testing program, which screens every person brought into D.C. Superior Court on criminal charges, is the most extensive in the country.

From August to November 1989, the percentage of suspects testing positive for cocaine use fell from a near-record 66 percent to 55 percent, and the percentage testing positive for PCP went from 17 to 10. In August, 70 percent of suspects tested positive for some drug. The record high of 76 percent was set in Febuary 1988.

An even more dramatic drop was registered among juveniles arrested on criminal charges. In November, a record low 16 percent tested positive for any drug. From August to November, the percentage of juveniles testing positive for cocaine fell from 25 percent to 11.

John A. Carver, the agency's director, said yesterday that preliminary results for December 1989,

See DRUGS, B4, Col. 1

VF- Testing // offenders. 1990

DEATH PENALTY (Final)

THE WHITE HOUSE
WASHINGTON

January 11, 1990

Biden: you already have this in '88 Drug Abuse Act

People focus on severity of punishment — Now we have certainty of punishment

Justice demands... (don't make the big pt.)

MEMORANDUM FOR THE PRESIDENT

FROM: THE DOMESTIC POLICY COUNCIL

SUBJECT: The National Drug Control Strategy (Strategy II)

Background:

The Anti-Drug Abuse Act of 1988 requires that National Drug Control Strategies be transmitted to Congress not later than February 1 each year. Accordingly, the Office of National Drug Control Policy (ONDCP) has drafted for DPC consideration the second National Drug Control Strategy (Strategy II). Strategy II is a companion volume to Strategy I. All the proposals in Strategy I remain a part of the Administration's national drug policy; Strategy II more closely examines the component parts of the policy.

DPC Consideration:

A draft of Strategy II and an issue discussion paper entitled The Second National Drug Control Strategy (Strategy II): Issues for DPC Consideration were forwarded to you on Tuesday, January 9, for your review.

At a meeting on January 9 and in a meeting with you on January 11, the DPC discussed several major policy highlights of Strategy II not in disagreement between agencies. The DPC also discussed two major policy issues that required further consideration: 1) cross-designation authority for U.S. Customs agents to investigate drug cases; and 2) expansion of the death penalty.

Budget levels in Strategy II were addressed in the FY91 Budget review process. Strategy II has been revised to conform to decisions made in that process, including budget decisions you made in the appeals process.

Highlights of Strategy II:

Highlights of the major policy proposals in Strategy II are presented here for your consideration and approval. Further description of these highlights are included in the issue paper entitled The Second National Drug Control Strategy (Strategy II): Issues for DPC Consideration, which you received on January 9.

1. The National Drug Intelligence Center. Strategy II (p. 88) announces that the Administration will create a National Drug Intelligence Center (NDIC). The objective of the NDIC is to consolidate, coordinate and analyze all relevant intelligence gathered by law enforcement agencies so as to produce a more complete picture of drug trafficking organizations. The NDIC will be under the supervision of the Attorney General, assisted by an Advisory Board comprised of representatives from relevant Federal departments.

2. Annual State Index Scorecard. Strategy II (p. 79) calls for development of a State drug control index modeled after the Department of Education's wall chart for States and will annually compare regional and State measures of progress in the war on drugs.

3. High Intensity Drug Trafficking Areas. The Anti-Drug Abuse Act, as amended, requires the Director to designate high intensity drug trafficking areas. The high intensity drug trafficking areas designated in Strategy II are: New York, Los Angeles, Miami, Houston, and the Southwest Border (Appendix A, p. 92).

4. Numerical Objectives. Strategy II (Appendix B, p. 109) sets 2-year and 10-year numerical goals for the reduction of drug use in various categories. Strategy I called for reductions by 1991 and 1999. Strategy II calls for further incremental reductions by 1992 and 2000 at the same projected rate of change established by Strategy I.

5. Cross-Designation. The U.S. Controlled Substances Act (Title 21 USC) directs the Attorney General to enforce the provisions of the Act regarding investigations of drug crimes. Before 1973, both the Department of Justice and the Department of Treasury had authority to investigate drug cases. In creating the Drug Enforcement Administration, the President's Reorganization Plan #2 of 1973 transferred all Title 21 drug law enforcement functions previously vested in the Secretary of the Treasury to the Attorney General.

In recent years, U.S. Customs Service agents have been granted Title 21 authority by the Department of Justice (through a process known as cross-designation) to assist the Drug Enforcement Administration in drug arrests and investigations. Approximately 260 Customs agents are cross-designated currently.

Strategy II (p. 36) calls for DEA to expand its process so that more U.S. Customs Service agents can be cross-designated. The Departments of Justice and Treasury have reached an agreement to cross-designate an additional 1,000 Customs agents within the next 18 months. The agents will be assigned to Narcotics

Smuggling and Money Laundering Task Forces co-chaired by DEA and Customs. Any operational disputes will ultimately be resolved by DEA. Cross-designation will be reassessed after one year, in conjunction with the next drug strategy.

Issue for Presidential Decision:

1. Death Penalty. Under current law, a person engaging in certain major drug felonies may be eligible for the death penalty if he intentionally murders or causes the murder of an identified victim. Strategy II (p. 30) would amend the law to expand the types of drug crimes for which the death penalty could be sought. As proposed, availability of the death penalty would be expanded to apply to three additional categories of drug offenders:

- o Major drug kingpins: Those currently subject to a mandatory term of life imprisonment as leaders of Continuing Criminal Enterprises (CCE) devoted to the large-scale importation or distribution of controlled substances;

- o Drug kingpins who attempt to kill in order to obstruct justice: CCE leaders, not necessarily subject to mandatory life sentence, who, in order to obstruct the investigation or prosecution of CCE-related offenses, attempt or knowingly direct, advise, authorize, or assist another in an attempt to kill any public officer, juror, witness, or family member of such a person; and

- o Federal drug felons whose offenses result in death: Those who, intending to cause death or acting with reckless disregard for human life, commit a Federal drug felony resulting in the death of another person.

Individuals committing offenses within these categories could be sentenced to death if a jury unanimously found the existence of one or more additional aggravating factors that provide particularly strong evidence of dangerousness, incorrigibility, or indifference to human life. Personal approval by the Attorney General is required before Federal prosecutors may recommend the death sentence for these or any other capital offenses.

The Administration's violent crime bill (S. 1225 and H.R. 2709), already would provide constitutionally adequate procedures for applying the death penalty for capital offenses now in Federal law but lacking constitutionally valid standards. A number of existing offenses carry the death penalty on the basis of "reckless disregard for human life." Thus, for example, a bank robber who kills bystanders in the course of a shoot-out with the police would be exposed to capital punishment, upon enactment of the Administration's pending legislation. The death penalty would not be available for comparable acts by drug

offenders under the current crime bill proposal, however.

Although no agencies have expressed objections to the expansion of the death penalty proposed in Strategy II, the DPC raises the issue for your attention because an expansion of the death penalty is potentially controversial. In the DPC meeting on January 11, you heard a general discussion further elaborating on this issue, with pros and cons.

Question: Should the Administration advance a drug kingpin proposal expanding the death penalty to any or all of the following: 1) principal leaders of very large drug rings; 2) leaders of such drug rings involved in attempted murders designed to obstruct the operation of the legal system; and 3) drug felons whose activities, either intentionally or recklessly, lead to the death of another person?

Pros:

- You have publicly called for the imposition of capital punishment on drug kingpins.
- Any Federal prosecution seeking the death penalty would have to be personally approved by the Attorney General, thus overzealous prosecutors will not be able to seek the death penalty in inappropriate circumstances.
- Attempts to murder judges, prosecutors, jurors, witnesses or their families undermine the judicial process and the rule of law.
- Although the second prong of the proposal does not require a killing, it does require the intent to kill and an attempt (unlike the first prong of the proposal which does not require either an attempt or a death).
- The third prong of the proposal closes a gap in current law, which does not, for example, authorize the death penalty for the case where a drug dealer indiscriminately kills innocent bystanders in the course of drug offenses, unless there was a specific intent to kill the particular victims who actually die as a result.
- Current law does not authorize the death penalty for cases where a drug dealer knowingly sells potentially lethal adulterated drugs (e.g., intravenous drugs cut with household detergent) and death results from the use of these drugs.

- The proposal will deter the sale of potentially lethal drugs to children and others who are particularly physically vulnerable to drug overdose.

- The standard of the proposal -- reckless disregard for human life resulting in death -- has been specifically upheld by the Supreme Court as a constitutionally sufficient predicate for imposition of capital punishment in Tison v. Arizona.

Cons:

- While further expansion of the death penalty may soon be considered by the Administration, it may make little sense at this time for Strategy II to distinguish attempted murders to obstruct justice that are drug-related from those that are not drug-related.

- The third prong of the proposal is not specifically focused on the largest dealers ("drug kingpins"). Authorizing the death penalty for drug kingpins has previously been the focus of Congressional interest and your specific commitment.

- The first two prongs of the proposal cover your pledge for a death penalty for "drug kingpins." The extension provided by the third prong is not necessary to fulfill your pledge.

- Enlarging the range of cases for which the death penalty would be authorized also enlarges the range of possible criticisms and objections by death penalty opponents.

- The language of the third prong is broad enough that it could encompass a death that results from a drug sale, e.g., drug overdose or heart attack (the Len Bias case), if the jury unanimously finds aggravating factors.

- The first prong does not require any proof that a death resulted from the defendant's activities nor does it require any attempt to kill by the defendant.

- The Department of Justice believes that all three prongs of this proposal are constitutional. There is some risk that the courts may question the constitutionality of these provisions to the extent that they are not covered by Tison v. Arizona.

Decision:

Proposed Expansion of the Death Penalty:

_____ Approve all three provisions

_____ Approve certain provisions only, as specified:

_____ Disapprove

Strategy II as a whole:

_____ Approve

_____ Disapprove

_____

Dick Thornburgh
Chairman Pro Tempore

**CRIMINAL JUSTICE

(these are proposals; we are seeking funding for:)

More US attorneys to prosecute drug cases

More DEA and FBI agents and support personnel

More for money-laundering operations (led by Treasury)

Changes in laws for the death penalty for kingpins

(See Comprehensive Crime Control Act)

OFFICE OF NATIONAL DRUG CONTROL POLICY
EXECUTIVE OFFICE OF THE PRESIDENT
Washington, D.C. 20500

January 19, 1990

FAX TRANSMISSION TO: Mark Lange
Office of Communications

FROM: David Tell
Deputy Chief of Staff, ONDCP

SUBJECT: POTUS Drug Strategy Announcement, Thursday, January 25

PAGES: 26 (twenty-six)

Several things attached for you, Mark. First, a draft six-page executive summary and set of "highlights," which may be useful as overview and bragging material. Second, a thirteen-page set of more detailed fact sheets, broken down by category of Federal effort (e.g., criminal justice programs, treatment initiatives, etc.). Third and finally, some highlighted pages from the introduction to last September's (1989) Strategy, underscoring two basic points the President should definitely push: 1) that where drugs are concerned, for the first time in drug-policy history, this Administration is focusing on the problem itself -- drug use -- not simply its manifestations (crime, disease, etc.) or its "root causes" (poverty, illiteracy, hopelessness, and so on); and 2) that we are also not persuaded that any single-tactic fight can overcome what is actually a multi-facted and complicated problem. We aren't going to look for magic bullets through hugely beefed up border interdiction, or hugely beefed up drug treatment capacity, or anything else. Instead we're going to push forward -- hard but sensible and balanced -- against all points on the drug policy continuum. And we intend to make it work.

So that leaves you with the following possible outline:

* Last September I released the first National Drug Control Strategy. It was good. Today, four-plus months later, I release the second. It is a reiteration of our intention to push vigorously ahead -- to stay the aggressive, positive, smart course already established.

* It's comprehensive. It's not a "supply" strategy or a "demand" strategy. It's a winning, intelligent strategy to do everything that works.

* The problem is simple: too many Americans still use drugs. But the answer -- notwithstanding all political talk to the contrary -- isn't simple. We need to (FILL IN HIGHLIGHTS FROM RELEVANT PARTS OF THE STRATEGY) work overseas; in drug treatment centers; in schools, workplaces, and throughout neighborhoods and communities; and in our criminal justice system. We need to know more than we do now (through stepped up research and intelligence capabilities). And we need to apply that knowledge -- right away, everywhere.

* It costs money. The Federal drug budget, with this request, will be almost 70 percent higher than it was when I took office last year.

* It takes strong cooperative effort. Within the Federal government -- where my Administration has resolved to end all the interagency squabbling of the past, and work together in a cohesive, coherent, and effective manner. (Here mention the Title 21 Customs-DEA solution, maybe). And out there, with the States and cities and communities and private citizens.

* We have a blueprint for success. I'm proud of it. Let's do it.

This is just a suggestion. If you're bases are covered in a different fashion, that'll be fine, too. Sorry this took so long. We're still churning out printed material over here, and I'm basically on 24-hour overdrive. Call me if you need anything -- literally.

INTERDICTION INITIATIVES

(BA in millions of dollars)

	1989	1990	1991	Increase 90-91 $	Increase 90-91 %
Coast Guard	630	670	727	57	8
DOD	355	783	1,112	329	42
Other	482	576	534	-42	-7
Total	1,467	2,029	2,373	344	17

CURRENT STATUS

- Drug smuggler focus is growing on the Southwest border.
- Principal drug smuggling threat at seaports is containerized shipments.

STRATEGY II PROPOSAL

- Enhance/expand DOD role in detection and monitoring phase of drug interdiction.
  - -- Increase DOD funding by $0.7B over last year (1989)
  - -- Expand DOD support to border control agencies.
  - -- Provide material and training assistance to Andean nations.
- Increase focus on Southwest border:
  - -- Add 175 Customs Inspectors and 90 INS Border Patrol agents.
  - -- Expand OCDE Task Forces, Operation Alliance, and State and Local Task Forces.
  - -- Enhance INS capital assets (e.g., better fencing, ground sensors, and other equipment; add three new traffic checkpoints).
  - -- Develop enhanced drug detection technology to facilitate cargo/baggage inspection at POEs.
  - -- Add 23 Customs canine drug detection teams at POEs.
  - -- Increase Department of Interior law enforcement presence on Federal lands.

DEPARTMENT OF TREASURY
FACSIMILE COVER SHEET
15TH & PENNSYLVANIA AVE., N.W.
WASHINGTON' D.C. 20220

FAX MESSAGE NUMBER_____ DATE 1-18-90

NUMBER OF PAGES TO FOLLOW: 6

TO: Carolyn Cawley
WH

ADDRESSEE'S FAX NUMBER: 456-6218

ADDRESSEE'S CONFIRMATION NUMBER_____

FROM: Michael Lanagan

SENDER'S FAX NUMBERS: 202-786-8448

SENDER'S CONFIRMATION NUMBER: 566-4595

COMMENTS/SPECIAL INSTRUCTIONS:

UNCLASSIFIED

SUPPLY FINCEN

Financial Crimes Enforcement Network

-- The President's National Drug Control Strategy calls for increased efforts to combat money laundering. In response to this initiative, the Treasury Department is creating the Financial Crimes Enforcement Network (FINCEN).

-- FINCEN will be a broadly based data analysis center to support money laundering and other financial investigations and prosecutions.

-- FINCEN will provide:

- o coordinated multi-source analytical support;
- o leads for financial investigators;
- o information for investigative and regulatory agencies;
- o a 24 hour communications center, and;
- o research and legislative recommendations regarding financial crime detection.

-- Under the direction of the Treasury Department, FINCEN will be an inter-agency initiative with participants from the Departments of Justice and Treasury, and include input from the intelligence and regulatory agencies as well.

-- The Congress has allocated $3.0 million in FY 1990 for the start of FINCEN with additional sums to be available upon approval by reprogramming action. We are currently determining what additional sums may be necessary.

January 5, 1990

I. EXECUTIVE SUMMARY

The Department of the Treasury is in a unique position to lead money laundering efforts because of its responsibilities under the Bank Secrecy Act, as amended by the Anti-Drug Abuse Act of 1988, because of the experience of Customs and IRS in investigating money laundering and financial crimes, and because of Treasury's oversight of the financial regulatory agencies. To implement the President's National Drug Control Strategy provisions calling for increased efforts to combat money laundering, the Treasury Department is creating the Financial Crimes Enforcement Network ("FinCEN").

The objective is to create a broadly-based data analysis center to support money laundering and other financial investigations and prosecutions. FinCEN is encouraging the participation of all Federal law enforcement and financial regulatory agencies. However, even the initial step of integrating Treasury financial enforcement efforts through FinCEN is producing benefits. FinCEN will provide the following:

- Coordinated, multi-source analytical support for financial crimes investigations;
- Leads for field investigators, with support documentation, on potential targets or violations;
- Information for Federal, State, local, and foreign law enforcement officials about:
  - methods and evolving trends in money laundering;
  - available technology;
  - the management and dissemination of financial crimes intelligence;
  - financial crimes investigation techniques;
  - obtaining financial records; and
  - post-seizure evidence analysis and computerization.
- Information for the financial industry and regulatory agencies on:
  - indicia of financial crimes;
  - effects of financial crimes;
  - compliance programs and "know your customers" policies;
  - resources available to help fight financial crimes; and
  - reporting suspicious activity to law enforcement agencies.

- A 24-hour communications center to:
  - -- provide rapid response to requests from field agents for intelligence; and
  - -- act as a clearinghouse to support undercover operations, reducing the risks associated with overlapping investigations.
- Recommendations to the Department of the Treasury Office of Financial Enforcement about legislative and regulatory changes to improve financial enforcement.
- Research, develop and implement technological innovations in financial crimes detection.

II. BACKGROUND

A. OVERVIEW

Money is the focus and motive for most criminal activity. "Money laundering" is the process by which criminals attempt to make their illegal profits appear legitimate or "clean". Tracing money through this process back to the source can be a powerful enforcement tool because the money usually leads investigators to the top of the organization. Since the 1920s, Treasury has engaged in financial investigations such as this to combat criminal activity.

For instance, law enforcement agencies spent years trying to break up the Al Capone organization. Like today's drug lords, however, he was in business to make money; crime was only ancillary to the business. Capone successfully separated himself from most of the criminal activity. But he did not distance himself from the money earned by his criminal business. He was ultimately convicted of tax evasion.

Financial crimes are not visible. Some, like money laundering, are also inherently complex and difficult to uncover. And the effect of money laundering is not as immediate or tangible as other crimes. Thus, it is not surprising that, until recently, law enforcement agencies focused more on other crimes than on financial crimes -- even though most other crimes will lead to a financial crime.

Within the basic division between State and Federal agencies, law enforcement agencies tend to subdivide into functional operating groups that specialize in certain types of crimes, such as homicide, drugs and vice. Federal law enforcement is divided functionally among the FBI, DEA, ATF, Customs, Secret Service, IRS and many other agencies. Each has a different focus, but the expertise they develop often overlaps, as do their investigations.

For instance, DEA may target a group for drug violations, ATF may target the same group for gun law violations and the IRS for tax evasion. Each agency develops specialists in different types of law enforcement activities -- and each agency is producing information that overlaps or that might be useful to other agencies. However, the type of information gathered, and the use of that information, is largely determined by the immediate objectives of the investigating agency.

This is particularly true of financial information. Data relating to money laundering is often collected by agencies in the course of investigating other crimes; however, they may not be using that data as effectively as they or another law enforcement agency could. Agents familiar with the data being collected by each agency are not being systematically brought together to consider how this data could be used more effectively. Furthermore, financial expertise outside of the law enforcement community is not being fully utilized.

Today there is no comprehensive mechanism for coordinating and integrating expertise and information about financial crimes, although bureaus and offices within Treasury have developed close cooperative relations with each other. FinCEN is a response to that problem and presents an opportunity to improve financial crimes enforcement.

B. CURRENT MONEY LAUNDERING ENFORCEMENT ACTIVITIES

Most of the information necessary for financial law enforcement is currently collected by various law enforcement and bank regulatory agencies. While some of this information is in computerized databases that are available to investigators, much of the information is not available in a usable form or in a timely manner. Nor is much of the information being systematically scrutinized to see if more criminal violations can be discovered.

There are about 60 analysts specializing in financial intelligence scattered throughout the various Federal law enforcement agencies. Many more field agents routinely work with financial data in the course of an investigation.

Thirty of these analysts work in the Financial Intelligence Branch (FIB) of the Office of Intelligence in the U.S. Customs Service. More than half of the staff hours in this office are spent analyzing data to initiate leads for investigation. In the last two years, FIB has developed over 700 targets.

Six analysts work in the headquarters office of the Criminal Investigation Division (CID) of the Internal Revenue Service. Approximately another 15 analysts are in field offices of the CID. The FBI tells us that they have only one financial analyst in their headquarters though they have more in the field. DEA has approximately five financial analysts in their headquarters. The intelligence community gathers international financial data as well.

There is a profusion of data that relate to financial enforcement investigations. (See appendix 1) However, analysts and agents at one agency do not have ready access to all the information possessed by other law enforcement agencies.

For instance, the FBI does not have immediate access to the Treasury Financial Data Base, which includes Currency Transaction Reports (CTRs), among other reports. Until this year, the FBI had to submit a formal written request to the Office of Intelligence in Customs detailing the name of the person or business about whom information is desired. Now, the written request can be made to Customs or IRS field offices. From the time when the FBI first determines that it needs this data, turnaround time could be as long as a week. However, Customs attempts to process every request within 24 hours of receipt.

The same process works in the other direction if Customs seeks information possessed by the FBI. If a Customs analyst identifies a suspicious pattern of cash deposits to a particular account and would like to learn if another agency has any more information about the individual who conducts the transaction, the Customs Service must submit a formal written request for information to the FBI (or other relevant agency).

The DEA's NADDIS system provides another example. It contains a wealth of data, such as names, phone numbers, license numbers and aircraft identification numbers which would provide

the suspicious activity should be pursued. However, less than half of the records contained in the NADDIS system are currently available for an on-line query other than by DEA itself. DEA may share the information if they take part in the investigation.

C. SUMMARY OF NEEDS

Eighteen months ago, Treasury initiated an interagency study to identify the problems common to the various agencies investigating money laundering and to propose methods to enhance enforcement activities. Representatives from the Departments of Justice, State, and Treasury, FBI, DEA, Customs, IRS, CIA, the Economics Section of Los Alamos National Laboratory, OCDETF and Interpol took part in the study.

The working group identified several problem areas which must be overcome if law enforcement is to be effective against money laundering. The major problem areas were cited as:

1. No centralized management and "clearing house" of financial law enforcement information or analysis.

2. Inadequate training and education of Federal, State, local and foreign law enforcement officials.

3. Poor integration of industry and public input.

III. FINANCIAL CRIMES ENFORCEMENT NETWORK

The President's National Drug Control Strategy called for an increased focus on money laundering and improved coordination.

> A principal target area for [expanding law enforcement efforts] should be money laundering schemes that keep the cash-only illegal drug industry afloat. While money laundering has always been a tool of organized criminal activity, the highly profitable drug trade has made it an even larger and more widespread practice both domestically and ... internationally. Our ability to attack these sophisticated money laundering operations, however, is limited. And, as with drug enforcement generally, investigations of money laundering are often carried out independently by agencies, even where cooperation would be more effective. Since tracing the movement of large sums of cash remains among the best methods for identifying drug

DECEMBER 18, 1989
$2.00

THE BLOC: Out of control?

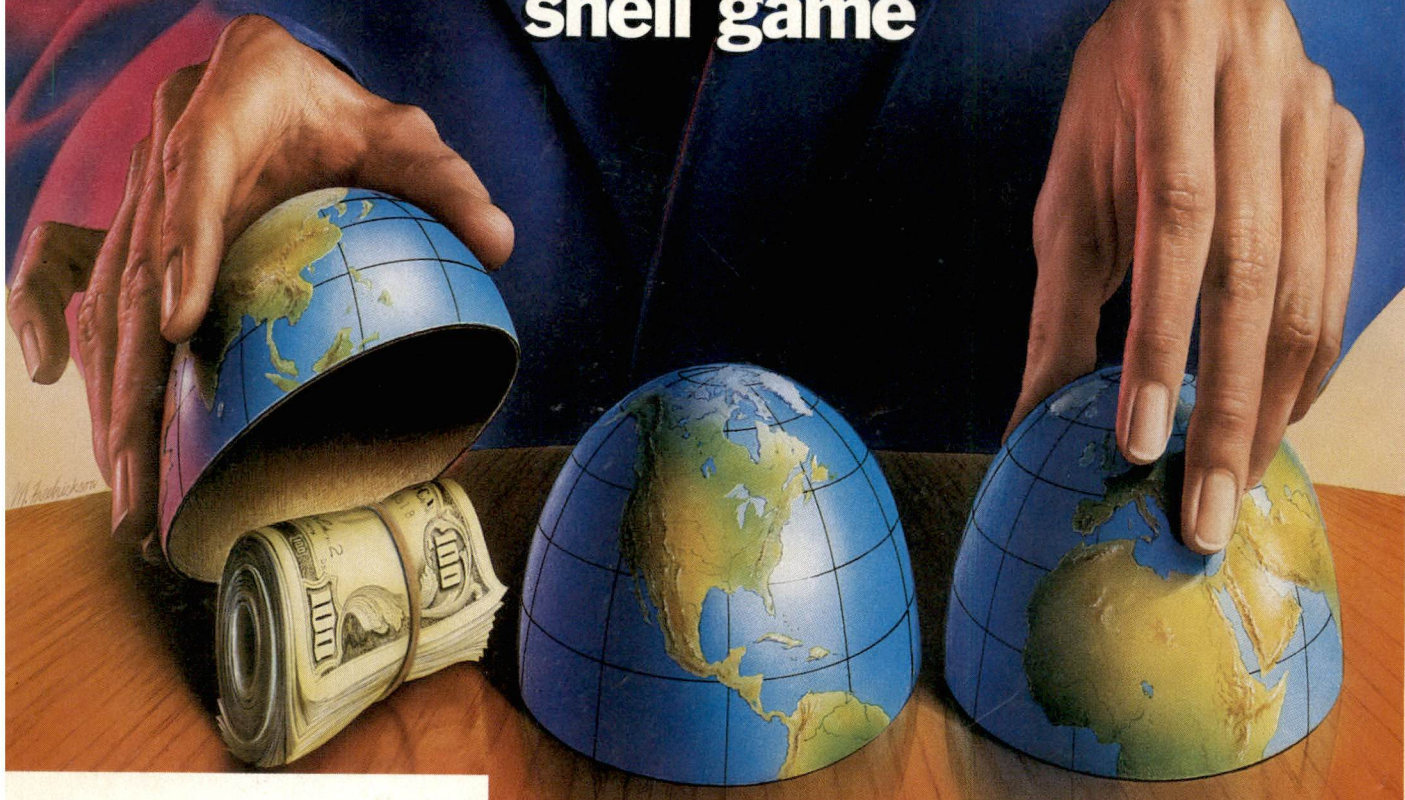
ENDANGERED EARTH
Agenda for the '90s



TIME

MONEY LAUNDERING

The trillion-dollar shell game





You always come back to the basics.



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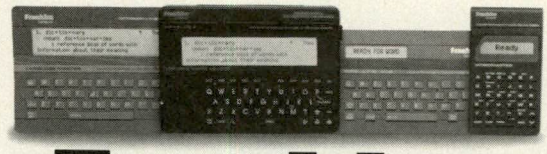


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Vol. 134, No. 25

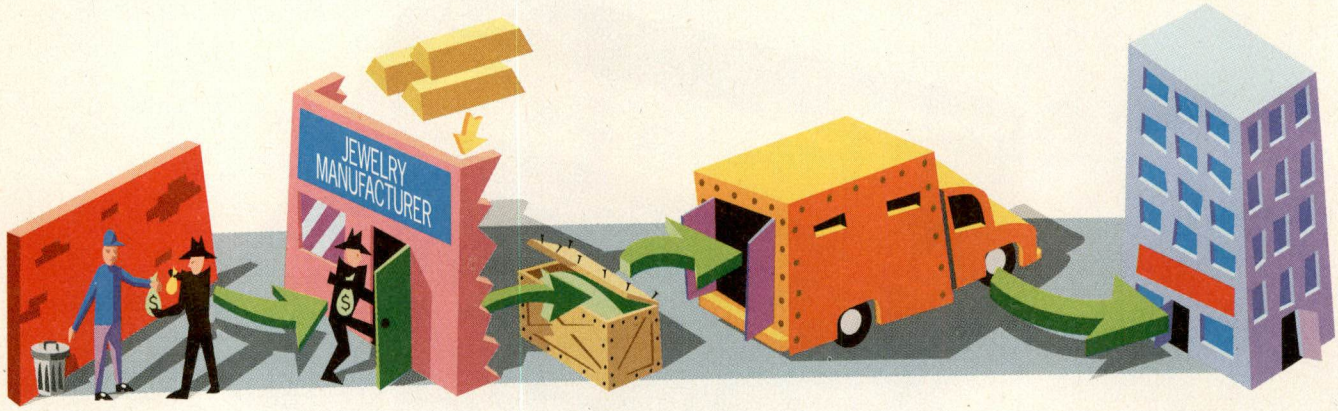
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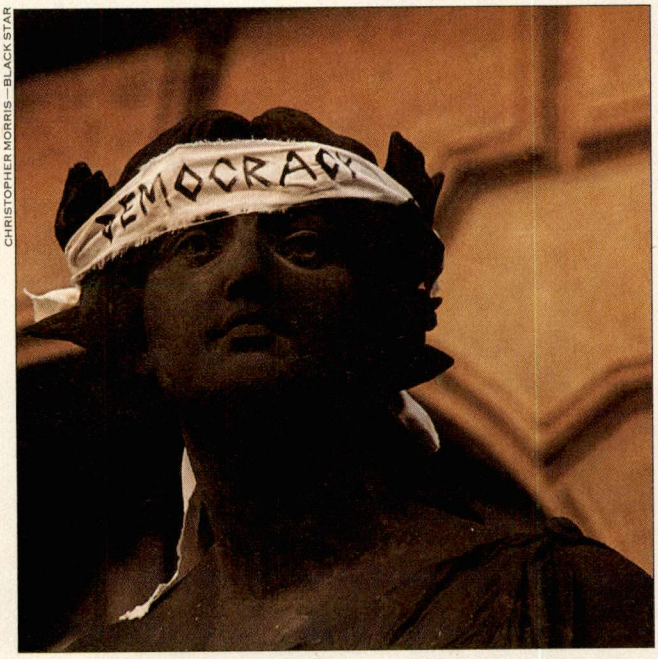
THE WEEKLY NEWSMAGAZINE

COVER: Money laundering is a thriving global business whose customers range from drug kingpins to tax dodgers

50

In a high-tech wash cycle that often takes less than 48 hours, drug smugglers can turn cocaine-tinged bills into such squeaky-clean assets as money-market deposits and car dealerships. One danger: drug lords and other lawbreakers are believed to be buying valuable chunks of the American economy. ▶ Andrew Tobias on the impact of falling housing prices.





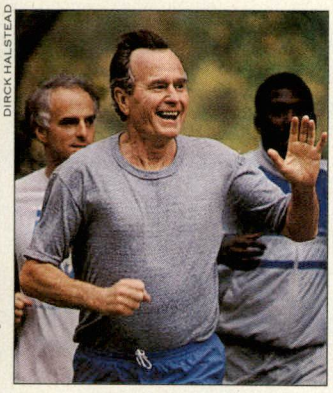
CHRISTOPHER MORRIS—BLACK STAR

WORLD: Amid mass resignations and arrests, has the revolt against Communism in the East bloc spun out of control?

East Germany is faced with the dissolution of party leadership, Czechoslovakia with government paralysis. The turmoil reaches even into the Soviet Union, as Lithuania legalizes political pluralism against Gorbachev's wishes. ▶ A TIME symposium explores the future of Europe. ▶ The coup's lessons for Corazon Aquino. ▶ Colombia's scorecard in its fight against drugs.

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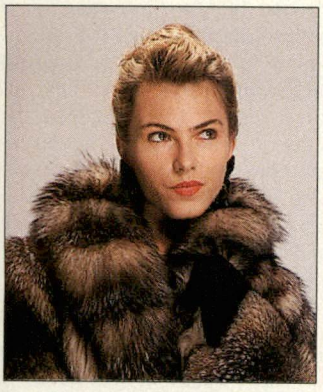
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DIRCK HALSTEAD

NATION: And now for the hard part

Meeting Malta's ambitious goals will take tough bargaining. ▶ U.S. business experts are pessimistic about helping Poland. ▶ The $300 billion S & L bailout could be dwarfed by a new crisis.

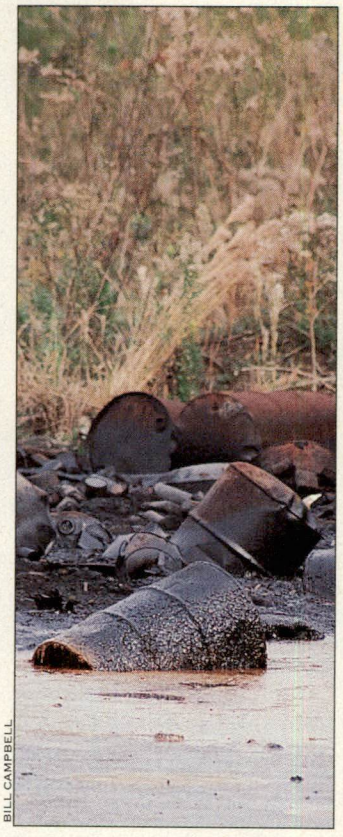
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LIVING: Mink, the ultimate luxury or a "sadist symbol"?

The fur is flying as animal activists urge consumers to leave the wraps and stoles on store hangers. Faced with stiff opposition and flat sales, the industry fights back.

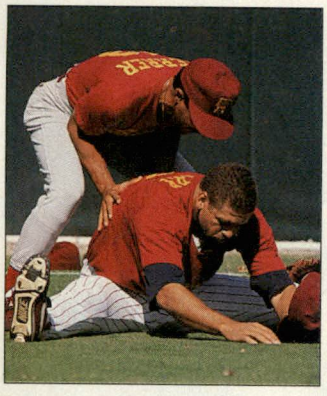
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BILL CAMPBELL

ENVIRONMENT: The fight to save the planet

As worldwide concern for the environment grows, and some promising initiatives take shape, TIME reports on recent progress and outlines a concrete agenda for action by the U.S. Government, companies and consumers. ▶ A look at the scientific naysayers who dispute forecasts of doom and gloom. ▶ A preview of Earth Day 1990.

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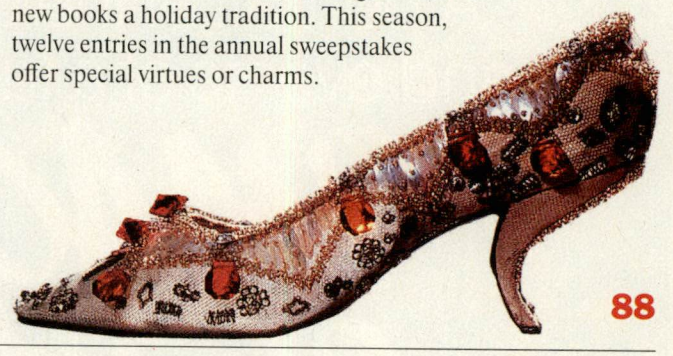
SPORT: Geritol jocks find life on the senior tours

Aging athletes know that fans will pay to see them doing what they once did best. Now Florida has senior baseball, where the crack of the bat meets the creak of the bone.

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BOOKS: 'Tis the season to be reading

Publishers have made colorful, large-format new books a holiday tradition. This season, twelve entries in the annual sweepstakes offer special virtues or charms.



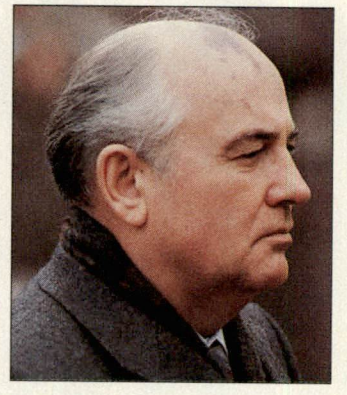
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CINEMA: Southern discomfort in three ambitious films

Sharp lessons for a Georgia matron and her black chauffeur in *Driving Miss Daisy;* Civil War blacks in *Glory;* and Louisiana's Earl Long in *Blaze.*

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ESSAY: Some words of caution from Richard Nixon

Gorbachev is an international superstar and a master politician, but before the U.S. comes to his aid it should carefully examine his motives and allegiances.

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78 Milestones
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84 Technology

Cover:
Illustration by
Mark Fredrickson

From the Publisher

Journalists usually go about their jobs by chasing down rumors and interviewing sources. Sometimes, though, reporters learn a lot by gathering experts in one room and firing questions at them. If the mix of guests is right and the topic intriguing enough, the conversation can be as exciting to cover as a revolution or a natural disaster. In fact, revolutions and nature were on the agendas of two TIME-sponsored conferences that we report on in this week's issue.

Fifteen TIME journalists met with five experts on European affairs in Brussels last week to discuss the changes sweeping across the East bloc. "The situation is so volatile that even journalists have trouble keeping up," says assistant managing editor Karsten Prager, who originally scheduled the one-day session for January but then decided that sooner would be better than later. "The conference helped establish some sense of where things might be heading."



WILLIAM CAMPBELL

Environment-conference participants get down to business

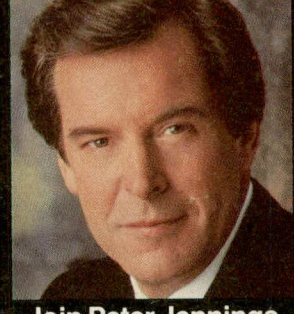
Why not assemble all the experts in one room?

Several weeks earlier, TIME had convened a group of 14 scientists and policymakers for an all-day conference on the environmental crisis. The meeting, held in Alexandria, Va., and organized by Washington correspondent Dick Thompson, was a follow-up to a 1988 ecological symposium that led to TIME's selection of the endangered earth as Planet of the Year. "This has been a busy year," says sciences editor Charles Alexander. "We ran a story on the environment about every other week, including reports on logging in the Northwest and Japan's environmental practices, and covers on the *Exxon Valdez* oil spill in Alaska and the rain forests in the Amazon." Our guests at both conferences at least agreed on one thing: next year promises to be as hectic as this year on the international and environmental fronts.

The Alexandria participants were: Lester Brown, Worldwatch Institute; John Chafee, U.S. Senate, Rhode Island; Michael Deland, Council on Environmental Quality; Kathryn Fuller, World Wildlife Fund; Albert Gore, U.S. Senate, Tennessee; Denis Hayes, Earth Day 1990; Thomas Lovejoy, Smithsonian Institution; Michael McElroy, Harvard University; Kenneth Piddington, World Bank Environment Department; Peter Raven, Missouri Botanical Garden; F. Sherwood Rowland, University of California at Irvine; James Gustave Speth, World Resources Institute; Mostafa Tolba, United Nations Environment Program; and Alexei Yablokov, Congress of People's Deputies, U.S.S.R.

A portrait of the people, passions, and events of a tumultuous decade.

"IMAGES OF THE 80s"



Join Peter Jennings
for an ABC News/TIME Magazine Special
Tuesday, December 26th 10:00 p.m.
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We'd like to s what this b

So beautiful. The Civic 4-Door's hoodline is low and sleek. You will see things clearly. Tinted windows help you get an even better view. The glass fits nearly flush.

All four doors blend neatly into the roofline, hushing wind noise and reducing air drag. The aerodynamic Civic is amazingly efficient.

Open any door and peep inside. Among other things, you'll notice the abundance of headroom and legroom. More than enough for a good stretch. Or a good stretch of highway.

Wide front seats are comfortable and supportive. Their contoured side bolsters leave plenty of room for your hips. While reclining seatbacks and padded head restraints adjust easily to fit Mom or Dad.

Now see what the rest of the Civic interior does for you. The carpeting is plush. The four-spoke steering wheel is comfortable to grip. And white on black analog gauges are easy to read. Available features such as fingertip cruise control, an adjustable steering column, quartz digital clock, power door locks, power windows and dual power mirrors are convenient.

Turning your attention to the back, the Civic's full-width rear seat is a parent's dream. The rear door locks are child-proof to protect young children with the touch of a button. Child safety-seat anchors watch after even younger children.

To keep track of everything that goes with your pride and joy, just flip the lockable trunk release. Strollers. Playpens. A zoo of stuffed animals. They will all fit nicely, thank you. Of course, the low lift-over trunk height is nice, too.

Should you need more space, the rear seatback folds down into place to carry odd-shaped or over-size cargo.

When you're all packed up and ready to go, not surprisingly, so is the Civic. An advanced 16-valve engine

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now parents aby can do.

is as powerful as it is practical. In the EX model shown here, the 1.6 liter engine develops 108 horsepower. And its Multi-Point Programmed Fuel Injection delivers crisply and cleanly. This baby moves.

The smooth-shifting five speed transmission gets it all in gear. For the sake of convenience, an efficient four speed automatic transmission with an electronically controlled lockup torque converter is available.

Honda's firm double wishbone suspension helps ease the daily rigors of driving your family around, with a smooth, stable ride. You will find it on all four corners of the reliable Civic.

Around other corners, you'll find power steering handy.

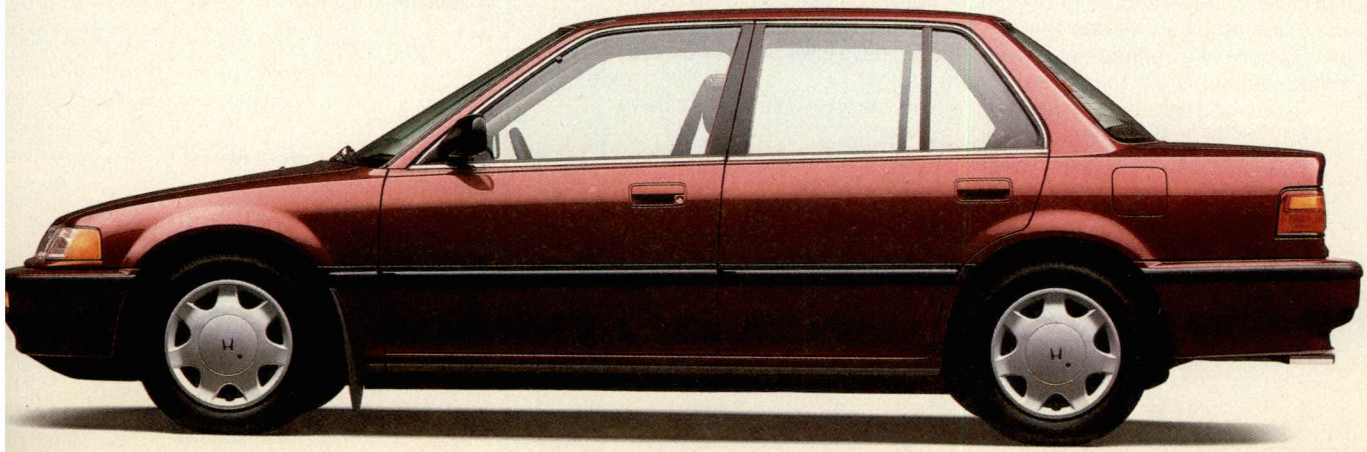
Up front, the power-assisted disc brakes are ventilated to dissipate heat. Self-adjusting rear drum brakes are behind them. The new Civic will stop you cold.

On the other hand, when you look back on all the things that the Civic 4-Door can do, you will get a nice, warm feeling all over.

Aren't babies wonderful?

HONDA

The Civic 4 Door



And the walls came tumbling down

Some of us have not seen such daily headlines since World War II ended. Younger people have never witnessed the clamor of nations unleashed. The whole geopolitical world is in a quake of immense magnitude, and the aftershocks resound one after another. The Soviets are locked in fierce argument over the role and future of the Party. Estonians are acting like Estonians again. Both the Berlin Wall and the grim power whose footing it was have come tumbling down. Poland, Czechoslovakia, Hungary, Bulgaria: virtually the whole of Central and Eastern Europe is in ferment. We snap on the TV and find thousands of people in some foreign square shouting for free markets.

Free markets? Even American voters are said to have trouble with the concept. How can it cause the world so to quake? Yet it has, and does.

Historians will be arguing about the roots of today's headlines for generations to come. Quite obviously, a failure of Marxism does not translate of itself into the triumph of a competing ideology such as democratic capitalism. People in search of economic vitality and a better standard of living may demand free markets merely because these seem the best way to secure such blessings. Workers in austere and moribund economies may have realized that the continued absence of free markets could have doomed them and their children to be mere onlookers, their noses pressed to neighboring windows of prosperity. Even a free market devoid of ideological trappings is a mighty goal.

And yet. On November 27th, during a general strike, in a construction yard in Czechoslovakia, a man in grimy overalls comes over from the local brewery and clambers up on a platform to talk to other workers. He says to them: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness."

The American ideal.

We watch thousands of Berliners, from both sides of that divided city, dancing on the wall that has imprisoned East Germans since 1961. They stream back and forth through the jagged gaps and fissures they themselves have torn in it. Someone starts to sing, and soon they are all singing. But this isn't in German, strangely enough; it's in English: "...Deep in my heart, I do believe, We shall overcome some day."

Again, the American ideal.

These are not people in search merely of higher living standards and better jobs. They call for free elections. They demand free movement between countries and within their own. They want to choose their careers, their schools, their neighborhoods. These are individuals—not some great, glutinous, communitarian mass—and they are determined to make their own decisions.

It is freedom they want: precisely what Thomas Jefferson had in mind when he wrote of unalienable rights. We Americans tend to keep him in his niche as a founder of our liberties. In this season of tumbling walls and renewal, we see that Jefferson and the American ideal he crisply, perfectly defined—and we ourselves have cherished and maintained—are far larger than these United States.

This world will never be the same again. Liberty—in a way not seen since 1776—is on the march.

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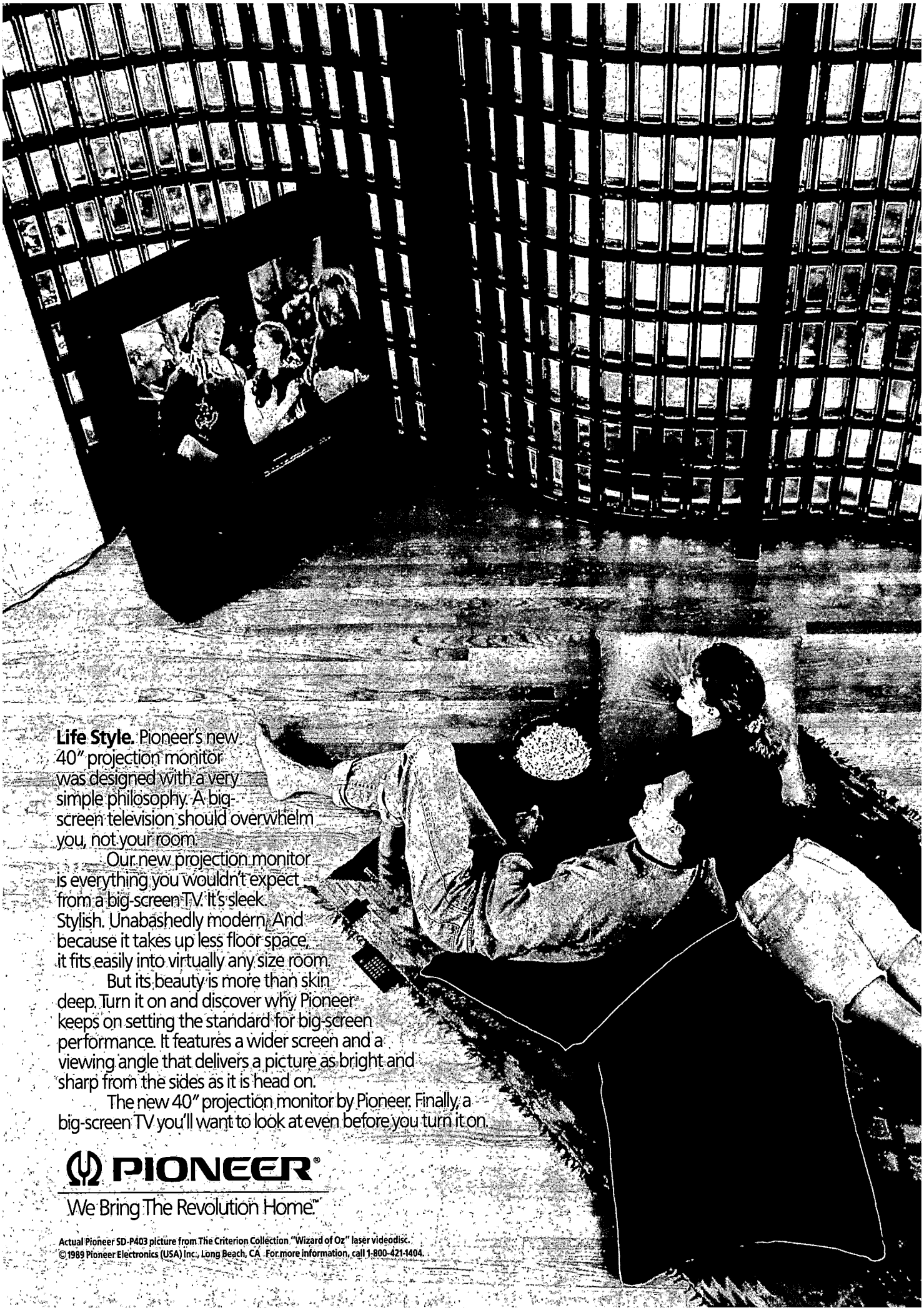


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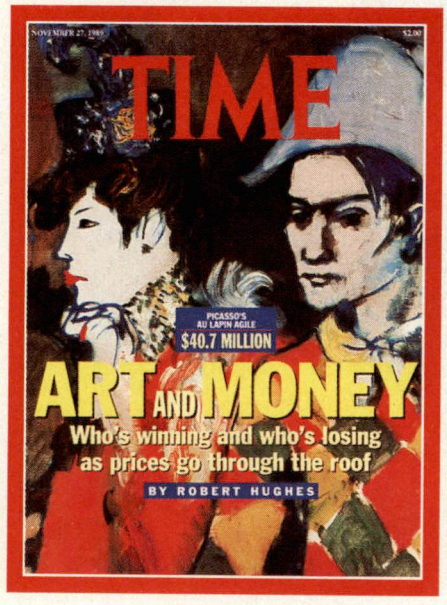
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Letters

ART AND MONEY

"Museums do not recognize art for art. They go after the name."

Guillermo Etienne, St. Louis Park, Minn.



The growing art market illustrates the need people feel to own something of quality that is unique and novel [ART, Nov. 27]. Is it not a case of envy to bemoan the successful acquisitions of one's fellow man?

James Ashworth
Trawden, England

If museums cannot afford to buy work by established artists, they must concentrate on relatively unknown talent and they will have to educate the public to appreciate present-day art. If a museum spends its annual buying budget of $2 million to $5 million on this art, that can be a boon to young American artists and contribute to the public's understanding of new works.

Fred B. Benjamin
Silver Spring, Md.

In 2½ centuries, Sotheby's has earned a much valued reputation for honesty and integrity. Although Robert Hughes is entitled to his opinion, his statements are an unfair assault on the credibility of the auction market and specifically on Sotheby's ethics, expertise and practices. No matter how much Mr. Hughes may dislike the current trends in the art market, they are a reflection of prevailing international economic and cultural conditions. New York auction houses are highly regulated, and all Sotheby's business practices fully conform to New York City department of consumer affairs regulations.

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As a provider of financial services, Sotheby's does not accept the view that buyer financing through an auction house affects a price any more—or less—than financing by any third party. The implication that the so-called winners in this "game" have little concern for the "losers," the museums, is simply not the case. We fully endorse the reinstatement of the tax-deductible charitable contribution as a necessity for the overall health of the American cultural community.

Michael L. Ainslie, Chief Executive Officer
Sotheby's Holdings, Inc.
New York City

Museums do not recognize art for art. They go after the name. I doubt that developing artists will be discovered by the pseudo connoisseurs of our museums.

Guillermo Etienne
St. Louis Park, Minn.

Voting for Blacks

I was amused by your analysis of how Douglas Wilder won in Virginia to become the first elected black Governor in the U.S. [NATION, Nov. 20]. I got the impression that the 58% of whites who voted for the white candidate were mostly bigots while the 90% of blacks who voted for Wilder were not. If the people of Virginia selected their new Governor because they thought he was the best man, then that is a fine thing. But if they voted for him merely because he is black, then his election is hardly indicative of what you call a "world bright with change."

Charles C. Ross
Columbus, N.C.

Divided Cities

We in Jerusalem rejoice with the people of Berlin as they watch the Wall come tumbling down [WORLD, Nov. 20]. But we perhaps have more reason than others. You describe Berlin as the only city in the 20th century that "had a wall rammed through its innards." Unfortunately, another shared that distinction: Jerusalem, which from 1948 to 1967 had walls, barbed wire and minefields in its midst. It was a sad place. United Jerusalem is not without problems, but it is thriving, exciting and very beautiful.

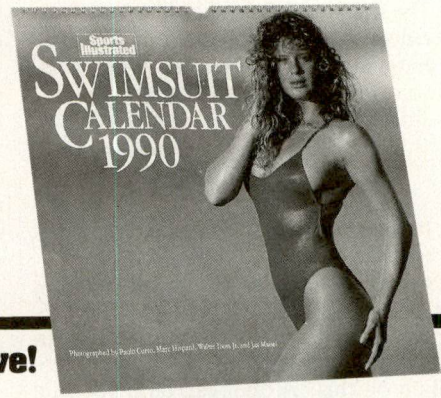
Teddy Kollek, Mayor
Jerusalem

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Rights for Gay Couples

Your report on gays and marriage rights [ETHICS, Nov. 20] should make people ask, "Can't mainstream society make up its mind about gay lives?" Traditional society has held stubbornly to its portrayal of homosexuals as irresponsible, sexually obsessed deviants, but it refuses to allow gay people the privileges that would enable them to lead peaceful and productive lives.

Lucia M. Conforti
Chicago

Should gays have marriage rights? A defiant no. That would result in the destruction of the moral fabric of the U.S.

Walter P. Liesegang
Louisville

Even though we have made out wills, my life partner and I live in fear that if one of us should die, homophobic relatives or the state could legally take everything we have built together during 19 years of sharing our lives and love.

John D. Helm
Sacramento

Horowitz Contrast

The late pianist Vladimir Horowitz appeared in Tokyo for the first time in 1983 [MILESTONES, Nov. 20]. But sadly his performance was so poor that many people wished he had come to play when he was younger. One critic spoke of him after the concert as "a cracked antique." The story could have ended there. But on his second visit to Japan, in 1986, another Horowitz appeared. If there are miracles, that was one. Looking back, one can see Horowitz's first nightmarish concert as a kind of foil to his resurrection. As he used to say, "What's important is contrast."

Kazuhiko Seto
Yokohama

Kicking Kitty

What a nasty, sexist, stigmatizing piece you published on Kitty and Michael Dukakis [NATION, Nov. 20]. Mrs. Dukakis is reported to have depression, an illness often characterized by feelings of worthlessness. Your tone implied that her behavior was a willful, childish demand for attention rather than the efforts of a frightened woman to find recognition of her own value. You say Michael Dukakis suffered "political pain" but that his wife "lost control" and committed an "irrational act."

Denise Wilder
Golden Valley, Minn.

No Pork Barrel

The reference to the Agricultural Extension Service as a "pork-barrel" project in your story on budget cuts [NATION, Oct. 30] is unfair. Come and see some of our



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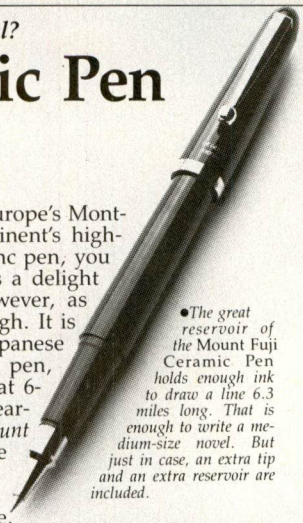
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Patrick J. Borich, Dean and Director
Minnesota Extension Service
University of Minnesota
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Symbols of the Year

The image that starkly illustrates the monumental changes shaking the Communist world is the solitary figure facing off against the tanks near Tiananmen Square—my choice for Person of the Year.

Kurt Young
Bellingham, Wash.

I propose Berlin, a symbol of a healing Europe, as City of the Year.

Ian Alan Rowe
Colchester, England

The deadly killer drug crack!

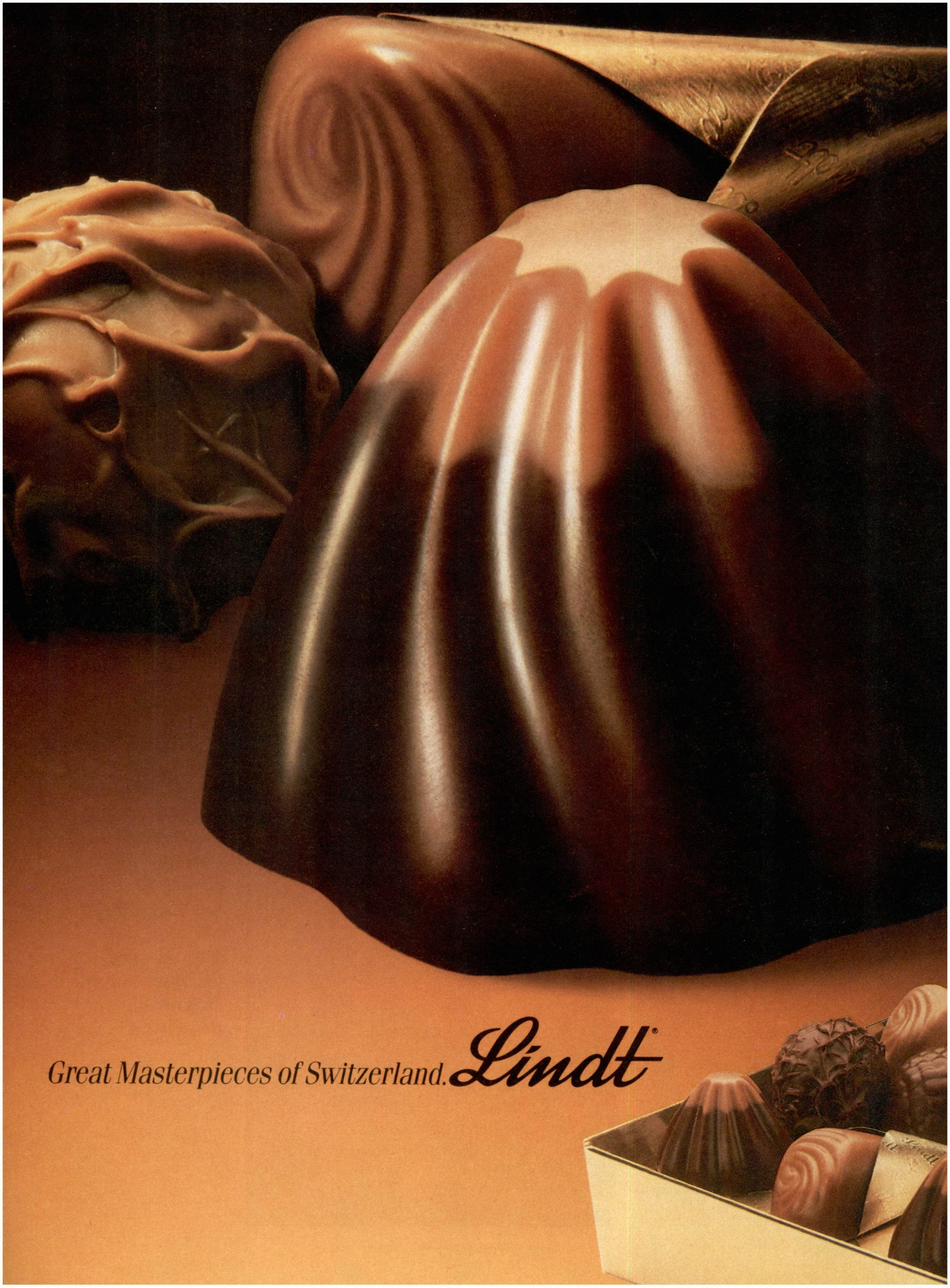
Darren Haylock
Los Angeles

Editorial Judgments

We've received more than 3,400 identically worded postcards referring to this quote in the *Wall Street Journal* from TIME senior editor Charles Alexander: "On this issue [the environment] we have crossed the boundary from news reporting to advocacy." The postcards said, "Tell your readers about this."

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INTERVIEW

Vindication Of a Hard-Liner

Long the prophet of Communism's doom, **ZBIGNIEW BRZEZINSKI** foresees the end of the U.S.S.R. in its present form

BY STROBE TALBOTT and ROBERT T. ZINTL

Q. You've always been a strong critic of the Soviets, yet just in the past month you have been given a standing ovation at the Diplomatic Academy in Moscow, you've been respectfully interviewed in *Pravda* and even given prime-time coverage on Soviet television. What has it been like for you personally?

A. Well, I wouldn't be human if I didn't confess to a certain amount of ego gratification. When I stood in front of the foreign policy establishment in the Soviet Union and was given a generally empathetic reception, I had a sense of, if you will, historical vindication. But I also had a sense of something much more important. There was a breakthrough taking place in the thinking of people who for 70 years were artificially divorced from the intellectual and philosophical currents of the Western world. They are now in the process of restoring some of those connections, of rejoining that process. They are much more willing to be self-critical and to listen to criticism. They appreciate the degree to which the Soviet Union has fallen out of step with global development, and that has driven them in the direction of seeking far-reaching changes.

The last two years of this decade could be the Spring of Nations in Central Europe. I am deliberately drawing the analogy to 1848, which was called the Spring of Nations because Central European nations rose against authoritarianism.

Q. Given the violent aftermath of 1848, that's not a very happy precedent.

A. No, it isn't. But if things in Central Europe or the Soviet Union go wrong, which they could, I don't think we'll see a return to an assertive, confident, Stalinist renewal. Instead, we'll probably see a turn toward some highly nationalistic form of dictatorship, perhaps what I call a "Holy Alliance" between the Soviet Army and the Russian Orthodox Church, galvanized by a sense of desperate Great Russian nationalism. That would then produce even more intense reactions from non-Russians. It could be a very ugly picture.

Q. What's the worst case you can imagine?

A. I can imagine a Soviet intervention in East Germany, where the Soviets have a lot of troops on the ground and therefore on the spot. If the East German Communist regime were to collapse through violence and if the Soviets were to remain passive, then the whole thing would collapse, in Poland, Hungary and Czechoslovakia. The Soviets know that if they let go of East Germany, Poland is lost.

That's why it is so urgent for us, the West, collectively, to give this turbulence a chance to work itself out constructively in the direction of some form of pluralist democracy. So far, we have not responded in a manner that does justice to the magnitude of the opportunity, or, alas, to the magnitude of the threat inherent in these truly earthquake-like political phenomena.

Q. What should we be doing?

A. First, we need to discuss with all the parties concerned the implications of change in Central Europe, and also of change in Germany, because the two are related. We cannot end the division of Europe without also, in some fashion, ending the division of Germany. We are past the day when the future of Europe could be shaped either by us or by the Soviets alone, or even by us with the West Europeans. We now need to talk in equal depth with the Russians, with our allies, the West Europeans, and with our friends, the Central Europeans.

Q. Are you using the term "Central Europeans" interchangeably with what we would call "East Europeans"?

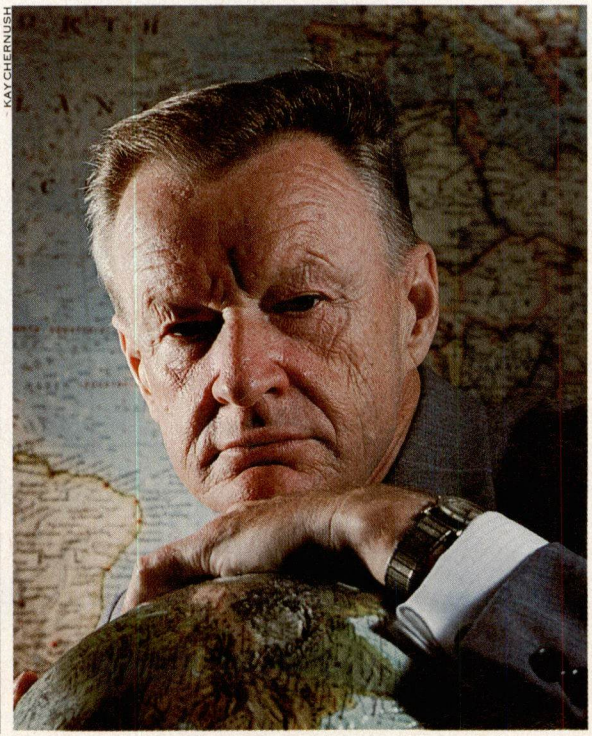
A. I'm using it now *instead* of "East Europeans." East Europe was the geopolitical designation for a reality that is now disappearing.

The military confrontation in the heart of Europe is waning, so there should be significant cuts in our defense budget. Security should be based on some new relationship between the two alliances, rather than a dissolution of the two alliances. Perhaps there could be a long-term arrangement for a transitional NATO and Warsaw Pact presence in the respective parts of a reconfederated Germany, so that there is no insecurity bred.

Suppose we save $20 billion to $30 billion in defense spending on Europe in the next few years. Let's dedicate a third or a fourth of that to a Central European Recovery Fund. If we make a substantial contribution, I think the Europeans will more than match it, and we can bring the Japanese into it.

Q. When Gorbachev persuades the élite to go along with his policies, where is the upside? What have they gained?

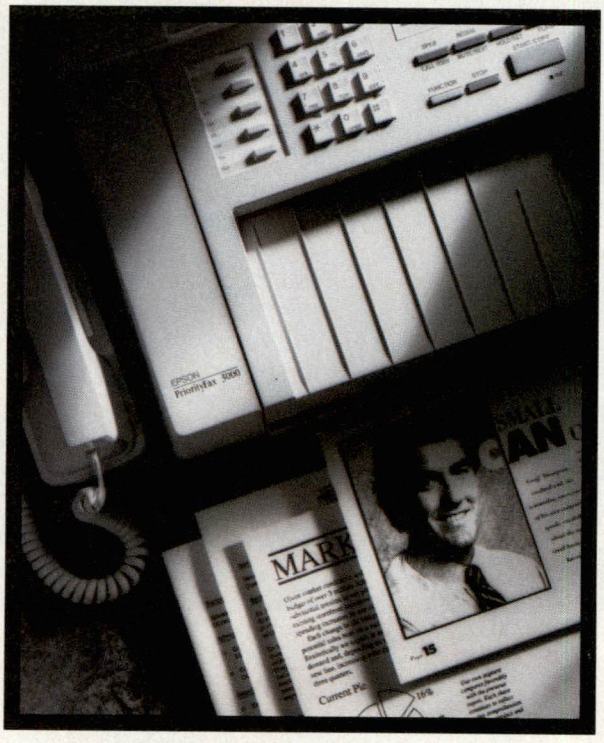
A. Only a respite from the strains of the competition as well as an opportunity to



KAY CHERNUSH

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address their internal problems and modernize their system. That is what Gorbachev and the people around him are hoping to accomplish.

At the same time, I left the Soviet Union with a sense of deep foreboding. We're getting to a point where Gorbachev and his colleagues will have to make some fundamental choices, all of them very difficult and all of them pregnant with dangers. He will either have to accelerate *perestroika,* really pushing it forward in the direction of pluralism and the free market, or he will have to engage in severe repression of the non-Russians.

Q. In the latest issue of *Foreign Affairs* you say that the U.S.S.R. is becoming a "volcano" and a "battleground" of warring nationalities. Will there even be a U.S.S.R. in the year 2001?

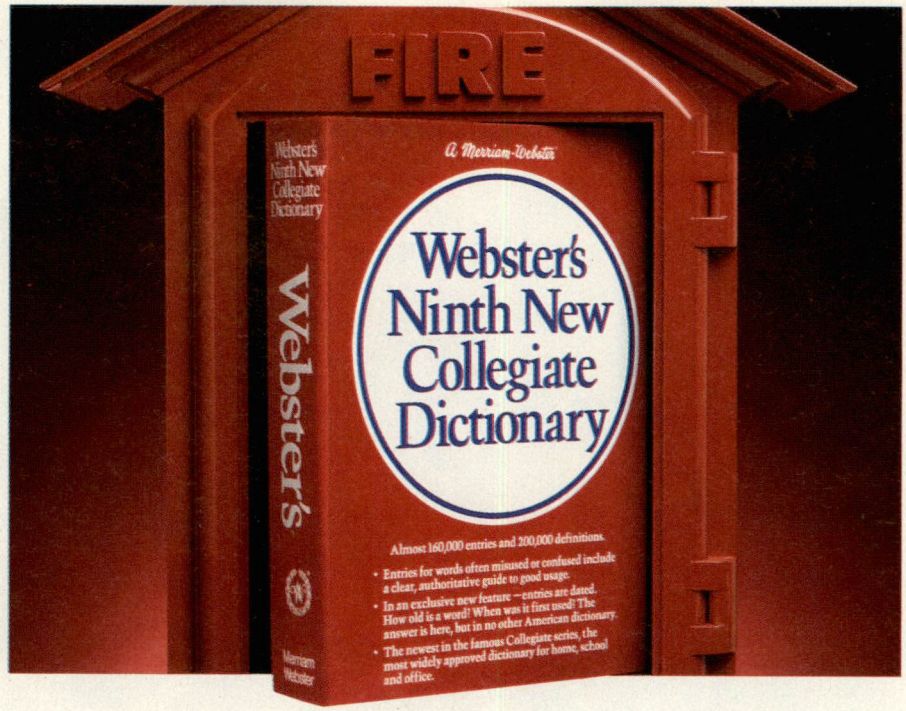
A. No. There will have to be something very different. The pace of change, the scale of change, and the drama of the change are all such that we have to stop thinking in conventional terms. Perhaps there will be a Soviet confederation of some sort, much looser than what there is now, with some new form of associated statehood for the Baltic republics. Georgia and some of the other more nationally defined republics could enjoy a much more independent status within the Soviet confederation. If they don't have that, then they will have to have some form of Great Russian nationalist dictatorship. I think Gorbachev is trying to persuade the non-Russian nations that they have to accept some form of yet undefined pluralism as the only alternative.

Q. Does Gorbachev know what he is doing? Does he have a clear plan?

A. I think his speeches reflect a thoughtful man, who really realizes that the ideological oversimplifications of the past several decades are irrelevant. The hours I spent with some of his people increased my feeling that they are intelligently, thoughtfully, and in some ways boldly responding to the short-term problems that they are confronting and which they have the intellectual acumen to identify and not to evade. But I am less certain now that they have any comprehensive, long-range vision.

Q. How about the Bush Administration? Does it have a comprehensive, long-range vision?

A. Well, in the late 1940s President Truman had around him a cluster of creative people who asked themselves how the West should respond to the collapse of Germany. Now is the time to ask ourselves, creatively and historically, how do we respond to the apparent collapse of the Soviet Union? We can either deliberately shape a new world or simply let the old disintegrate—with some of the wreckage potentially even endangering us. ■



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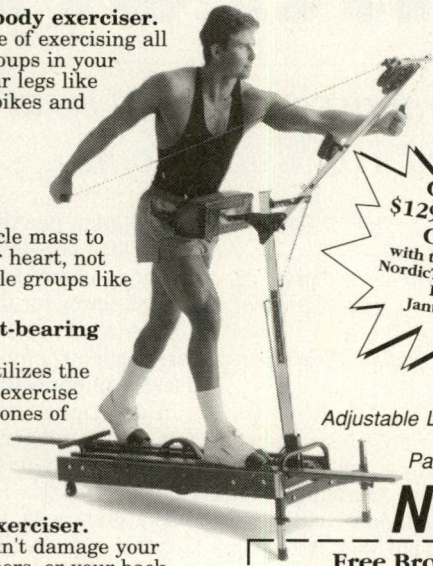
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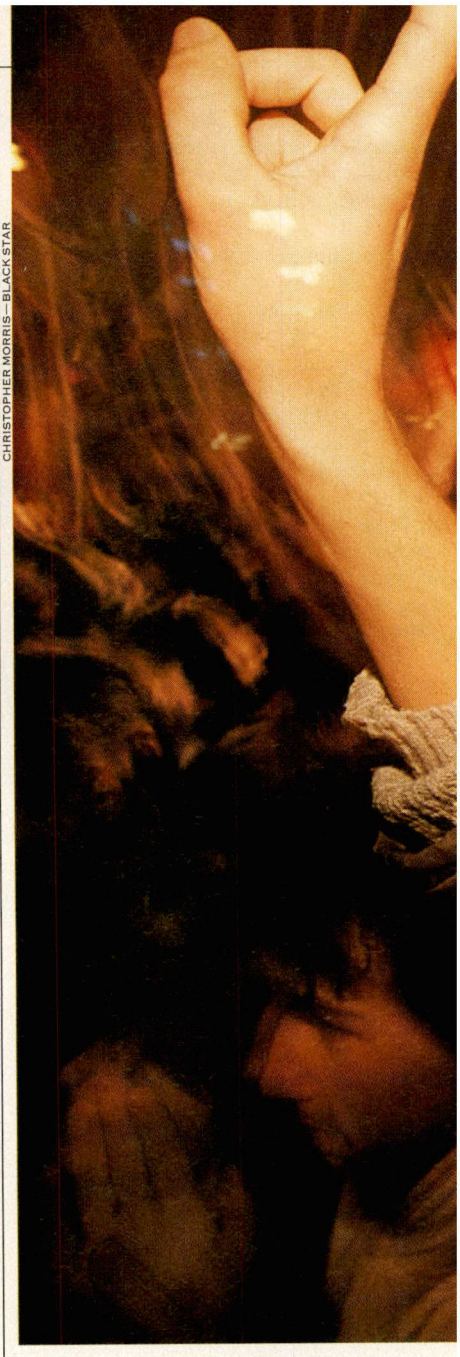
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PATRICK PIEL—GAMMA LIAISON

Into the streets: protesters demanding political reforms halt traffic in East Berlin last week



CHRISTOPHER MORRIS—BLACK STAR

EAST-WEST

Out of Control?

As the Communist order unravels at blinding speed, confusion looms

BY JILL SMOLOWE

The old is dying and the new cannot be born. In the interregnum, a great variety of morbid symptoms appear.

—Antonio Gramsci, Italian Marxist philosopher (1891-1937)

The great variety of symptoms that confronted the Communists of East Germany and Czechoslovakia last week were not morbid, but they did carry the risk of metastasizing into something dangerous. As exhilarating as the rapid pace of change may be, the tight grip of party rule that seemed unshakable just weeks ago has loosened to the point of presenting both countries with the prospect of events slipping out of control. Though the revolution in East Berlin continues to outrace changes in Prague, the dynamics of tumult are much the same in both countries. Besieged party leaders grant one desperate concession after another, hoping each move will quiet the mounting outcry and preserve some measure of power for themselves. The opposition's success begets bolder demands—and party leaders capitulate, further diminishing the very authority they hope to maintain.

East Germany's Communist Party granted the ultimate concession when its leader, Egon Krenz, and the other nine members of the Politburo resigned last week, along with the entire 163-member Central Committee. Three days later, Krenz stepped down as head of state, a move that left him stripped of the powers he had inherited only a month and a half earlier from his discredited predecessor, Erich Honecker. Manfred Gerlach, who heads a small party until now bound to the Communists, was named to replace Krenz in the ceremonial post of President. Honecker meanwhile was in quick succession expelled from the party, placed under house arrest and slapped with criminal charges. An additional 104 party functionaries and eight former Politburo members were also arrested.

The wholesale dissolution of the party leadership left some members with an uneasy sense that no one was in charge. But Prime Minister Hans Modrow seemed in command as he appealed on national television for calm, and the party hastily threw together a temporary 25-member working group to fill the leadership void. On Thursday the first talks between the Communist Party and the opposition yielded agreements to recommend parliamentary elections for May 6 and to rewrite the constitution. In addition, the foundering party advanced an emergency congress by a week to try to restore order and salvage shreds of credibility from the wreckage.

Meeting at East Berlin's Dynamo Football Club Gymnasium, the 2,714 delegates overwhelmingly nominated as party leader Gregor Gysi, a reformist lawyer who at 41



Forcing the issue: Prague citizens rally for a majority say in the government

becomes the youngest Communist boss in Eastern Europe. Only three months ago, Gysi came under withering attack by hardliners for representing the opposition group New Forum in its bid for legal status. Now, said Gysi after winning election, the Communists in East Germany will be merely "one party among others."

Meanwhile, Mikhail Gorbachev is confronting a political crisis as the reforms he inspired in Eastern Europe begin to haunt him at home. With Gorbachev's tacit blessing, East Germany and Czechoslovakia have joined Hungary and Poland in abolishing the Communist Party's constitutional monopoly on power. Nonetheless, the Soviet leader has always insisted that the party must retain its pre-eminence in his country if *perestroika* is to succeed. Last week the Lithuanian legislature defied Gorbachev's wishes and legalized rival political parties, setting the stage for other Soviet republics to do the same. This week radical delegates are expected to propose a debate in the Congress of People's Deputies on whether to delete Article 6 of the national constitution, which enshrines the party's "leading role" in Soviet society.

In East Germany it remained uncertain whether the Communist Party's last-ditch effort to fashion a new identity could save it from extinction. With the party's upper echelon disgraced, the taut discipline snapped down below. A half million of the 2.3 million cardholders have deserted the party in recent weeks, and last week middle-ranking members joined the opposition groups in crying for the departure of the power brokers who for 41 years imposed their rule. Citizens worked with the regular People's Police to prevent the shredding and theft of incriminating documents. Airline flights to Rumania were suspended to block the removal of key documents. Police sealed the offices of party leaders and searched other party members as they exited their workplaces.

Some citizens seemed determined to take matters into their own hands. In one incident, about 100 people halted a man who was leaving an East Berlin office of the dreaded Stasi (secret police) with two suitcases in tow. When the man was handed over to the police, they discovered currency worth hundreds of thousands of dollars that was believed to be intended for party officials. Two days later the man was found hanged in his jail cell. The 25,000-man Stasi, meanwhile, was partly defanged by the dismissal of its directorate and the reassignment of some 7,000 agents to customs detail.

At one point, the government seemed intent on depicting a mood of impending breakdown, as if trying to ensure its survival by convincing people that only the present leaders could keep blood from flowing in

the streets. In a statement issued through the state-run ADN news agency last Wednesday, the government reported "growing indications of stormings of facilities and installations of the National People's Army." But no mention was made of where the assaults took place. In a separate appeal, from the army, generals warned that they would not permit disturbances at military installations and called on soldiers to fulfull their duty "thoughtfully and reliably in these fateful hours." That same day the Defense Council resigned, leaving command of the 172,000-member armed forces in the hands of the government and the new head of state.

While army discipline never flagged, Modrow was plainly worried about the Fighting Groups, the bands of factory workers that function as the party's private army. Though the government had announced that the groups would be disarmed, it remained unclear how successful efforts were to get the group leaders to surrender the keys to their armories.

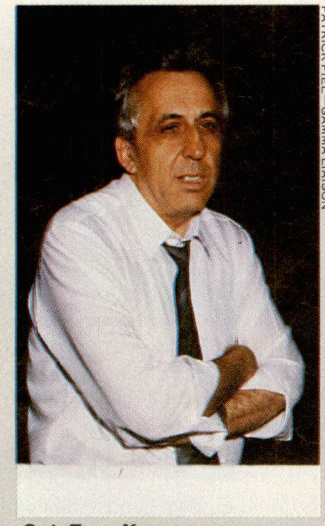
The issue of reunification with West Germany also seemed to be galloping forward faster than anyone had anticipated. Until now, the East German opposition has rejected calls for reunification. But in Leipzig, more and more posters reading GERMANY, ONE FATHERLAND are dotting the weekly demonstrations. And the round-table discussions last Thursday between party officials and opposition figures produced a call for a "new relationship" with West Germany based on "confederative structures." That echoed the language of a unification plan unveiled by West German Chancellor Helmut Kohl two weeks ago, to the consternation of the British, the French and the Soviets, among others.

While East Germany faced a volatile situation—the party dissolving but a government still more or less intact—Czechoslovakia faced a situation that was equally volatile but opposite. The three-week-old party leadership of Karel Urbanek was holding firm despite the defection of thousands of members. Prague's government, however, was at a dangerous pass. After the Civic Forum, the country's leading opposition group, rejected a proposed new government that seated only five non-Communists among the 21 ministers, Prime Minister Ladislav Adamec warned, "I cannot act under pressure of one group of citizens." When the Civic Forum refused to withdraw its demand for half the seats in the Cabinet to be filled by non-Communists, Adamec resigned.

Within hours President Gustav Husak appointed Deputy Prime Minister Marian Calfa, 43, a lawyer and relatively obscure party member, as Prime Minister. The next day Calfa seemed to meet the Civic Forum's request by offering the group half the positions in a new Cabinet. Vaclav Havel, the dissident playwright who leads the Civic Forum, entered into negotiations with Calfa and seemed close to agreeing on the makeup of a government. The political atmosphere was further cleansed with the announcement Saturday night that the 76-year-old Husak would step down as soon as

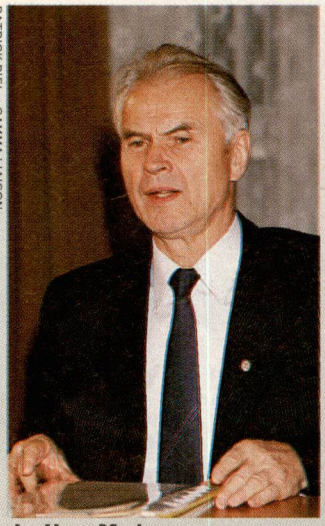
THE SWEEP OF CHANGE

EAST GERMANY



PATRICK PIEL—GAMMA LIAISON

Out: Egon Krenz



PIEL—GAMMA LIAISON

In: Hans Modrow

The Party. After serving as party leader for 47 days, Egon Krenz resigned, along with the entire Politburo and Central Committee. The party's emergency congress then selected Gregor Gysi to replace Krenz.

The Government. With the party in chaos, Prime Minister Hans Modrow and his 28-member Cabinet, eleven of them non-Communists, ran the country. Krenz was replaced as head of state by Manfred Gerlach of the Liberal Democratic Party.

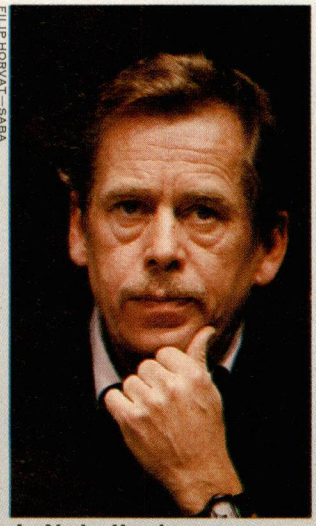
The Opposition. The party and government acknowledged popular unrest by meeting with representatives of nine opposition groups and five non-Communist parties.

CZECHOSLOVAKIA



FILIP HORVAT—SABA

Out: Ladislav Adamec



HORVAT—SABA

In: Vaclav Havel

The Party. Since succeeding Milos Jakes as leader three weeks ago, Karel Urbanek has seen the Politburo shuffled twice. Only a handful of the original members remain.

The Government. After only four days as Deputy Prime Minister, Marian Calfa won the top job last week when Ladislav Adamec quit. At week's end Calfa offered to form a Cabinet in which half the members would have no ties to the Communist Party.

The Opposition. Civic Forum leaders announced plans to run candidates in the parliamentary elections they are demanding by next July. As demands for President Gustav Husak's resignation persisted, Vaclav Havel offered to fill the post.

he swore in a new Cabinet. As a quisling installed by Moscow after the invasion of 1968, Husak has become increasingly reviled, and his departure has been a prime demand of the Civic Forum.

Havel also declared he would be willing to serve as President to help guide the country through its crisis. "If, God help us, the situation develops in such a way that the only service I could render my country would be to do this, then, of course, I would do it," he said. Havel's announcement was evidence of the opposition's new determination to insert itself into the power vacuum. Abandoning its earlier plan to remain nonpartisan, the Civic Forum proclaimed that along with its Slovak counterpart, Public Against Violence, it would endorse a slate of candidates in the parliamentary elections that it is demanding by next July.

So far, civility and generosity have characterized the Czechoslovak revolt, which has seemed more methodical and less reactive than the spontaneous actions in East Germany. But Prague may yet follow a path that could impede reconstruction. While Havel has promised the party there will be no purges, cries for retribution began to be heard last week, resulting in the party's expelling former party leader Milos Jakes and former Prague party boss Miroslav Stepan. There are also continued signs of fragmentation within the opposition, as is happening in East Germany. But as yet, Havel continues to exert a moral authority that seems to be holding the disparate forces together.

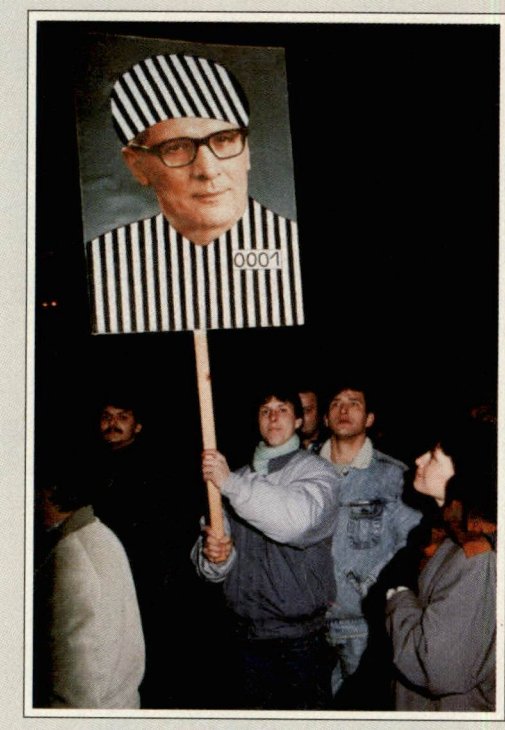
Shrewdly, the Civic Forum is taking steps to align itself with sectors of the military. Havel announced the formation of the Military Forum, a group within the armed forces that is calling for a variety of reforms, including a shortening of military service from two years to 18 months. The Civic Forum exerted its power at the state level by forcing the resignation of the cabinet in the dominant Czech republic and the appointment of a new body that ceded nine of the 17 ministerial posts to non-Communists. Three days later, the government of the Slovak republic also quit.

Only a gambler would wager on where the revolutions in East Germany and Czechoslovakia will end. Negotiations and cool heads may ultimately prevail, allowing the Communist Party to help negotiate a future that will result in multiparty systems along the lines of those evolving in Hungary and Poland. Conversely, dissent could give way to anarchy that would trigger a military crackdown. The current challenge for opposition forces in both countries is to strike a delicate balance between keeping pressure on the Communists for new reforms and not demanding so much so fast that chaos ensues and crushes the spirit of progress not only in Eastern Europe but in the Soviet Union as well. —***Reported by William Mader/London and Frederick Ungeheuer/Berlin***

Life in the Golden Ghetto

As the East German regime collapses before its anti-Communist opponents, it is yielding up enough evidence of corruption to provide yet another cause of bitter popular resentment against the discredited hierarchy. The allegations of illegal nest feathering have shocked and outraged ordinary citizens, party members and nonmembers alike. Disgrace knows no limits for Erich Honecker, less than two months ago the most powerful man in East Germany: last week the former party chief and eight of his erstwhile top lieutenants were formally charged by the state prosecutor's office with "enriching themselves through abuse of office." Seven of the ex–Politburo members were packed off to jail pending trial. Illness spared the other two, including Honecker, from suffering the same fate—at least for the time being.

No evidence uncovered so far in East Germany indicates plundering on a scale to rival world-class pillagers of national treasuries like the Marcos family of the Philippines or the Pahlavis of Iran. Honecker, along with other top party officials, lived a decidedly bourgeois life inside the walled luxury compound of Wandlitz, a few miles north of East Berlin. But last week it was revealed that he also had a $1.2 million vacation villa on the tiny island of Vilm in the Baltic Sea, previously thought to be an uninhabited bird preserve. Some of the perks claimed by East Germany's élite had a style reminiscent of ward pols in the U.S. Several Politburo members, for example, held the presumably undemanding post of "honorary member" of the Construction Ministry's "academy," for an annual pop of about $10,000. Another favorite ploy was to requisition scarce building materials for use in the construction of homes for children and other relatives.



JÜRGENS OST + EUROPA PHOTO

An East Berliner puts Honecker in prison stripes

There has been one scandal that adds up to major marks. The Politburo's once powerful economic czar, Günter Mittag, and Alexander Schalck-Golodkowski, a shadowy financial dealer and former state secretary for foreign trade, are suspected of helping divert to Swiss bank accounts tens of millions of dollars' worth of hard currency. The proceeds came from the illegal sale of arms, artworks and other goods. The affair has become known as the Ko-Ko scandal, after the office of Kommerzielle Koordination, through which the funds were funneled. Last week Schalck-Golodkowski surfaced in West Berlin, offering to return some of the funds and promising to fight any attempt by East Germany to have him extradited. Crimes involving hard currency are especially offensive to ordinary East Germans, who blame its scarcity for much of their economic hardship over the years.

Politicians are not the only ones who are paying for their lives of privilege. Members of East Germany's formidable athletic machine, a cosseted élite who have access to automobiles and posh apartments not available to most East Germans, have come in for sharp criticism. But it is the abuses by the *Bonzen,* or party bigwigs, that especially rankle. The East German populace was not happy with the country's meager living standards over the years, and finally it judged them to be intolerable. But ordinary folk remain stunned that the leaders of a party ostensibly formed to champion the cause of workers and peasants could secretly assume a life-style closer to that of wealthy capitalists. Says Hans Berger, a rank-and-file East Berlin party member: "We did not expect this of Communists and their creed of equality." ■



SERGEI GUNEYEV

Demanding the once unthinkable: demonstrators in Moscow call for the repeal of the party's monopoly on power

Is the Soviet Union Next to Explode?

Gorbachev insists he will not deep-six the party, but he may have no choice

End the official monopoly of power of the Communist Party of the Soviet Union, proud inheritor of Lenin's mantle, vanguard of world revolution?

Of the many unthinkable ideas floated in *perestroika's* wake, this reform ranked among the most wildly farfetched. But last week the prospect of abolishing the party's "leading role" in the U.S.S.R. gained momentum when the Lithuanian legislature voted 243 to 1 in favor of a constitutional amendment legalizing rivals to the Communist Party. While Lithuania thus became the first Soviet republic to do so, in neighboring Estonia the Communist Party Central Committee approved a similar proposal that should easily pass the legislature next month. In Armenia angry crowds surrounded parliament after legislators rejected a multiparty system. This week Andrei Sakharov and other members of the Congress of People's Deputies are calling for a two-hour strike to force the Congress to debate the repeal or modification of Article 6 of the constitution, which enshrines the Communist Party's dominance in the national government.

These developments—and the gleeful speed with which Poland, Hungary, East Germany and Czechoslovakia have guillotined the Communist monopoly—must make Mikhail Gorbachev feel like the sorcerer's apprentice. Unable to control the rising flood of reforms he has conjured up, he is finding it harder to keep afloat.

ARTICLE 6

The leading and guiding force of Soviet society and the nucleus of its political system, of all state organizations and public organizations, is the Communist Party of the Soviet Union.

Gorbachev, who has called a multiparty system "rubbish," has good reason to worry. Many non-Russians in the Soviet empire—Ukrainians and Azerbaijanis as well as Armenians and Balts—would flock to new parties seeking autonomy from Moscow. The Baltic republics already sport popular fronts and other freshly minted political groups whose members ran as independent candidates in national elections earlier this year and trounced establishment party hacks. In the Russian Republic itself, there is mounting anger and frustration with empty shops and suffocating bureaucracy that could easily swell the rolls of a gaggle of independent parties. Politburo member Yegor Ligachev, speaking for the Kremlin conservatives whose favor Gorbachev must still curry, has said flatly that multiple parties would "lead to the disintegration of the U.S.S.R."

Gorbachev also contends that the future of well-managed reform depends on the party continuing to run the show, an argument that would surely bring a smile to the face of just deposed East German party leader Egon Krenz. "Preserving the vanguard role for the party, from our point of view, is extremely necessary, especially in the time of *perestroika,*" insists candidate Politburo member Yevgeni Primakov. "The party is the only consolidating force in our society, and in our federation."

Yet even the Kremlin realizes that Article 6 as now written is out of date. This provision entered the Soviet constitution only in 1977, at the height of what is now denounced as the "era of stagnation." Sakharov and other liberals have made the

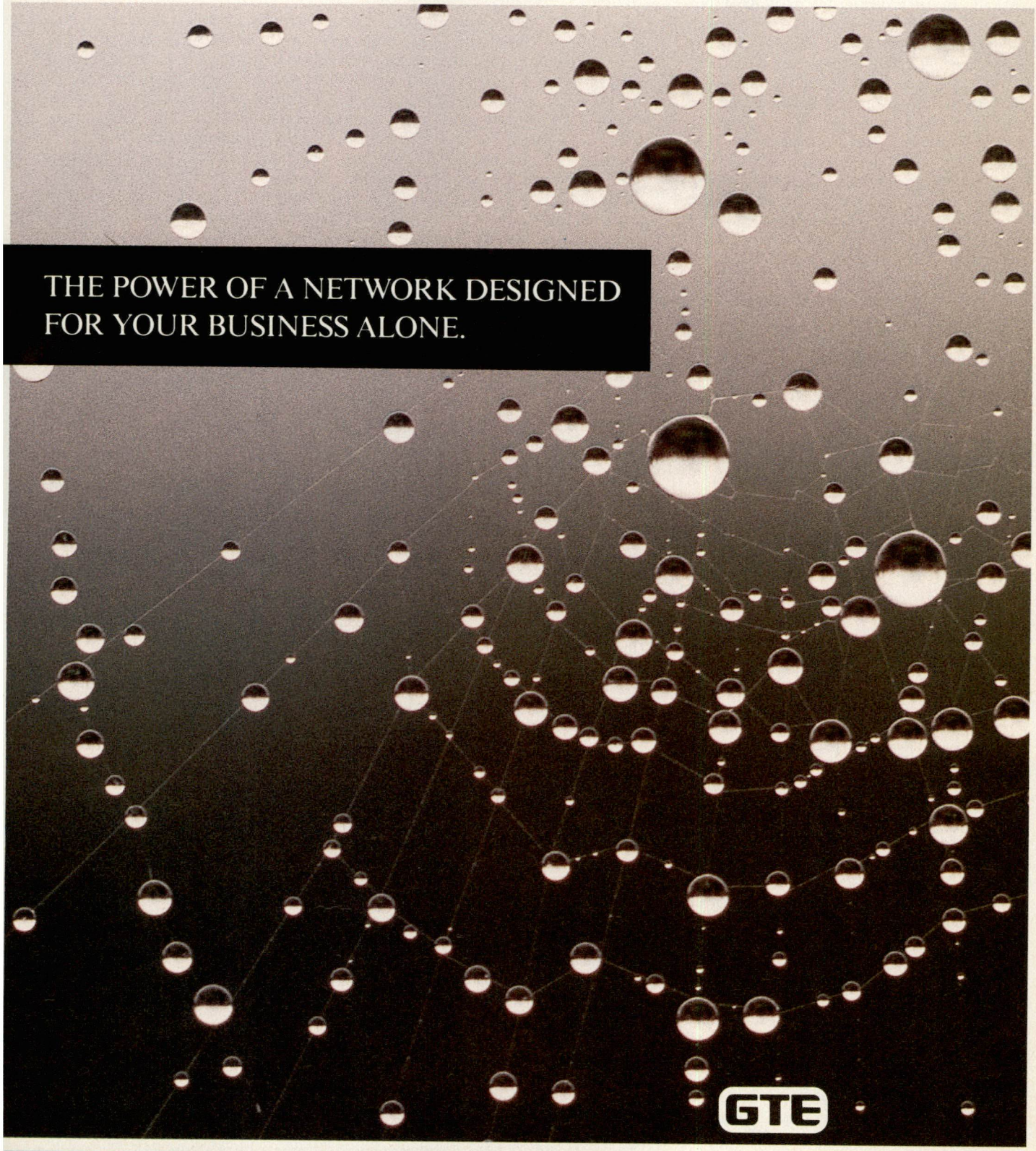
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repeal of Article 6 a litmus test of the leadership's commitment to genuine progress. They have substantial support. The Supreme Soviet voted 198 to 173 last month to debate Article 6; only 28 abstentions kept the measure off the agenda of this week's session of the Congress of People's Deputies. Gorbachev recognizes that "the rates of *perestroika* in the party have thus far been slower than those in society, which makes it difficult for the party to carry out its leading role." If Gorbachev wants to keep the liberals' engine hitched to his reform train, a revamped Article 6 must be part of the coupling.

Meanwhile, the national Communist Party is under attack from within. Last month the leaders of Leningrad's Communist Party arranged an unprecedented demonstration to criticize Moscow for not defending the party against *glasnost*-inspired attacks. If this outburst reflects apparatchik sentiment, legalizing competitive groups would arouse not only outrage but perhaps a concerted effort to oust Gorbachev. The Leningrad protest provoked a countermarch by some 40,000 incensed citizens who proclaimed their support for Gorbachev's efforts to rejuvenate the party through open criticism.

At the same time, Lithuania's Communist Party is on the brink of cutting its ties to the national organization. Fearing defeat in elections scheduled for February, the Lithuanian leadership is desperate to redeem the local party in the voters' eyes, despite warnings from Moscow that *perestroika* will disintegrate under the pressure of their extreme separatism. If the Lithuanians succeed in severing their links, they will set a provocative precedent that is sure to be repeated in other republics.

Gorbachev has tried to dampen the ardor for repealing Article 6, claiming that giving up one-party rule would be a capitulation. But there were signs last week that the Kremlin was willing to fiddle with the text. Noting that Article 6 was "not a taboo subject," Politburo ideologist Vadim Medvedev said the present wording should not be kept "at all cost" and ought to be "brought into line with the party's new role in society."

Once again the task before Gorbachev is to enhance his power by co-opting the demands for radical change while at the same time persuading conservative foot draggers to join his cause. But to contain the rising tide of dissent in the Soviet Union, now bubbling up through many unofficial groups and opposing factions within the party itself, before it reaches the flood levels prevailing in East Germany and Czechoslovakia, the Communist Party will have to demonstrate that it deserves the support of the people without relying on the crutch of Article 6. —***By J.F.O. McAllister. Reported by Paul Hofheinz and John Kohan/Moscow***

America Abroad

Strobe Talbott

Braking the Juggernaut

After last week's meeting in the Med, Secretary of State James Baker proclaimed, "We are moving into the post-postwar era." The postwar period began with the division of Europe after World War II; the stage of history now beginning is "post-post" insofar as that division is ending. The phrase, with its catchy double prefix, is well on its way to becoming a cliché on the op-ed pages and airwaves of the West. It helps experts who are groping for sound bites more erudite than "Wow!" as they ruminate about the astonishing pace of change in Europe.

Yet in a crucial respect, the Malta meeting did not represent the inauguration of a new world order at all but a holding action on behalf of the old one. George Bush and Mikhail Gorbachev have a shared interest in slowing down the rush of events, particularly the juggernaut of German reunification. Consummate Atlanticist that he is, Bush is sensitive to West European anxiety about the disproportionate strength of a single Germany.

But there is more to the famous and no longer hypothetical "German question" than that. Neither the population nor the size of a united Germany would necessarily result in instability; it is not as though the two countries would attain critical mass if they were fused. Rather, the X factor in the debate, largely unmentionable among statesmen but deeply felt among their constituents, concerns the crimes and punishment of the German nation. Many Europeans, including most Soviets, would prefer to let the next generation, or even the one after that, test fully the proposition that 70 years of German expansionism, culminating in the horrors of Hitler, was an aberration.



SHONE—GAMMA LIAISON

Gorbachev briefs the Warsaw Pact after Malta: avoiding the wrath of comrades

Gorbachev has his own reason for believing that one Germany is an idea whose time should not come again soon. Reunification is a euphemism for East Germany's voluntary annexation by West Germany. If the G.D.R. merges with the Federal Republic, the Soviet Union could see an ally not only leave the Warsaw Pact but defect to NATO. Estimates on how long Gorbachev would survive the wrath of his comrades range from 20 minutes to 48 hours.

If Bush had to choose between the success of Gorbachev's program to reform the Soviet Union and the fulfillment of West German Chancellor Helmut Kohl's plan to create a German "federation," the President would almost certainly pick *perestroika,* since that is what is driving the new Soviet foreign policy. On this issue, Malta was an exercise in private commiseration and public obfuscation. With Bush at his side at their joint press conference, Gorbachev said that "history" should be allowed to determine the status of the two Germanys, and he warned against any "artificial acceleration" of the "process of change." It was a telling caution coming from the Great Accelerator himself. Bush then flew off to Brussels, where he enunciated a masterpiece of gobbledygook, intended to sound receptive to German reunification someday far in the future. There was a similar better-later-than-soon tone to the endorsement that Kohl received over the weekend from the leaders of the European Community.

The whole matter is heavy with irony. First Germany brought World War II to Europe. Then its defeat led to 44 years of postwar tension. Now events in that same nation are complicating the effort to end the division of the Continent as a whole. Because of the German question, the world is stuck in the pre-post-postwar era, which is neither a felicitous phrase nor a welcome state of affairs. ■

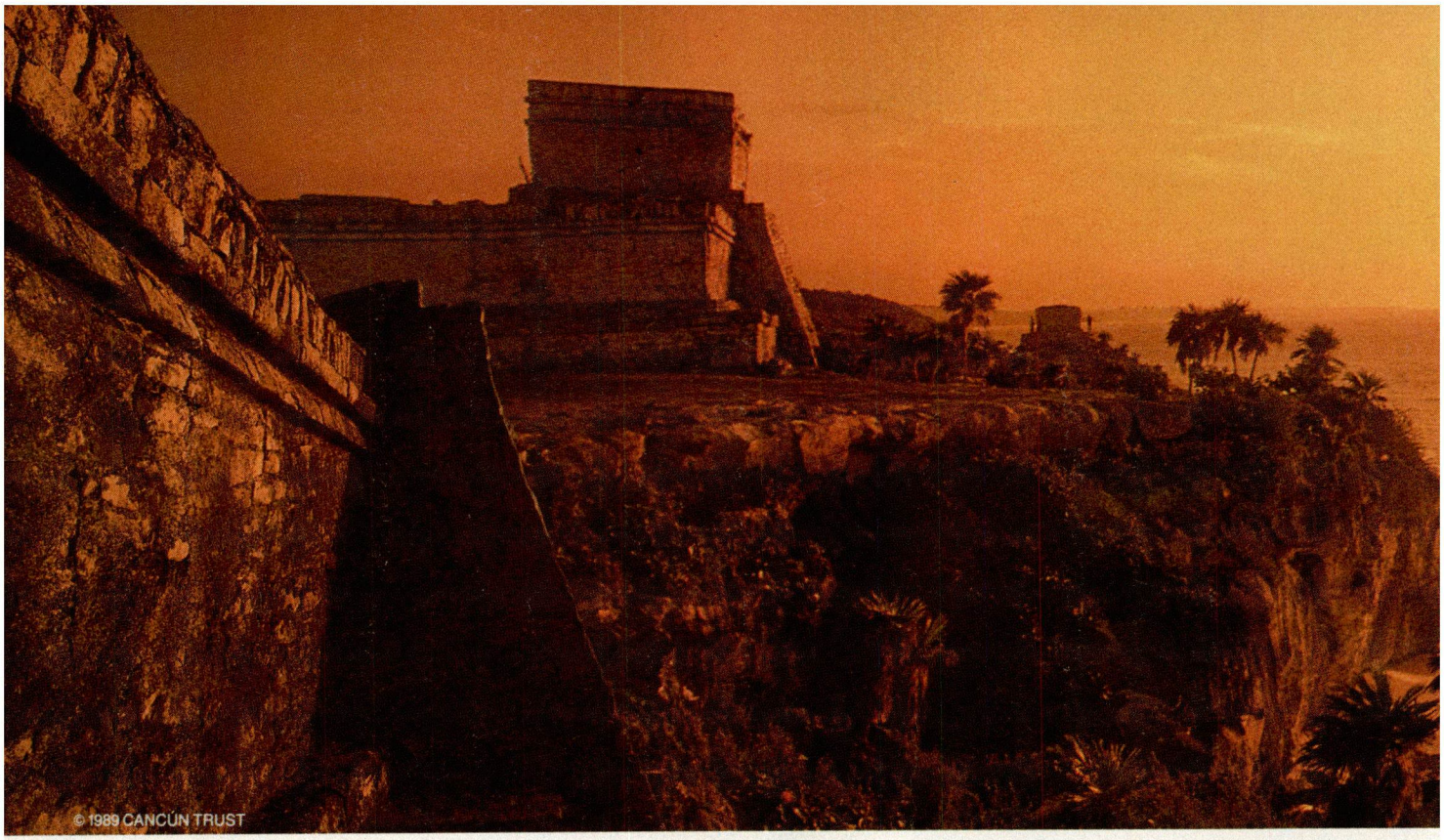
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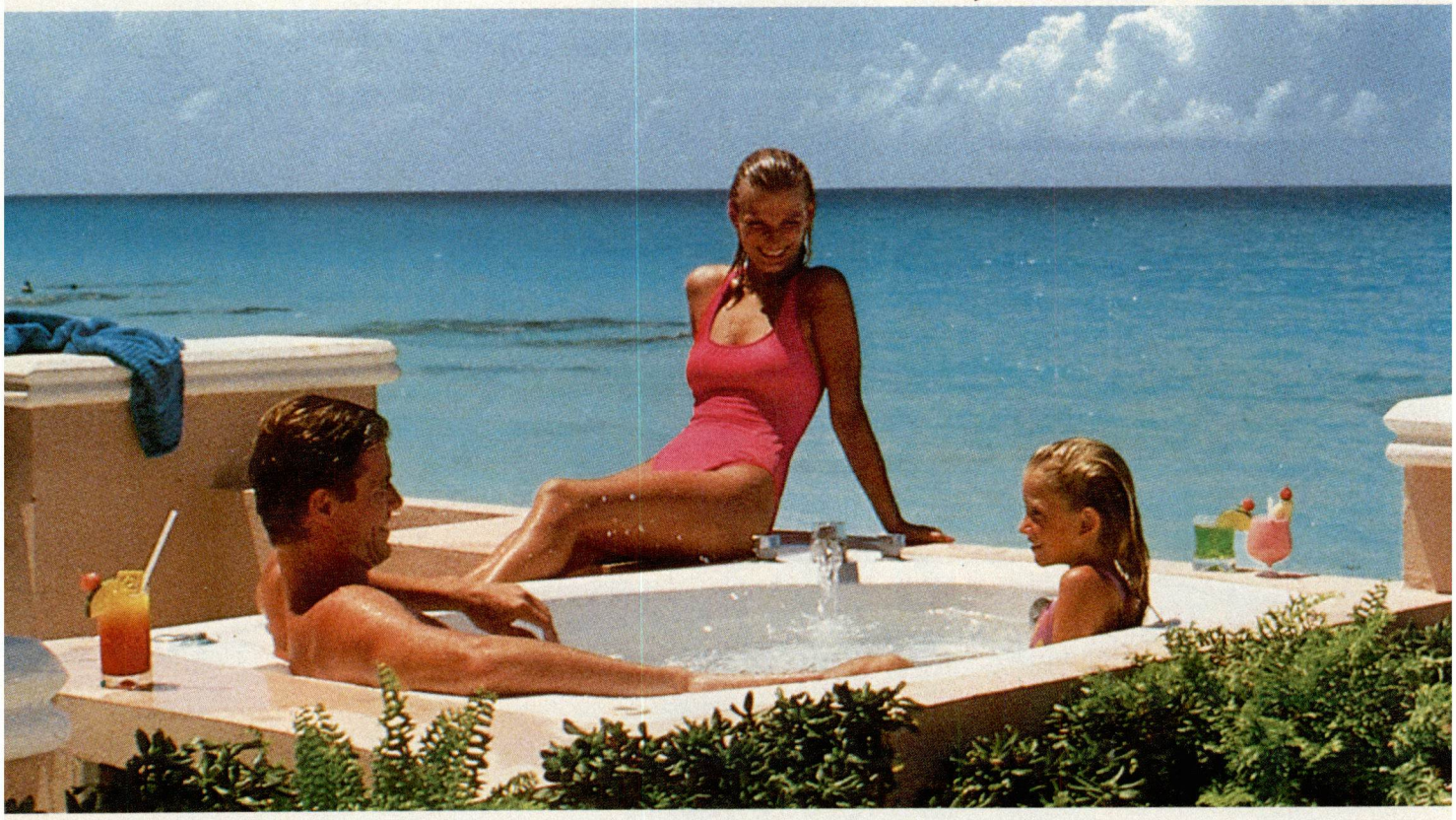
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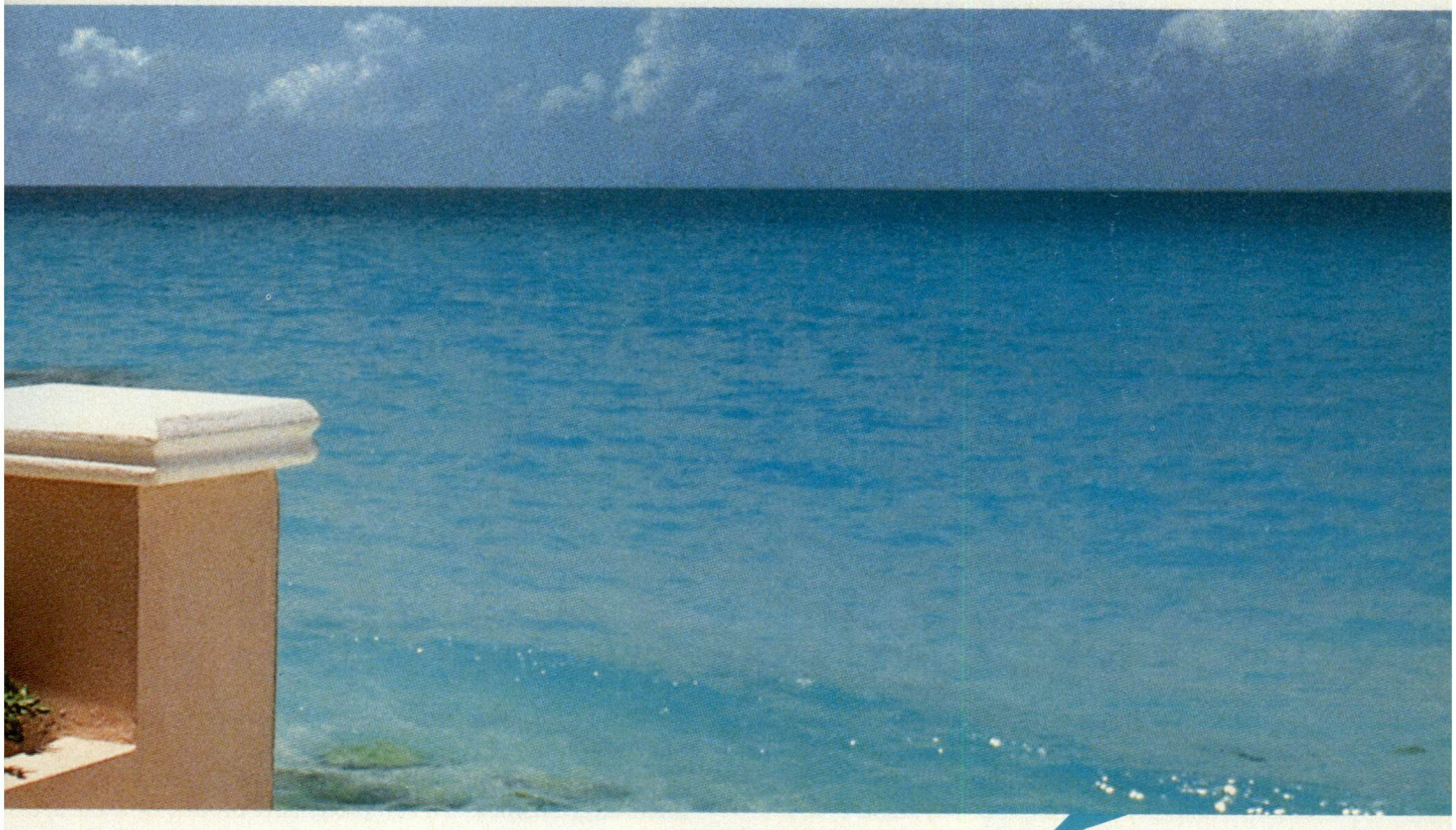


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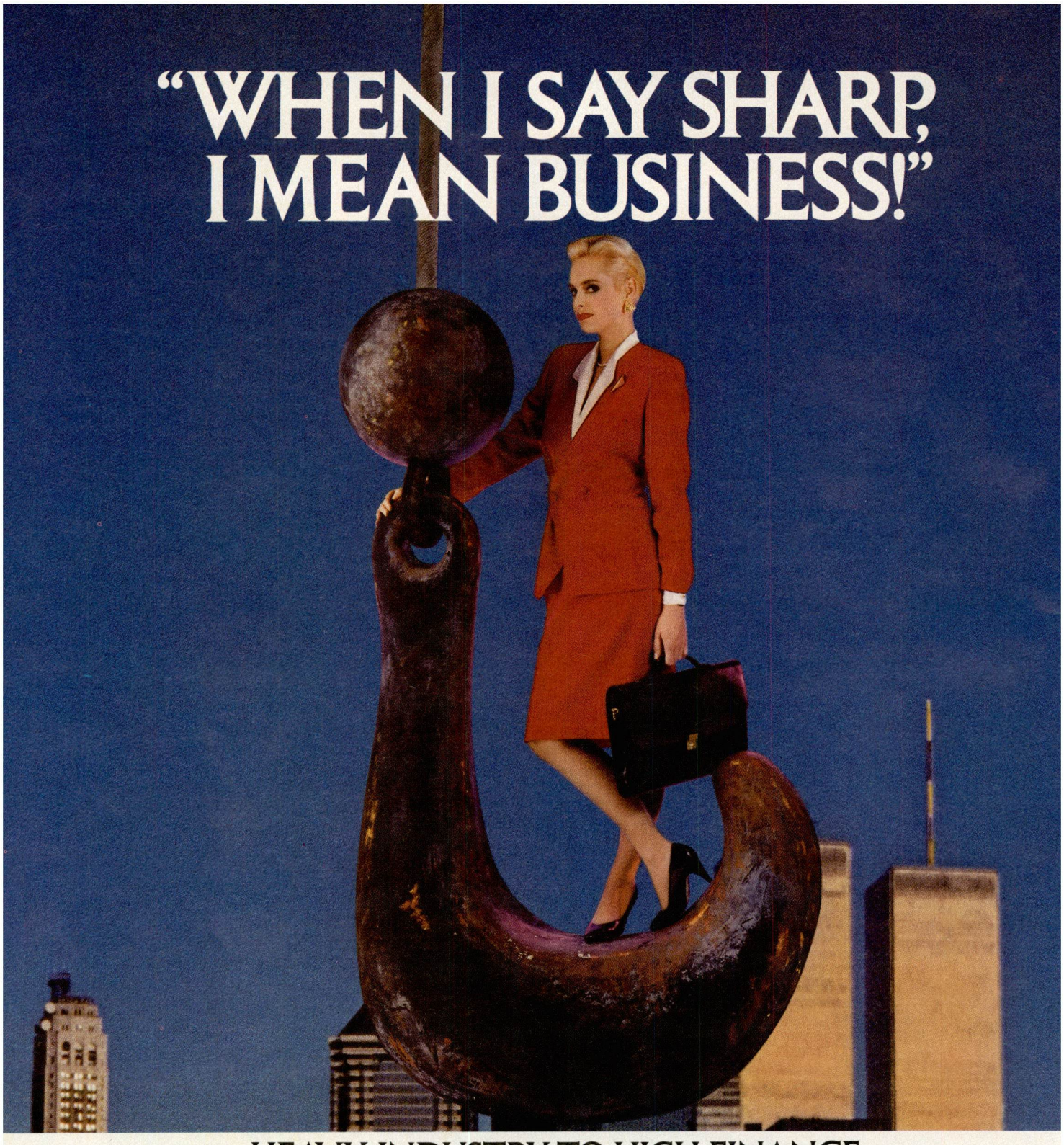


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What the Future Holds

A panel of TIME experts foresees East European instability—and inevitable German unity in a reshaped Continent

BY FREDERICK PAINTON

For the third time in this century the old order is crumbling in Europe, and the world waits anxiously for a new one to be born. The transition promises to be long, difficult and hazardous. But rarely if ever has the vision of a peaceful and relatively free Europe stretching from the Atlantic to the Urals seemed so palpably within grasp. Thus 1989 is destined to join other dates in history—1918 and 1945—that schoolchildren are required to remember, another year when an era ended, in this case the 44-year postwar period, which is closing with the rapid unraveling of the Soviet empire.

Because events in Eastern Europe sometimes appear to be spinning out of control, the need grows more urgent to perceive and outline even the vaguest contours of the reshaped Continent to come. The crumbling of Communism in the East carries risks that might be avoided and offers opportunities to choose policies most likely to bring stability to a new European order.

Accordingly, TIME invited five experts on European political and economic affairs—a Soviet, a Hungarian, a Frenchman, a West German and an American—to try and give definition to what Soviet President Mikhail Gorbachev calls "the common European house." During a six-hour meeting last week at an 18th century mansion in Brussels, the "capital" of the twelve-nation European Community, the group was asked to share insights on the future of Europe. The panel was not always in agreement but found consensus on some basic points:

▶Gorbachev's unprecedented attempt to democratize Communism and his drive for economic reform or *perestroika* have brought the Soviet Union to the brink of breakdown. As popular frustration rises, recourse to some form of more autocratic rule—either under Gorbachev or a successor—is increasingly possible.

▶Instability is likely to prevail in Eastern Europe for years to come, but for all its problems, the region has a far better chance of building democratic institutions and a market economy than the Soviet Union, which lags decades behind its former satellites.

▶The reunification of Germany is inevitable. That need not represent a military or commercial threat in 19th century balance-of-power terms—but only if reunification is achieved within a European framework.

▶The U.S.—and NATO—still has a major role to play in Europe, especially before more sweeping arms-control agreements come into force and before a new political equilibrium is established on the Continent.

▶Western Europe should not be tempted into slowing or diluting its program of economic integration scheduled to culminate in 1992. The European Community must remain a beacon and a model for reformist leaderships in the East.

▶Eastern Europe's emergence from 40 years of isolation may well come at the expense of the Third World, which will see Western concern and capital flows diverted to the transition from Communism.

▶With the winding down of the cold war, national power will no longer be measured in military terms but in shares of world markets and in technological achievement.

The most somber note at the session was struck in assessing the state of the Soviet Union. Soviet panelist Andranik Migranyan, senior research fellow at Mos-



CHRISTOPHER MORRIS—BLACK STAR

TIME CONFERENCE

SOME OF THE LIKELIER PROSPECTS

- Potential for tougher rule in Moscow
- German reunification—but in a European framework
- The U.S. and NATO will continue to play major roles
- East bloc liberalization may penalize the Third World
- Power will be measured in markets and technology

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cow's Institute of Economics of the World Socialist System, warned that after five years of *perestroika,* "our economists say we have yet to hit the bottom. The people are acutely aware of the gap between words and deeds by the government. We feel we might be entering a period of chaos." Already, Migranyan warned, a loose coalition of forces—disgruntled members of labor bureaucracies, ethnic Russian nationalists and members of the Communist élite, or *nomenklatura*—can be discerned that might eventually seek Gorbachev's overthrow. "The longer Gorbachev's reforms are stuck," said the Soviet analyst, "the greater the opportunity for his adversaries to organize against him."

French analyst Dominique Moïsi, co-founder of the Paris-based French Institute for International Relations, agreed. On recent visits to Moscow, he said, he was struck by gathering popular pessimism. Said Moïsi: "The élite around Gorbachev sound like the aristocrats on the eve of the French Revolution. Even among the most devout Gorbachev supporters hopes have been replaced by fears."

According to Migranyan, the unsettling change in climate is partly due to Gorbachev's democratizing efforts. Those measures have permitted grass-roots resistance to unpopular reforms. "The Soviet Union," said Migranyan, "is acting like a democracy without really being one." Above all, said Migranyan, his country needed a model to make the transition from state-owned to free-market economy. "Nobody knows how to do it," he said, including Gorbachev, whose government lacks "conceptual ideas and clarity about what to do." Migranyan said the short-term remedy was either food or force. As long as there was sausage in the shops, the government had room for maneuver, but the sausage was running short, so perhaps it was time "to limit democracy in a period of autocratic rule."

Two outcomes were possible, Migranyan suggested: Gorbachev might become more authoritarian, "crushing all obstacles and imposing economic reforms," or a conservative regime might emerge that would jettison him along with his political and social reforms, even while seeking to modernize the economy. With Gorbachev's room for maneuver shrinking, Migranyan said, "maybe we need an authoritarian period of development . . . if democracy prevents market mechanisms from developing."

Henry Grunwald, U.S. Ambassador to Austria (and former editor-in-chief of Time Inc.), who expressed his personal views, acknowledged that there would be "a great temptation for the Soviets and others to have a little repression on the way to free markets," a process he called "*perestroika* without *glasnost.*" But Grunwald doubted even that would have the desired result. He pointed out that while some Asian economies—Taiwan's and South Korea's, for example—flourished under authoritarian regimes, much of Latin America's had not. Said he: "There must be a degree of democracy and freedom for people to do their best, to take chances."

Moïsi countered by arguing that for the West, a measure of democracy in the Soviet Union was "a guarantee against the return of Soviet imperialism." He told Migranyan, "You are calling on the West to help you, but there will be linkage between the amount of help you will receive and the image you transmit of yourselves." Moïsi's message: Democracy pays, even if it poses problems for Eastern Europe's reformers. Conceded Migranyan: "This is the key problem for Eastern Europe and the Soviet Union."

Compared with his Soviet colleague, Geza Jeszenszky, spokesman for Hungary's Democratic Forum and dean of the School of Social and Political Science at the Karl Marx University of Economics in Budapest, was optimistic. Said he: "In Central Europe we have a better chance for controlled change."

Admitting that it was relatively easy to change the constitution and restore democracy in a small country like Hungary, Jeszenszky said the economic challenge faced by East European nations was formidable but not impossible. "Miracles cannot be expected," he warned, with specific reference to Poland. Nonetheless, he urged the creation of "small islands of prosperity" in the reforming economies of Eastern Europe that would be attractive examples and inspire imitation. "A few years ago, people in Hungary were pessimistic," he said. "They thought reforms brought only inflation and trouble. But now, and in East Germany and Czechoslovakia as well, the fear is gone and the people welcome change."

Eastern Europe, Jeszenszky suggested, had already found a political form that made dramatic economic restructuring possible: the "grand national coalition," modeled on the government in Warsaw. "Poland's Solidarity movement set the pattern," he said, comparing loose non-Communist political groupings in Hungary, East Germany and Czechoslovakia to national coalitions formed in Western Europe after World War II. "We are emerging from 40 years of war against the people. Changes have to be made—economic, political and moral ones. These new governments soon will have to make unpopular decisions, so it's best to have governments credible to all parties."

On the volatile issue of German reunification, West Germany's Heinrich Vogel, director of the Cologne-based Federal Institute for East European and International Studies, suggested that West German politicians and the press were exploiting the subject partly because it was bound to be a major issue in West Germany's parliamentary elections next year. Who knew what East Germans really thought about reunification, Vogel asked. "There has been no vote. There are no reliable polls. Let us try to be less hysterical about this subject, less dramatic." Vogel complained of an atmosphere

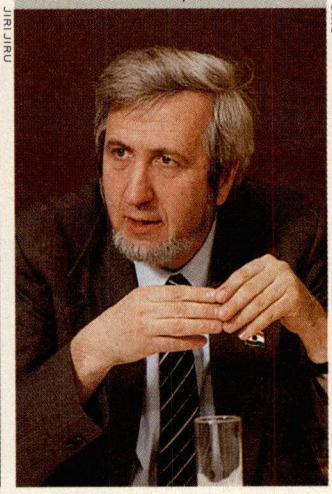
DOMINIQUE MOÏSI, FRANCE:



JIRU

"Nothing is more dangerous than to say to Germans today, 'We fear you.' If we do that, we will create a Germany according to that image, the kind of Germany we would deserve."

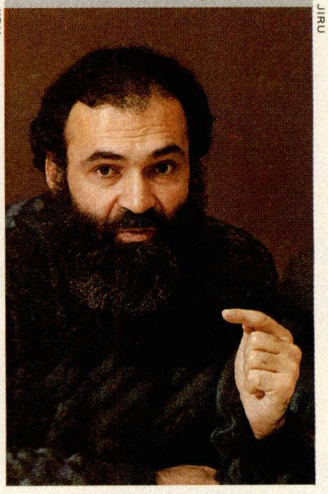
GEZA JESZENSZKY, HUNGARY:



JIRU

"Borders need not change, but the character of borders must change. The barbed wire must come down, the strip searches must be stopped, the examination of the bags—all that must end."

ANDRANIK MIGRANYAN, U.S.S.R.:



JIRU

"Maybe we need an authoritarian period of development . . . if democracy prevents market mechanisms from developing."

of "suspicion, growing, creeping, seeping in and destroying the climate of well-established trust we had" between West Germany and its allies.

Vogel was skeptical that a majority of East and West Germans would insist on reunification when the realities sank in: East Germans might reject the bitter side of capitalism, competition and unemployment. West Germans, already fearful of an immigrant invasion from the East, might well shrink from the cost and inconvenience of accommodating their poorer brethren.

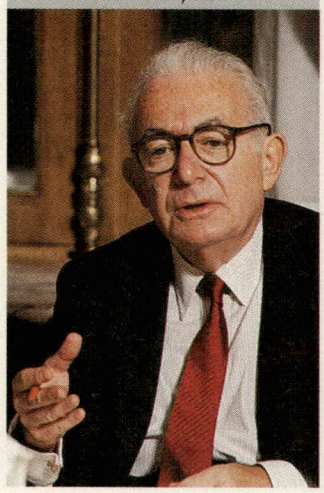
Migranyan noted Moscow's persistent rejection of reunification. "The Soviet Union is not yet ready to accept any form of reunification," he declared. "It would have a major destabilizing effect." Even a loose East-West German confederation, he said, would create internal problems for Gorbachev and tensions with the West. Migranyan suggested that the Soviet Union, the U.S., France and Britain formally agree to prevent any joining of the Germanys in the near future. Grunwald demurred, pointing out that the U.S. could never accept such a formal accord because of Washington's official commitment to the goal of reunification. Moreover, said Grunwald, the Soviets could do little to prevent such a course if it actually took place, short of using force, which all agreed was highly improbable.

Anyone who takes in the atmosphere along the perforated Berlin Wall today, declared Moïsi, should be able to discern—by the body language of the Volkspolizei on the Eastern side and the Berlin police on the Western side—an extraordinary and palpable tug of togetherness. "The citizens of the German Democratic Republic really have a feeling of humiliation about being second-class citizens [compared with their Western counterparts], and that feeling can be ameliorated only by reunification." Opposing that process, suggested Moïsi, would ultimately cause more problems than it would solve.

In any case, asked Vogel, "if reunification should happen, where is the threat to the rest of Europe? Please, let us stop thinking of reunification producing a Fourth Reich built on the ashes of NATO." One solution, he suggested, was to make the transformation of the East bloc a "European task. If there is concern about the re-emergence of a German superpower, the best of all ways to get a lever on it would be to invest in a West European relief and aid operation in East Germany and create a European orientation to that process."

"There are those in Europe who fear that the events in Eastern Europe have compromised the dynamics of 1992," said Moïsi, "but there are also those who believe in Europe with a capital *E,* which embraces those nations lost to Soviet power for two generations." He suggested that the people of Eastern Europe had achieved "a spiritual dimension, of those who had to fight for 40 years against oppression"—an attitude from which the West could learn. Eastern Europe's transformation, he said, "is not a one-way street."

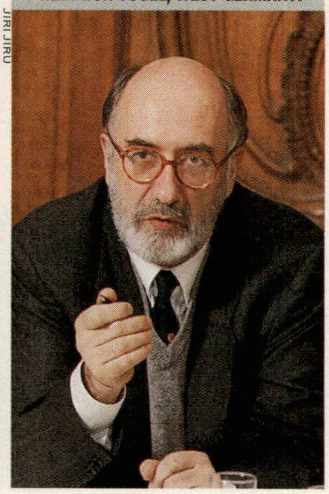
HENRY GRUNWALD, U.S.:



JIRI JIRU

"Social democracy or capitalism with a human face is an achievement of prosperity. Before the luxury of humanizing the [East European] system, there will be cruel changes."

HEINRICH VOGEL, WEST GERMANY:



JIRU

"If reunification should happen, where is the threat to the rest of Europe? Please, let us stop thinking of reunification producing a Fourth Reich built on the ashes of NATO."

Perhaps, Moïsi suggested, Europe in some ways needs German reunification despite all the problems it would bring. He postulated that West Germany still suffers from an identity crisis, a "unidimensional" sense of itself as merely an industrial rather than a political power. The result, he said, was a kind of "German economic arrogance"; if, in the process of reunification, Germany could attain a "more diverse identity," that arrogance might fade. His advice to the West: "Nothing is more dangerous than to say to Germans today 'We fear you.' If we do that, we will create a Germany according to that image, the kind of Germany we would deserve."

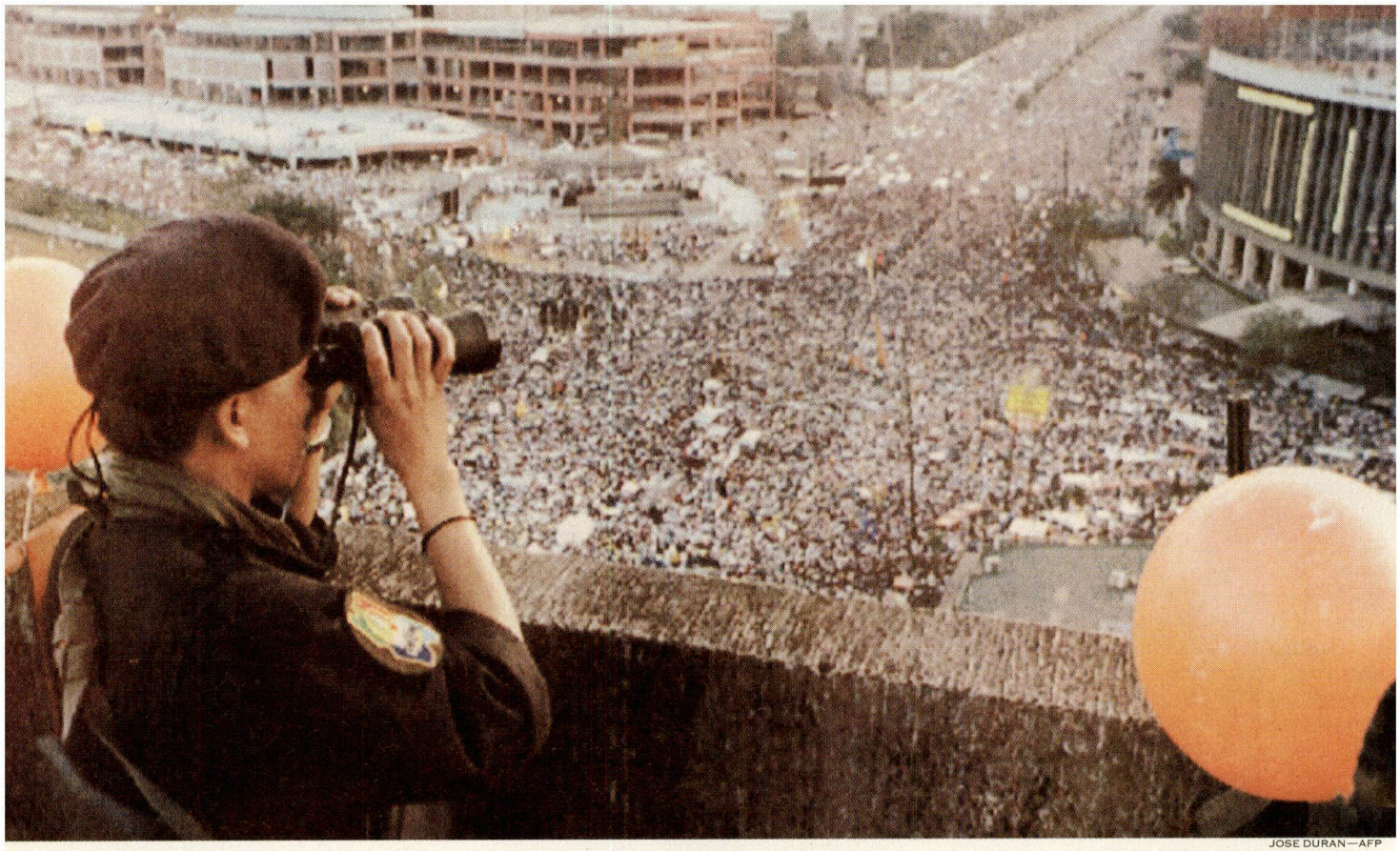
Nonetheless, the Frenchman chided the government of Chancellor Helmut Kohl for failing to make a clear statement on the inviolability of the postwar borders of West Germany. Kohl appears to have waffled on the question for political reasons, that is, in deference to nationalistic elements within his governing coalition and on the far right who still talk about "lost territories" in the East that were part of Hitler's Third Reich in 1937.

What will Europe look like by the year 2000? The panelists agreed that the Continent would be defined less in geographical terms than by "geography of values," principally the common practice of democracy. By that definition, the reformist East European nations—Poland, Hungary, East Germany and Czechoslovakia—are already being considered potential members or associates of the European Community. Not so the Soviet Union, which, Moïsi maintained, was ineligible for membership so long as some of the people within its empire were deprived of self-determination. For his part, Migranyan recognized that the Soviet Union was too big an entity for inclusion in the E.C.—"We would break down the walls [of the common European house]"—but insisted that for the Soviets the concept of Europe was a symbol of progress and modernity with which Gorbachevian reformers wanted to be associated.

National borders were not going to come down between East and West, the panelists agreed, except in the case of the Germanys. But ideological, cultural and commercial barriers, they felt, would eventually be erased. Said Jeszenszky: "Borders need not change, but the character of borders must change. The barbed wire must come down, the strip searches must be stopped, the examination of the bags—all that must end."

In the view of the panel, NATO and the Warsaw Pact are no longer in control of the Continent's political agenda. That is now in the hands of the people in the streets, as in East Germany and Czechoslovakia. Nonetheless, the sheer unpredictability of the upheaval in Eastern Europe will make continued membership in both alliances reassuring for some time to come. NATO, still useful as long as the Soviet Union remains the Continent's dominant military power, was expected to survive cutbacks in force levels and thrive in a more political and consultative role.

Grunwald spoke for the group when he noted that "instability in Eastern Europe is a given for the next few years." The new reformist governments may be striving for other versions of West European social democracy, but as Grunwald pointed out, "Social democracy or capitalism with a human face is an achievement of prosperity. Before the luxury of humanizing the system, there will be cruel changes." ***—Reported by Cathy Booth and William Mader/Brussels***



JOSE DURAN—AFP

Under the ambivalent guard of the military: a loyalist sharpshooter keeps an eye on thousands of pro-government demonstrators

THE PHILIPPINES

There Is Always a Next Time

Battered and baited by mutineers, Aquino gets tough and reaches for People Power. But she may not be able to act on the lessons gleaned from the latest rebellion

BY HOWARD G. CHUA-EOAN

In 1983, three years before Corazon Aquino rode a wave of national anger to become President of the Philippines, one of the country's most astute political observers made an eerily prescient assessment. "So she becomes the rallying point," he said. "Immediately, corruption will increase. Everybody will feather his nest. At that point, she will be nudged to the side and be made a scapegoat for the mess. Then the military will take over. They will say, 'Well, we've given you your chance.' But they will have made sure she would fail. They will then throw her to the people, and they will come in as the great saviors of the republic." The prediction was made by the President's husband Benigno Aquino Jr. shortly before he was assassinated in August 1983. And though he was talking about Imelda Marcos, his scenario was coming true last week for his coup-plagued widow.

As Manila's financial district squeaked away from a showdown that might have turned it into a Southeast Asian Beirut, the President essayed a show of strength by reaching for the People Power that brought her to office. Still, in tacit disobedience to Aquino's stand against a negotiated end to hostilities, her military did not so much quell the coup as reconcile with those who had come closer than ever to unseating her. Even before the latest coup ended, plots were being hatched for the next stage of the rebellion, one the planners are certain will bring about Aquino's fall. As a government trooper who helped put down the mutiny said of the rebels: "Sir, they are not the enemy."

Just as she has done after every other major coup attempt, the President displayed resolve and dispatch. Aquino peremptorily summoned the country's Senators to Malacañang Palace and

Ten Minutes That Counted

Though the Bush Administration is often faulted for dithering and sending out mixed signals in its foreign policy, it reacted with laudable dispatch and wisdom in coming to the aid of Philippine President Corazon Aquino. After Manila presented Washington with what one source describes as "three specific, identifiable requests" for U.S. military aid, a White House team headed by Vice President Dan Quayle quickly dismissed them all on the grounds that they risked too much bloodshed. Instead, the panel backed a plan, crafted by Chairman of the Joint Chiefs of Staff Colin Powell, to send F-4 Phantoms to secure the skies over two rebel-held airfields, thus grounding the mutineers. By telephone, Quayle passed Powell's recommendation to George Bush, who was aboard Air Force One en route to the Malta summit; in less than ten minutes Bush approved the maneuver, saving Aquino not only from the most serious uprising against her in less than four years but from her flawed entreaties. Though Aquino's plea for U.S. intervention has cost her political capital at home, she would have lost much more support if Washington's response had not been so measured.

bluntly presented them with her declaration of a national state of emergency, the closest thing to martial law that the constitution allowed her to impose. At the People Power rally, Aquino, dressed in her trademark yellow, delivered her toughest speech to date, praising loyalists and accusing her political enemies of colluding with the mutineers. She specifically mentioned Vice President Salvador Laurel, opposition Senator Juan Ponce Enrile and her cousin Eduardo Cojuangco, a wealthy crony of Ferdinand Marcos who sneaked into the country a week before the uprising.

As many as 100,000 Filipinos showed up to wave banners and shout, "Cory! Cory!" However, it was reported that some participants were bused in from the provinces, and the government's claim of a turnout of 1 million was hyperbole. But the crowd loved her performance. Said a bystander: "Now we can sleep at night."

Yet Aquino has always been reluctant to follow through on her shows of strength, which she equates with her predecessor Marcos. In the past, every display of post-rebellion resolve has been followed by inconsistency and a return to bureaucratic procrastination. Unfortunately, Aquino's devotion to constitutional principles is "part of the reason she is perceived as being weak," says Elliot Richardson, former U.S. Attorney General, who is now U.S. special representative for the Multilateral Assistance Initiative, an international program that has obtained pledges of $3.5 billion in development aid for the Philippines from a score of countries and institutions. He explains, "She seems totally dedicated to democratic government—to the point where she will not do things that smack of authoritarianism."

The President may not know what to do with the military. For the past four years, Aquino has depended on the loyalty of Defense Secretary Fidel Ramos to keep the armed forces in line. But Ramos' response to every rebellion has been to patch up relations between the various military factions and restore the uneasy status quo between reformist officers and old-line, self-interested generals. Aquino can no longer afford that kind of détente. Moreover, it has not worked. If she cannot impose civilian authority on the armed forces, then her government may be sidelined into irrelevancy as rival military groups battle it out. Says a young officer who backs the government: "I think Cory will have to be hard on the rebels." But to balance out the harshness, he says, "she must also be hard on the corrupt politicians around her."

The rebels' shadowy National Governing Council is a troika chaired by General Eduardo Abenina and filled out by Lieut. Colonel Gregorio ("Gringo") Honasan, mastermind of the last two coup attempts, and General Jose Maria Zumel, a renegade officer loyal to the cause of Marcos. In a phone call, Abenina told TIME that the rebels could count on about 60% of the military for support. Soon, he said, they will begin a new phase of the rebellion, destroying property and, perhaps, waging a campaign of political assassinations.



GACAD—AFP

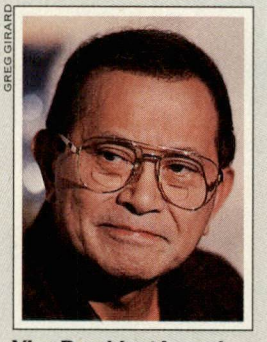
Back in yellow: no more Mrs. Nice President

He denies that the group is out to kill Aquino. "We shall give her a pleasurable life as a private citizen," said Abenina. "Her official acts—like the declaration of state of emergency—we will not question." But he said they would scrutinize her private failure to discipline manipulative relatives. For the past year, Aquino has promised to prosecute "one big fish" on graft charges but has yet failed to land a catch. Abenina added, "Had America not intervened, this civil war would have been over by now."

Washington expects more requests for help from the Aquino regime and is determined to do all it can to keep her in power. The Aquino rescue is certain to complicate the negotiations over the two large U.S. installations at Subic Bay and Clark. Aquino, who was thought to favor the bases, may have to remove herself entirely from deliberating the issue. Says a White House official: "The chances of a satisfactory resolution were no more than 50-50 a couple of months ago, and they're less now."

And then there is the rest of Benigno Aquino's prophecy to ponder. With the establishment of an authoritarian military regime, he said, the Communist guerrillas will gain the political and armed initiative. Drawn to protect its strategic bases, the U.S. will have to become partners with the military in a vicious war. The Philippines, Aquino said, will become another El Salvador, a fate that should give pause to even Cory's most unyielding enemies. ***—Reported by Nelly Sindayen and William Stewart/Manila***

Why Is This Man Smirking?



GREG GIRARD

Vice President Laurel

At Corazon Cojuangco's wedding to Benigno Aquino Jr. in 1954, his best friend Salvador Laurel was part of the groom's entourage. When the widow Corazon Aquino ran for President against Ferdinand Marcos in 1986, Laurel stood as her Vice President. But don't let those ties fool you. Doy, as he is known to Filipinos, has chafed at being second best all these years, first to the charismatic Benigno and now to his wife. Accusing Cory of reneging on a promise to let him run the government once the two were elected, he bitterly broke off their alliance and joined the opposition in 1987. However, he has not resigned from his high office to emphasize political differences. Rather, he has stayed on as her implacable understudy, as if waiting for the star to break a leg—or worse.

According to a White House official, Laurel, stranded in Hong Kong during the mutiny, had his chief of staff telephone U.S. Ambassador Nicholas Platt in Manila. Laurel's aide requested U.S. support for the Vice President's offer to broker a negotiated solution to the impasse. The deal: Aquino would be replaced by a rebel junta, presumably including Laurel himself. The U.S. declined the offer. Late last week Laurel denied he had made such a request and demanded a denial from Platt as well. The embassy replied that during the coup attempt there was no "communication" between Laurel and the Ambassador.

The U.S. is well aware of Laurel's impatience and his ambition. Soon after Doy became Aquino's Vice President, a senior administration official laid it on the line during a meeting in Washington. "Look, pal," he said. "we support Mrs. Aquino. We don't care who you go to—the Pentagon or the State Department or whoever—the answer is the same." But the Vice President hasn't stopped trying. As the latest coup was under way, Laurel called it a display of democracy in action. Replied the U.S. State Department's deputy spokesman Richard Boucher: "We clearly do not view it that way." ■

CANADA

The Man Who Hated Women

A sick obsession ignites the country's worst mass killing

It was the last hour of fall-term classes at the University of Montreal's engineering school, the Ecole Polytechnique. Students faced eleven days of exams, but at least they could look forward to the cheering prospect of Christmas vacation afterward. That tidy calendar was suddenly and tragically shattered last week in a hail of semiautomatic rifle fire ignited by a bizarre sexual hatred. When the climactic hour ended, Canada had suffered the worst mass murder in its history.

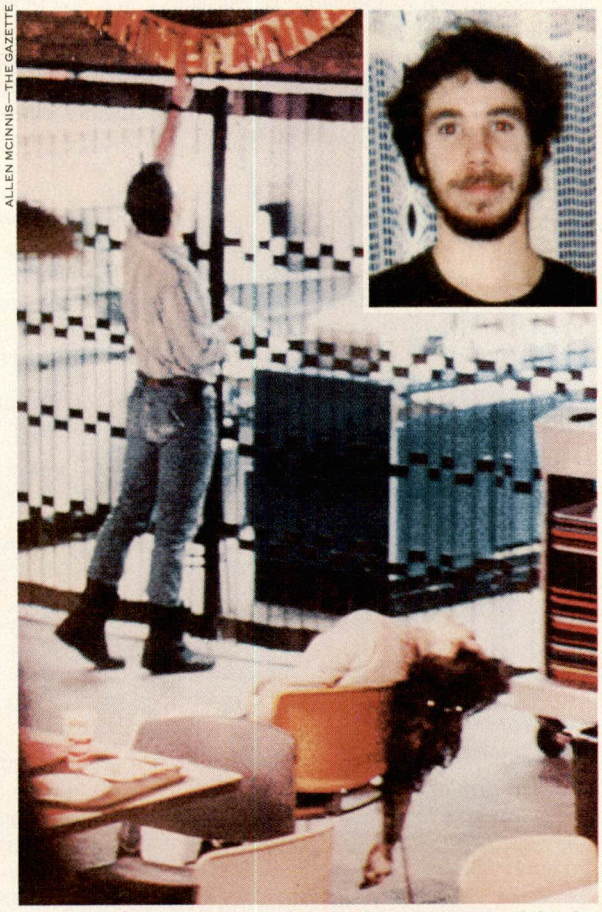
The bloodshed began shortly after 5 p.m. on Wednesday, when Marc Lépine, 25, an unemployed electronics buff who once aspired to study at the engineering school, arrived at the hilltop campus building. Armed with a hunting knife and a .223-cal. Ruger rifle manufactured in the U.S., Lépine climbed to the second-floor corridor and shot a woman student dead. Then, a carefree grin on his face, he entered the mechanical-engineering class of Professor Yvon Bouchard, where a student was in the midst of presenting his term project. "I want the women!" cried Lépine, ordering female students to one side of the room and men into the hall. "We thought it was a joke," said Bouchard. They learned otherwise when the gunman pumped several rounds into the ceiling. Shouting, "You're all a bunch of feminists!" to his women hostages, Lépine opened fire, killing six on the spot.

Proceeding on his mad mission, Lépine went down to the first-floor cafeteria, where he killed three more women, then up to the third floor, where he gunned down four others. Besides the 14 women killed, 13 people, four of them men, were wounded. Finally the attacker turned the weapon on himself, blowing away part of his head.

In Lépine's pocket, police found a three-page suicide note, in which police said he complained that "feminists have always ruined his life." Born to a French-Canadian mother and an Algerian father who left the family when his son was seven, Lépine studied intermittently at junior colleges and expressed the hope that he would be accepted at the university. Though he had no history of criminal behavior or mental illness, he existed on the margins; a loner who enjoyed war movies, he was unable to sustain relationships with women and claimed to have been turned down by the military for being "asocial."

Lépine purchased the rifle, a model that is popular with ranchers for killing coyotes, at a local gun store three weeks ago, after undergoing a police-file check as required by law. Canada regulates the sale of handguns much more strictly than does the U.S., but hunting guns, including semiautomatics, are widely obtainable. In the wake of last week's misogynic massacre, there were calls for tighter rules on the availability of combat-style weapons as well as soul-searching debates about the victimization of women. But the most touching commentary involved very few words. After a candlelight procession to the university, some 1,500 women and men sat silently in a Montreal chapel, the quiet broken only by the occasional hymn. —**By William R. Doerner.**

Reported by James L. Graff/Montreal



ALLEN MCINNIS—THE GAZETTE

SYGMA

A victim awaits aid as holiday decorations are removed; Lépine

A tidy calendar suddenly and tragically shattered by gunfire.

SOUTH AFRICA

Probing the Hit Squads

De Klerk investigates a rash of apparent assassinations

One late afternoon eight years ago, Griffiths Mxenge, a well-known black lawyer and antiapartheid campaigner in the city of Durban, was driving home when he stopped to help four men whose pickup truck had apparently broken down. According to an affidavit given to the police, the men abducted Mxenge, drove him to a field outside a nearby soccer stadium, stabbed him repeatedly and then left him to die in a pool of blood.

Since 1977 nearly 50 government opponents have been murdered under murky circumstances, the victims of apparent assassinations. Few of their killers have been identified, let alone apprehended by the authorities. Last week long-standing suspicions that police hit squads were behind at least some of the murders were bolstered by State President F.W. de Klerk's decision to order an inquiry. He announced that the Ministry of Law and Order and the Ministry of Justice would conduct a fresh investigation into the allegedly political murders of Mxenge and 79 other victims, whose names were on a list that De Klerk gave to his Justice Minister.

The government had been under growing pressure to take action since the hit-squad affair burst onto the front pages of the country's newspapers in October. At that time a prisoner on death row, former policeman Butana Almond Nofomela, alleged that he had been part of a team that "eliminated" Mxenge in 1981. After being named in Nofomela's affidavit, former police captain Dirk Coetzee went public in the weekly newspaper *Vrye Weekblad* with a story of how he headed a police hit squad between 1980 and 1982 that carried out at least nine assassinations, including that of Mxenge, as well as numerous bombings and abductions. "I was in the heart of the whore," declared Coetzee, who accused senior police officers of authorizing assassinations.

In launching the new probe, officials said they would prosecute Nofomela for his role in Mxenge's murder. They also planned to issue a warrant for Coetzee's arrest. But tracking him down is proving to be difficult. Coetzee, who apparently made his confession out of fear that his former superiors would try to make him a scapegoat, fled the country last month, and has been variously reported living in Europe, elsewhere in Africa and on the island of Mauritius. ■



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EL ESPECTADOR/SYGMA

Where death is not a stranger: the scene outside a government office building in Bogotá last week after a half-ton bomb exploded, killing 52 people

COLOMBIA

Noble Battle, Terrible Toll

In his offensive against the coke princes, President Barco has dented the drug pipeline but hardly destroyed it. The narcos lash back by terrorizing the innocent

BY JOHN MOODY BOGOTA

The army major was flabbergasted at the offer, delivered by an emissary of José Gonzalo Rodríguez Gacha: in return for destroying confiscated documents and computer disks that provided a detailed blueprint of Gacha's cocaine empire, the officer, whose monthly salary is $300, would receive $1.2 million. Cash. If he refused, the drug Mafia would hunt him down and slaughter him.

How many people would be strong enough to just say no? To reject immediate wealth and accept a relentless shadow of violent death? Yet the major did say no, and turned over the data to his superiors. His bravery is only one unsung ballad of honor in Colombia's crusade against its cocaine cowboys. It is also the exception, not the rule.

President Virgilio Barco Vargas' four-month-old war against his country's top narcos—Gacha, Pablo Escobar Gaviria and the three brothers of Medellín's Ochoa family—has not gone as well as he or the nation had hoped. Since Mob hit men assassinated presidential candidate Luis Carlos Galán in August and ignited Barco's offensive, the leaders of Colombia's coke cartels have gone into hiding, forfeiting posh estates and bank accounts; some law-enforcement officials believe that the drug princes have even undergone plastic surgery. Nevertheless, Gacha and company remain immensely powerful, with their pipeline to the U.S. merely dented and their profits still enormous. And in the past two weeks they have demonstrated that they do not care how many people die in their showdown with the government to see who really rules Colombia.

Last week a half-ton of dynamite stashed in a stolen truck exploded outside the headquarters of the DAS, the secret police in overall charge of the coke battle. The blast, which gouged a 30-ft.-deep crater and damaged buildings as far as 40 blocks away, killed at least 52 and injured 1,000. The day before the bombing, a judge involved in prosecuting the drug masters was gunned down while strolling the streets of Medellín. And nine days earlier, the narcos planted a bomb that ripped

WHO'S WINNING THE WAR?

Since Bogotá declared war on the narcos in mid-August, this is how the battle has fared:

THE GOVERNMENT:

497 arrests

9 suspects extradited to the U.S.

$250 million in property, weapons and drugs confiscated

COKE CARTELS:

187 civilians and officials killed

265 bombings

More than **$500** million in property damage

apart an Avianca jetliner en route from Bogotá to Cali, claiming 107 lives. An anonymous caller said the plane had been destroyed because its passengers included five "snitches"—people who, like the major, had defied the Mob to help the government.

The early weeks of the offensive raised unrealistic expectations that the drug empires could be quickly crushed. Jungle labs were torched, properties and chemicals seized, and some 11,000 people detained. Today, with the war continuing but with fewer spectacular results to show for its efforts, the Barco administration is having a harder time making its case that the struggle is worthwhile. Meanwhile, the drug Mafia has struck back with more than 200 bombings and singled out and killed at least 13 officials. By the standards of civil war, the DAS headquarters would qualify as a military target and therefore part of the price paid by a country in conflict. But by blasting out of the sky a civilian airplane filled with innocent passengers, the narcos served notice that no one is safe from their vengeance.

Though the escalating violence is intimidating the population and eroding Barco's support throughout the country, Colombian officials contend that the season of terror is proof that their battle is taking its toll against the intended targets. "We're winning," insists General Miguel Maza Márquez, who as head of the DAS directs the government's offensive (he escaped injury in last week's bombing). "The chieftains no longer live comfortably. They are in the mountains. The best proof that they are cracking is the level of madness to which they have sunk."

The Bush Administration professes to be pleased with Bogotá's resolve, though officials are studying whether it will be safe enough for the President to attend a drug summit in Colombia early next year. "Barco is an engineer, and so he took a while to make up his mind," says a U.S. official. "But now that he's taken a decision to fight these guys, he's unshakable." But if Barco's campaign is lauded by the politicians in Washington, it has more than its share of deserters among the politicians in Colombia. Aware that the specter of an American jail cell remains the drug bosses' darkest nightmare, the Colombian Supreme Court last October upheld Barco's use of executive powers to extradite suspects wanted in the U.S. But last week the Colombian House of Representatives voted to put the question of extradition on a nationwide referendum early next year. In so doing, the legislators effectively washed their hands of the issue and admitted to their constituents that they do not have the gumption to make tough decisions for the country's overall good if it means endangering their own lives.

Increasingly, Colombian public opinion favors negotiating with the narcos. It is a notion that Barco's associates know better than to utter around the office. When police foiled a plot to kill Barco's daughter, the flinty President said, "With common criminals and gutless assassins, dialogue is not possible."

The drug lords seem to be getting the message. An authorized spokesman for one of the cartels told TIME that Escobar, Gacha and Gilberto Rodríguez Orejuela, don of the Cali cartel, recognize Barco's inflexibility and are waiting for his term to expire next August. Says the source: "They'll try to reason with the next President." But "reason" is surely a euphemism for "control." Through intermediaries, the narcos are putting money behind candidates for President, Congress and mayors of key cities. After election day, the bill will come due.

Having endured Barco's best shot so far, the drug chieftains appear to be rebuilding their scorched empire. Cocaine production, which in September dropped to a quarter of its usual level of about 50 tons, is back up to 75%. Says a Western diplomat: "They were knocked off balance, but never out of business. If they need to boost production, they offer people double or triple salary. Money means nothing to them."

The government distinguishes among its enemies, and holds Gacha and Escobar responsible for most of Colombia's recent violence. By contrast, Bogotá considers the Rodríguez Orejuela mob from Cali to be white-collar criminals, who would rather make money than headlines. While less prone to violence, the Cali organization does its share to keep the drug pipeline full. The two biggest recent busts in the U.S.—22 tons of cocaine in Los Angeles concealed in an unguarded warehouse and six tons in New York City hidden inside barrels of caustic powder—both originated in Cali.

Barco's war, however, is not primarily intended to keep the rest of the world safe from Colombian drugs. He views the narcos first as a threat to his country, and thus devotes fewer resources to destroying the Cali clan than the other cartels. Says General Maza: "In 1984 we didn't have a clear idea of the dimension of the problem. We didn't realize that they had our society practically under their control. They are killing Colombia. We have to resolve this problem first. Then we can take part in the world fight."

Gacha has responded to the spotlight in typically ugly fashion. His organization plans to introduce American drug users to basuco, a partly processed coca plant that is later mixed with ether to purify it into cocaine. Basuco, which is just as addictive as crack, has long been used by poor Colombians, who mix it with tobacco and smoke it. Says a cartel source: "Gacha thinks basuco will be very popular among poor Americans. He blames America for the injury his business has suffered and wants to punish the U.S."

There are signs that the cartel's monopoly on the coke trade is waning. Recent bombings in Bogotá may be the work of free-lance criminals seeking to muscle in on the families' business. Authorities believe new organizations are being set up in Peru, Bolivia, Mexico and the U.S.

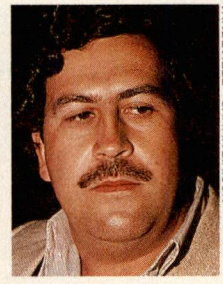
Meanwhile, Colombia's government and its most wanted criminals feint and jab at one another. For Barco, the capture of Escobar or Gacha would justify his unyielding crusade. For the drug thugs, the assassination or abduction of a top government official would convince the public that a deal is needed. Moans Interior Minister Carlos Lemos Simmonds: "I go from an armored car to a guarded office. My feet have not touched the streets for weeks. My family lives in terror." An understandable lament, but Lemos and his family—as well as the rest of the country—will continue to live in terror as long as the U.S. demand for cocaine remains keen and Colombia's drug masters insist on being the main suppliers. ■

THE PRESIDENT AND HIS ENEMIES



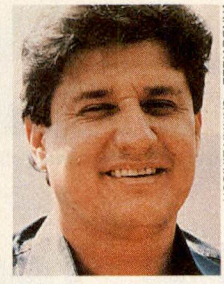
CYNTHIA JOHNSON—GAMMA LIAISON

Barco



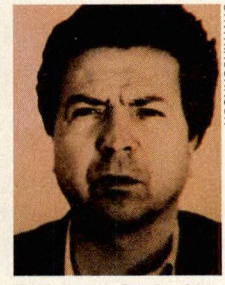
VANDEVILLE—GAMMA LIAISON

Escobar



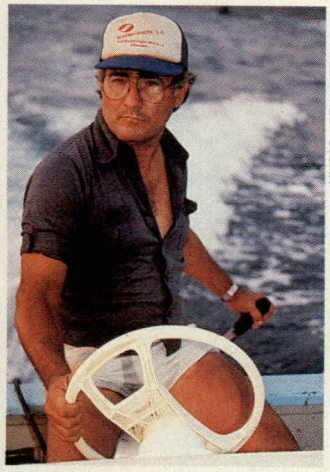
VANDEVILLE—GAMMA LIAISON

Ochoa



CYNTHIA JOHNSON

Rodríguez Orejuela



JASON BLEIBTREU—SYGMA

Pastora now trawls for votes

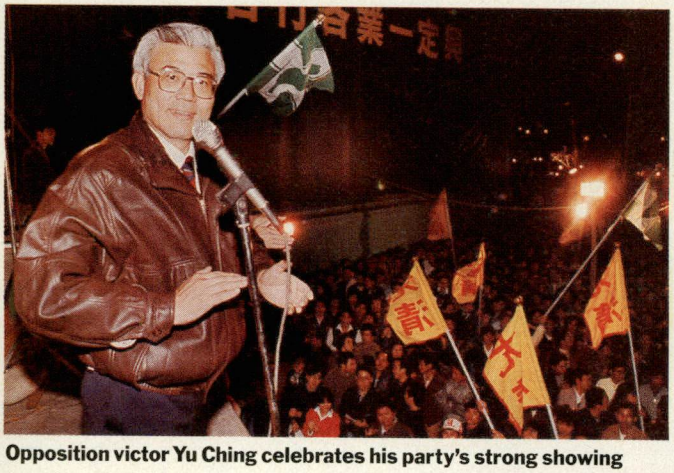
NICARAGUA

A Plague on Both Houses

Edén Pastora, the perennial Nicaraguan maverick, returned to Managua last week in a homecoming more quixotic than heroic. The charismatic former guerrilla will campaign for dark-horse Social Christian presidential candidate Erick Ramirez, touting him as an alternative to both the Marxist Sandinistas and the National Opposition Union, a coalition dominated by the right wing.

Under the nom de guerre Commander Zero, Pastora became a revolutionary superstar in 1978 after leading a raid on the National Palace that helped topple the Somoza regime a year later. Partly because he was unhappy with the Sandinistas' growing dependence on Moscow, he quit as Vice Minister of Defense and in 1983 launched a guerrilla war against his former comrades. But he rejected CIA pressure to join the main *contra* faction and was finally forced to quit fighting.

Pastora can dazzle audiences, but he is not a candidate. His stumping for Ramirez will probably split opposition votes, which is one reason the Sandinistas let Pastora return in the first place. ■



GARRIGE HO—REUTER

Opposition victor Yu Ching celebrates his party's strong showing

TAIWAN

Rebuff for the Kuomintang

There was never a chance that Taiwan's long-ruling Kuomintang would be defeated in national elections earlier this month. The suspense centered on whether the Democratic Progressive Party, in its maiden contest as a legal opposition, would even dent the KMT's armor. The results, announced last week, surprised many observers. D.P.P. candidates won 21 out of 101 available seats in the Legislative Yuan, enabling the party for the first time to sponsor new bills.

In the overall vote for both legislative and local races, the D.P.P. captured 30% of the ballots and independent candidates took 11%. That left the KMT, despite its control of the broadcast media and its fat campaign coffers, with a 59% share, an all-time low. The D.P.P.'s strong showing underscored growing resentment toward the KMT's 40-year political monopoly on Taiwan. ■



ZAMIR—SCOOP 80

Palestinians arrested after riots last week in a refugee camp

MIDDLE EAST

One Step At a Time

In the microns by which progress toward peace in the Middle East is measured, last week's announcement by Egypt was a significant advance. With the Palestine Liberation Organization's approval, Cairo formally accepted in principle U.S. Secretary of State James Baker's five-point plan for talks between Palestinians and Israel.

Egypt attached conditions to its acceptance, as did Israel when it endorsed the plan last month. And since Baker's five points were deftly ambiguous to begin with, the endorsements of Cairo and Jerusalem imply no resolution of their fundamental differences. The major open issues: Israel refuses to meet with representatives of the P.L.O. and insists that talks stick to its scheme for elections in the occupied territories leading to limited self-rule. The P.L.O. is determined to choose the Palestinian delegation and pursue the creation of an independent homeland. The next step is for the foreign ministers of Israel and Egypt to meet with Baker to shape the direct Israeli-Palestinian meetings. ■

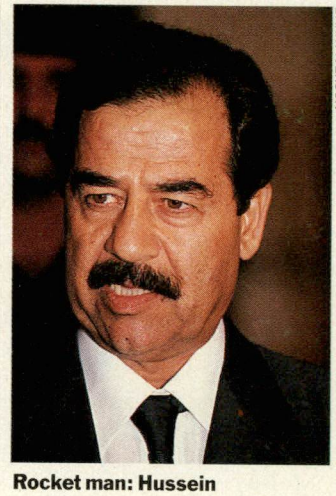
IRAQ

Some Deadly New Toys

Ever since Iraq credited its use of medium-range missiles against Iran with bringing a halt to the gulf war in 1988, the regime of President Saddam Hussein has relentlessly pursued high-tech advances in its military hardware.

Last week Baghdad claimed to have scored not one but two such gains: the successful firing of a three-stage rocket capable of lifting satellites into space, and the test firing of two surface-to-surface missiles with a range of 1,240 miles, more than twice that of the ones thought to be currently in the Iraqi arsenal.

Both claims had a slightly empty ring. Baghdad almost certainly does not possess a satellite or the technology to build one. As for the missiles, Western analysts express some doubts about the accuracy of any longer-range missiles under development in Iraq. ■



BARRY IVERSON

Rocket man: Hussein

Easier Said Than Done

Bush and Gorbachev set ambitious goals at Malta, but they left little time for the hard bargaining still to come

BY MICHAEL DUFFY

George Bush normally distrusts "big moments," and this one did not last long. His chummy session with Mikhail Gorbachev in Malta restored momentum to U.S.-Soviet relations and gave a boost to what Bush called his "new thinking" about the changes in the Communist world. Yet the President had barely left his joint press conference with Gorbachev when he encountered serious questions about his plans to encourage *perestroika* and to deliver on his promises in time.

Conservative activists were concerned that Bush had gone too far in pledging to help Gorbachev economically. Military experts doubted that treaties to cut nuclear warheads and European force levels could be completed by next June, or anytime next year. The President promised to "kick our bureaucracy and push it as fast as I possibly can" to meet the deadlines. Yet despite the smiles in Malta, the obstacles to arms control are more than bureaucratic; the two leaders did little to resolve fundamental disagreements.

Until recently Bush was a member of the conservative chorus warning that a bad arms-control deal was worse than no deal at all, as critics reminded him. "Setting an arbitrary time frame for arms-control treaties to be completed and signed is not wise," said Sam Nunn, chairman of the Senate Armed Services Committee.

Even the Soviets were flashing warning signs. Armed forces Chief of Staff Mikhail Moiseyev said the Soviet leadership should make no further concessions to the U.S., and noted pointedly that there are still too many disagreements to conclude a strategic-arms treaty by June. Gorbachev and Bush would have to meet again just to hash out these differences, said Moiseyev.

By that measure, the main value of Malta was in fulfilling Bush's stated goal: making a personal connection with Gorbachev. To Bush's relief, Gorbachev played a low-key role, thanking the President for his "prudent and cautious" rhetoric. The two leaders engaged in lengthy chats about "Western values," an expression Bush uses to describe the changes sweeping Eastern Europe. In one 30-minute segment, Gorbachev asked Bush to drop the phrase from speeches, because it implied the changes were a victory for the West. Accordingly, the President has started speaking of "democratic values."

That kind of concession displeases conservatives, who say the Soviets should suffer through their economic and political crises without American assistance. The White House dispatched Vice President Dan Quayle to disarm the hard-liners even before Bush left Europe. Quayle uttered anachronistic noises to the Washington *Post,* including a nostalgic reference to the Soviet Union as a "totalitarian state." If Quayle's partial retraction a few days later—he changed the description to "authoritarian"—seemed to blur the Administration's view even more, that was part of the game. Behind the scenes, White House officials reminded conservatives that the overtures to the Soviets were extremely popular. "The big question is, Can we break 80% in our approval rating?" said a West Wing aide only half jokingly.

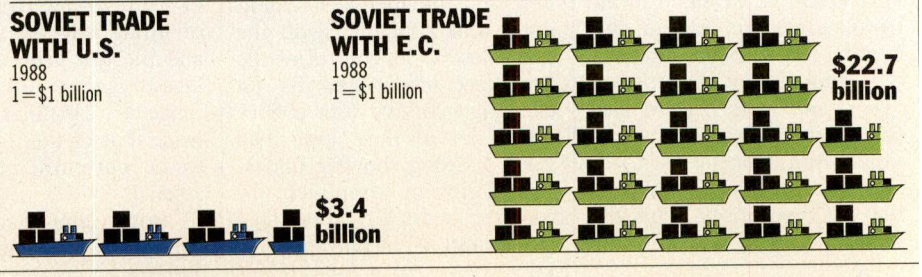
Bush played a similar hand at NATO headquarters in Brussels, offering something for everyone. For West German Chancellor Helmut Kohl, Bush declared, "The task before us . . . is to end the division of Europe and of Germany." For French President François Mitterrand: "Reunification should occur in the context of Germany's continued commitment to NATO." When his support for an "integrated" Europe rattled Britain's Margaret Thatcher, Bush telephoned her later to say



No applause, please: Bush, flanked by Baker a

TRADE PROPOSALS

Bush promised to grant most-favored-nation status to the Soviet Union if Moscow eases emigration laws. As Soviet trade with the West grows, Bush pledged to expand technical cooperation between the two countries.





BARRY THUMMA—AP

ıeney, must scramble to deliver on the promises he made at the summit

he had not meant to undercut her position. The smooth performance left the Europeans feeling pleased, if perplexed. Quipped a top NATO envoy: "This was the diplomatic equivalent of writing those personal letters we hear about."

Bush used Malta as a pretext for mending fences with the other Communist superpower. He sent National Security Adviser Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger to Beijing for the ostensible purpose of briefing Chinese leaders on his talks with Gorbachev. The real motive, Administration aides conceded, was to resume high-level contacts, which the U.S. suspended after the massacre of students in Tiananmen Square last June.

Given the many mixed signals, it was no wonder the President encountered questions about the heft of his proposals and how he plans to fulfill them:

Economic Aid

Bush's plans to help the Soviet economy—by easing U.S. trade barriers, expanding technical cooperation and speeding joint ventures—are the most easily accomplished. But they are largely symbolic. If Moscow lifts restrictions on emigration, which it has said it will do, the U.S. will be persuaded to grant the Soviet Union most-favored-nation status. That would lower tariffs on Soviet manufactured goods, but it would not change the fact that the U.S.S.R. has relatively little to sell to the U.S. Still, Gorbachev needs every concession he can get. Bush's promise to sponsor "observer status" for the Soviets at the General Agreement on Tariffs and Trade talks in 1991 will signal the Kremlin's acceptance into the world community and serve as an endorsement for Gorbachev's foreign policy.

Strategic Weapons

Bush had no sooner thrown his weight behind the stalled Strategic Arms Reduction Talks than Gorbachev complicated matters. Earlier this year, the Soviets proposed moving forward on a 50% cut in nuclear warheads without an agreement on hard-to-count sea-launched cruise missiles. At Malta, Gorbachev hinted that he could not sign a START treaty without some kind of understanding about SLCMs. To that, Gorbachev added another gambit: he proposed a ban on short-range nuclear weapons on naval vessels.

Secretary of State James Baker and his Soviet counterpart, Eduard Shevardnadze, will take up several easy START issues when they meet in Geneva next month, but not SLCMs. With or without them, Bush acknowledged, his June deadline would be hard to meet.

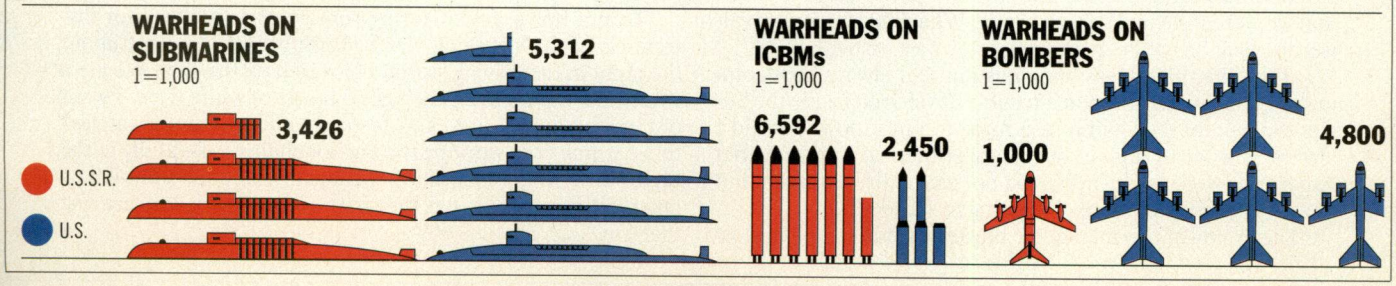
Conventional Forces in Europe

An old arms-control adage holds, "If you like watching a car rust, you'll love conventional-weapons talks." Negotiations in Vienna have dragged on for 15 years. Although Bush promised last May to complete a CFE deal within a year, he acknowledged in Malta that it would take at least until the end of 1990. That may be why he reversed his long-held but unpopular position that cuts in conventional forces must precede reductions in strategic arms.

Soviet and U.S. officials have essentially agreed to reduce their forces in Europe to 275,000 each. But some NATO allies are dragging their feet on peripheral issues. British and French negotiators are wary of any deal that reduces the size of their independent air forces—so wary, in fact, that

NUCLEAR BALANCE

The U.S. and the U.S.S.R. have agreed in principle to reduce the number of warheads in their nuclear stockpiles to 6,000 each—nearly a 50% cut. But disputes over cruise missiles and naval forces may stall a deal.



some experts predict that aircraft will have to be taken off the table if Bush is to meet his deadline.

The prospect of inch-by-inch progress in Vienna and Geneva only underscored warnings that there will be no quick "peace dividend" for the overstretched federal budget. Defense Secretary Dick Cheney's planned $180 billion in Pentagon cuts through 1995 amount to little more than deletions in the military's wish list. Nuclear-arms control saves little money because it normally results in destruction of hardware that has already been paid for and often requires expensive verification methods. Reducing conventional forces could save money, but not much: defense-budget experts from the Rand Corp. to the Congressional Budget agree that a 50% reduction in U.S. troops in Europe would yield savings of only $6 billion to $7 billion a year. Real savings would not occur unless troops based in the U.S. are demobilized, a politically unappetizing prospect because of its impact on local economies.

Despite these challenges, Bush is still buoyed by an element of good fortune. Gorbachev seems content to let the President move at his own pace. The Soviets and NATO allies support a stabilizing U.S. presence in Europe. And a gradually reduced Soviet threat may enable Bush to squeeze just enough money from the military next year to keep the federal deficit moving downward. Bush recognizes that he is the benefactor of a rare alignment of stars. "I'm a lucky person to be President of our country in these very exciting times," he said last week. But as the ground in Europe continues to shift, he will need more than luck. ***—Reported by Dan Goodgame, Christopher Ogden and Bruce van Voorst/Washington***

The Presidency

Hugh Sidey

A Game of One-on-One

"Actually, I really did put my feet up at one point," George Bush said last week by telephone from the White House. "I did it thinking, 'I'll show 'em I really meant it to be a feet-up meeting.' So I put my feet up on one of those round sofas that were bolted to the deck of the *Gorky*. Gorbachev and I were leaning over toward one another. There were no inhibitions."



DIANA WALKER

"He is a guy quite sure of what he is doing"

The President had been a little tentative going into such a highly charged superpower meeting, when the great Malta storm struck. But the outcome reassured the world and seemed to enhance Bush's presidential stature. His reflections on his eight hours with the Soviet boss came over the telephone line like pages out of a good reporter's notebook.

"Yes, I think I can trust Gorbachev," Bush said. "I looked him in the eye, I appraised him. He was very determined. Yet there was a twinkle. He is a guy quite sure of what he is doing. He has got a political feel. I could tell by the way he was laughing with us. A little wink now and then. He has a wonderful way of communicating with Westerners. I had the feeling that I could bring up any subject at all.

"We had quite an animated discussion about Western values vs. democratic values. I thought they were the same thing. But he interpreted our definition of Western values to mean that we were right and he was wrong. Whereas democratic values are what he has been working for.

"I told him there was one question that always kept coming up. What would happen if trouble developed inside the Soviet Union and they had to use force to put it down? I said I always refused to answer such a hypothetical question, but Americans were asking it. He did not give a direct answer, but he strongly implied, 'Look, I'm going to succeed.' "

The drama of two men in the blustery Mediterranean closing the book on 40 years of animosity is one of the surprises that history deals up in this strange world. "The changes are so monumental. So different. But it did not seem overwhelming when we sat down. Two reasonable people sat down with their staffs. Even the contentious matters were brought up without rancor. When I first met him in Moscow when I was Vice President and brought up human rights, he grew very heated. This time he talked very rationally, not rancorously.

"I had the feeling that the way we clicked off our list of things that we wanted to accomplish didn't exactly disarm him, but it did show him that we were ready to move forward on a lot of things he wanted. He may have been pleased it wasn't going to take hours to drag them out of us.

"There are always invisible barriers that come from the enormous differences between our societies. I am not naive enough to believe that all the problems will be solved. But I told him that I thought the meeting made good sense. I told him that I never had favored this kind of meeting before but that I had changed my mind. I am going to keep the personal part of this going. I'll find ways to contact him in a quiet fashion. I can write. I can call now. I'm not going to become a pen pal, but we can communicate."

To put down any lingering rumors of seasickness or distress on Malta's surging waves, Bush waxed eloquent about the night in the driving storm. "I loved it on the ship. We ate a wonderful dinner and had a good bottle of white wine. I went out on the fantail first, and for a couple of hours I watched those young boys working the anchor chains so skillfully in the high seas, and it was thrilling." That story undoubtedly will be enlarged and enriched as the years go on. Old sailors are just that way. ■

Making Deals in Poland

It's a worthy idea, but Americans find little to build on

BY GISELA BOLTE

Mike Harper trudged through the dirty snow in downtown Warsaw searching for a fur hat to protect him against the icy wind. But among the meager selections in half a dozen stores, he could not find one hat that fitted. Harper, who runs a large food company in Omaha, refused to give up. He decided to offer one hatmaker the equivalent of an extra $10 in zlotys to whip something up by next morning. The man showed little enthusiasm, however, his sullen face reflecting the effects of 45 years of Communist rule. Harper left the store doubting that he would get his hat.

Those doubts were mirrored by the other members of a high-level U.S. mission that was searching for ways to assist Poland in building a free-market economy. Arriving in Warsaw two weeks ago, the delegation of Bush Administration officials, business executives, labor leaders and academics fanned out on scouting trips, touring farms, factories, coal mines and training centers and surveying the Polish telephone system.

Their findings were hardly encouraging. The Ursus tractor plant outside Warsaw, which once supplied farm equipment for the entire East bloc, was operating at only a fraction of its capacity. At the OMIG electronics factory, the building was crumbling and the technology 25 years old. "The Poles are doing very well with the tools they have," said Robert Galvin, chairman of Motorola. "But to be competitive they need entirely new operations."

Still, the Americans were impressed with the candor of Polish leaders and their determination to pursue tough reform measures. Polish Deputy Prime Minister Leszek Balcerowicz was especially forthright in outlining an ambitious program to sell off state-owned enterprises, balance the budget, break the back of hyperinflation and move toward currency convertibility. Said Agriculture Secretary Clayton Yeutter, who led the mission: "We listened, and all we had to do was say 'Amen.' "

But the suddenness of Poland's great leap may create new problems, even as it seeks to solve old ones. The country lacks economic institutions that took centuries to develop in the West: it has no stock exchange, no commercial banks, little experience in the rough-and-tumble of a free market. Barry Sullivan, chairman of the First National Bank of Chicago, wondered whether the Poles' eagerness will prove to have been "monumental courage or sheer folly." While none of the Americans doubted the commitment to reform at the top of the Polish government, some questioned how it would be received once subsidies are ended and prices begin fluctuating. "It will depend on the political prowess and strength of the government," said Yeutter. "There will inevitably be some slippage."

Labor Secretary Elizabeth Dole and her Polish counterpart, Jacek Kuron, signed a memorandum of understanding on U.S. technical help for setting up an unemployment-insurance system to soften the blows of economic reform. "Where they ask us for assistance, we'll give it to them," said Dole, who will dispatch a team of unemployment-insurance specialists to Warsaw in early January. They are likely to be busy. Economic conditions in Poland are grim, with inflation running at more than 50% a month. With the value of the zloty plunging, farmers and store managers are holding back merchandise, thereby contributing to shortages. As many as 600,000 workers may be unemployed next year when obsolete and inefficient plants are downsized or closed. At the same time, real income is expected to plummet as the government cuts subsidies while trying to hold down wages. The U.S. delegation heard a lot of concern from Polish officials that the effects of economic reform might provoke social protest.



JAN BOGACZ—INTERPRESS

Yeutter confers with Polish Prime Minister Mazowiecki in Warsaw

Despite good intentions, the Americans came away skeptical.

The Poles are desperate for U.S. investment, but the visiting Americans came away skeptical. "Now is not the time," said Harper. The banking system is all but inoperative, business laws and accounting standards are inadequate, and the phone system works poorly when it works at all. "Once they get those things done, the appetite for investment will increase," Harper said. Yet the appetite is there. Last week Chase Enterprises of Hartford agreed to a 70%-30% partnership with a Polish consortium to build a $900 million cable television network in the country.

Other U.S. firms are settling for smaller opportunities. An Indianapolis firm, SerVaas Inc., hopes to interest Poles who hold dollars in its line of three $32,000-to-$36,000 model homes. A major selling point: the houses can be ready for occupancy in 60 days, as opposed to the average 26 years that most Poles must now wait for a new house.

Despite their doubts, the members of the American delegation, whose visit ended even as Presidents Bush and Gorbachev were meeting in Malta, returned home convinced that Poland—larger than Hungary, more eager for economic change than the Soviet Union, more depressed than East Germany—is a critical test case for reform. If a modern, free-market economy can be created there, the visitors believe, prospects will improve throughout the East bloc. Certainly Mike Harper found reason for hope. The sullen hatmaker whom he offered a $10 bonus turned out to be a budding entrepreneur in disguise. Encouraged by the prospect of profit, he scoured Warsaw for a suitable pelt and next morning presented Harper with a handsome, custom-made hat of red fox fur. ■



ANDREW POPPER—PICTURE GROUP

Poles call old steel mills "Stalin's revenge"

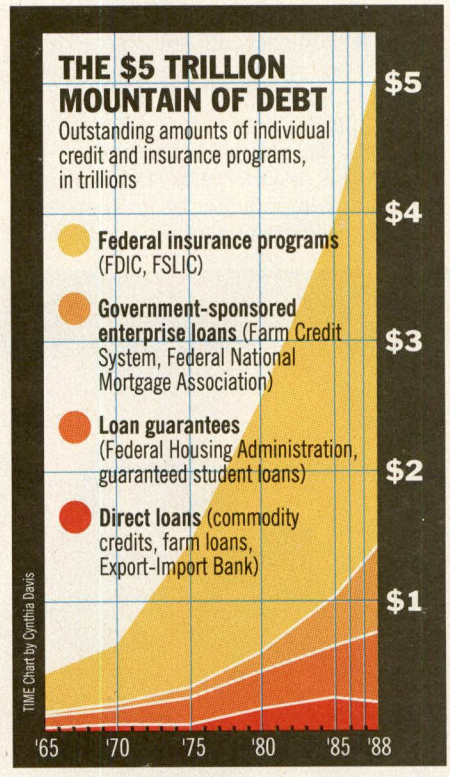
Warning: Further—and Maybe Bigger—Federal Bailouts Ahead

Risky loans and sloppy supervision could lead to crises that dwarf the $300 billion savings and loan fiasco

After more than two troubled years as the Government's top savings and loan regulator, M. Danny Wall fell victim to the nation's spreading S&L scandal. The clamor for his ouster mounted last month after lower-ranking bank examiners told Congress that Wall had unduly delayed for 21 months a Government takeover of high-flying financier Charles Keating's Lincoln Savings & Loan Association, whose collapse could cost taxpayers $2.5 billion. Last week Wall finally bowed to the pressure and resigned as director of the Office of Thrift Supervision. He had been victimized, Wall complained, by "simplistic efforts to find a scapegoat to shoulder the blame for the entire thrift crisis."

That crisis could soon become worse, because new requirements designed to strengthen the thrifts could instead push many of them into extinction. Starting last week, S&Ls must greatly increase their capitalization as a hedge against losses from problem loans, interest-rate swings and bad investment decisions. Among other things, they will be required to maintain "risk-based capital" equal to 6.4% of their risky assets, such as shopping centers and fancy resorts. Because many thrifts are only marginally profitable, raising the funds to meet the standards may prove impossible for them. Some analysts warn that half the nation's 2,900 thrifts could eventually fail or be merged, voluntarily or involuntarily, adding billions to the $300 billion cost of the industry bailout. An early casualty: City Federal Savings Bank, New Jersey's largest thrift, was taken over by federal regulators on Friday, after recording huge losses from real estate ventures.

Before the ominous S&L predictions had a chance to sink in, alarms were going off about other potentially monumental crises. A report by Budget Director Richard Darman warned that careless management at such agencies as the Veterans Administration and the Department of Energy may have allowed scandals rivaling the estimated $8 billion imbroglio at the Department of Housing and Urban Development to go undetected. But the gravest worries were triggered by concerns about the solvency of more than $5 trillion in federal credit and insurance programs that cover everything from bank deposits to student loans and Third World aid. While no one expects all such programs to fail, bad debts and write-offs are steadily increasing. "Losses from these programs have already cost the taxpayers tens of billions of dollars and have had a significant impact on the federal deficit," warns Charles Bowsher, the U.S. Comptroller General. Adds Michigan Democrat John Dingell, who chairs a House subcommittee on oversight and investigations: "It is as if every man, woman and child in this country each co-signed a personal loan for $20,000."



The most disturbing fact is that no one knows how severe the problems may be. In a report to Congress last month, the General Accounting Office described the same pattern of sloppy accounting and slack Government supervision that allowed the S&L debacle to go unchecked. Because many agencies kept such poor books, GAO auditors could not even determine how much of the $5 trillion is at risk of default. "The ignorance, incompetence and corruption in many of the Government loan and loan-guarantee programs are appalling," says Dingell.

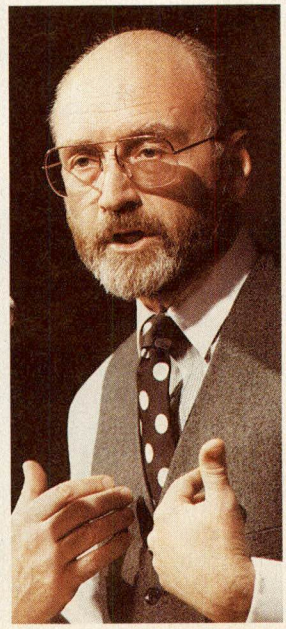
Where GAO investigators managed to decipher an agency's accounts, they often found a far grimmer picture than the agency provided. While the Federal Housing Administration, which insures home mortgages, reported a loss of $858 million in 1988, GAO auditors found that the shortfall was actually $4.2 billion.

There is also concern over the Pension Benefit Guaranty Corp., which insures the private pension plans of 66 million Americans and is currently $1.5 billion in the red. Raymond Maria, the Labor Department's acting inspector general, warned Congress last month that lax Federal Government supervision and law enforcement "has created a window of opportunity for those who would embezzle and steal from plan participants." But policing pensions is virtually impossible because the Labor Department has about 300 inspectors for nearly 900,000 plans nationwide. Says Maria: "Our goal is not to frighten people unnecessarily but to stimulate concern where it is needed and to avoid potential future crises. We do not want to be in the position of saying, 'I told you so.' "

No programs have been growing faster than so-called Government-Sponsored Enterprises, which include such entities as the Federal National Mortgage Association and the Student Loan Marketing Association. Taxpayers may be called on to bail out any GSEs that get into financial trouble, as they were when the Farm Credit System amassed huge losses during the rural crisis of the mid-1980s. The Government has also increasingly shifted funds from direct-loan programs, which worsen the budget deficit, to loan guarantees, which don't show up on the budget until borrowers default.

Few critics of the credit and insurance programs doubt their social value. Among other benefits, they have made homes more affordable, enhanced educational opportunities and rescued Chrysler and New York City from bankruptcy. But the sprawling programs are spread over dozens of federal agencies and receive scant congressional oversight. Like the once obscure S&Ls that now make headlines almost daily, these ambitious federal programs run the risk of getting dangerously out of hand—if they have not already.

—By John Greenwald. Reported by Gisela Bolte/Washington


SCOTT APPLEWHITE—AP

Wall came tumbling down

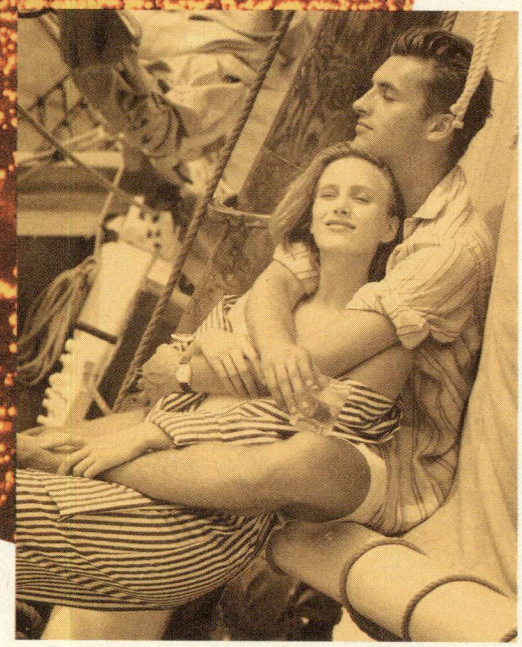
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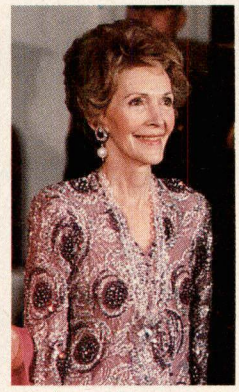
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A Cute Number For the Taxman

The bill for Nancy Reagan's dresses may come from the IRS

Nancy Reagan struggled in her memoirs to explain why some people had objected to her "borrowing" designer dresses while she was First Lady. "One reason may be that some women aren't all that crazy about a woman who wears a size 4, and who seems to have no trouble staying slim," Mrs. Reagan wrote. The IRS has a more plausible explanation that has nothing to do with weight envy: the clothes and jewelry—over $1 million worth—may be considered taxable income.

As part of its required audit of the Reagans' taxes during their White House years, the IRS's Los Angeles field office is considering information provided by M. Chris Blazakis, former executive vice president for James Galanos, one of the designers who provided Mrs. Reagan dresses on a need-to-wear basis. Under the tax laws, a celebrity receives income for high-visibility use of a product in an amount equal to the value of that product. The defense that some of the dresses were loans, not gifts, or that they are no longer worth very much once they have been worn, may not impress the IRS. A gown, even one that doesn't suffer soup stains, may depreciate from a $20,000 price tag to off-the-rack in a single evening. But that is the point of haute couture. Its value derives mainly from its once-in-a-lifetime wearing. Los Angeles designer David Hayes, from whom Mrs. Reagan borrowed more than 60 outfits, says of those she returned, "Once something is worn," its value is "nothing."



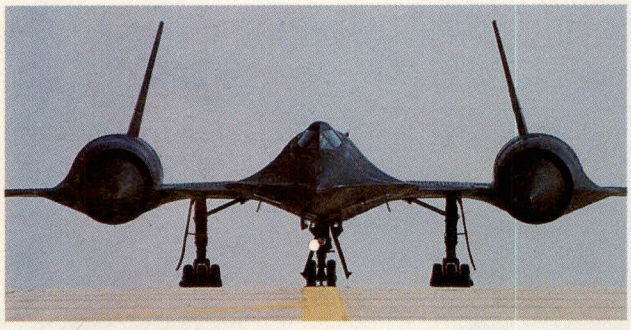
DAVID HUME KENNERLY

No secondhand rose

Questions about the First Lady's practice initially came up in 1982, and she responded by promising not to accept any more free outfits. But when TIME reported in 1988 that Mrs. Reagan had continued to borrow dresses for six more years, press secretary Elaine Crispen explained that she "set her own little rule, and she broke her own little rule."

The expensive question for the Reagans now is whether she broke any of the IRS's little rules. Tax agents have looked at thousands of official White House photos to find out what the First Lady wore and when she wore it. ■

Grapevine



GEORGE HALL—WOODFIN CAMP

Museum piece: the late, still great SR-71

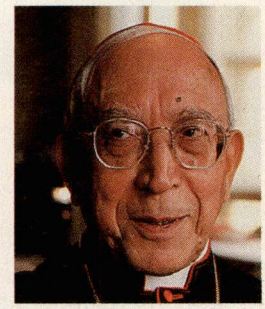
BYE-BYE, BLACKBIRD. It's the world's highest-flying (100,000 ft. plus), fastest (almost 3,000 m.p.h.), most secret spy plane. But the Air Force has decided to ground the remaining six or eight SR-71 Blackbirds and stuff them into museums. Over its 25-year operational life, the Blackbird succeeded in avoiding more than 1,000 attempts to shoot it down during operations around the perimeter of the Soviet Union and over China, Viet Nam, Cuba and the Middle East. Pentagon officials say advanced photo-reconnaissance satellites can do the Blackbird's job more cheaply and efficiently.

CALIFORNIA, HERE WE COME. The end of the much vaunted Massachusetts economic miracle has become the Bay Area's gain. Silicon Valley firms are raiding top talent from such faltering firms as Wang, Data General and Digital Equipment that once reigned supreme on Boston's Route 128. But no matter how eager the Eastern refugees are to begin their new jobs, many must wait until next summer. The reason: a six-month waiting list for moving vans heading west.



D.B. Cooper and McCoy: The same?

THANK GOD FOR STAR WARS. Whom does Vatican Secretary of State Agostino Cardinal Casaroli credit for the outbreak of new thinking in the U.S.S.R.? "Ronald Reagan obligated the Soviet Union to increase its military spending to the limits of insupportability," Casaroli told TIME. "He made everyone understand that rearmament was a dead-end street." The Cardinal's statement represents some new thinking in Rome. Never an admirer of Star Wars, Casaroli once urged Reagan to moderate his enthusiasm for a military buildup—and the space shield in particular—for fear of a war breaking out.



MASSIMO PERELLI

Casaroli: Reagan did it

DOUBLE TROUBLE. The mysterious hijacker D.B. Cooper became a legend in 1971 after he bailed out of the rear door of a Northwest Airlines jet, probably over Washington State, with $200,000 he had extracted by making a bomb threat. He and the money vanished. Four months later, Richard Floyd McCoy, a former Green Beret, hijacked a United Airlines jet and bailed out of the rear door over Utah with $500,000. Both men scribbled the phrase "No funny stuff" and forced the planes to land so that money and four parachutes could be brought on board. Now two former federal agents in Salt Lake City are hawking a manuscript claiming that McCoy was also Cooper. Ex-FBI agent Russell Calame, who originally investigated the case, and ex-probation officer Bernie Rhodes, who spent four years reinterviewing people, say they have evidence linking the two men. McCoy was killed in a gunfight with FBI agents in 1974 after escaping from a federal prison in Pennsylvania, where he was serving a 45-year sentence for skyjacking.

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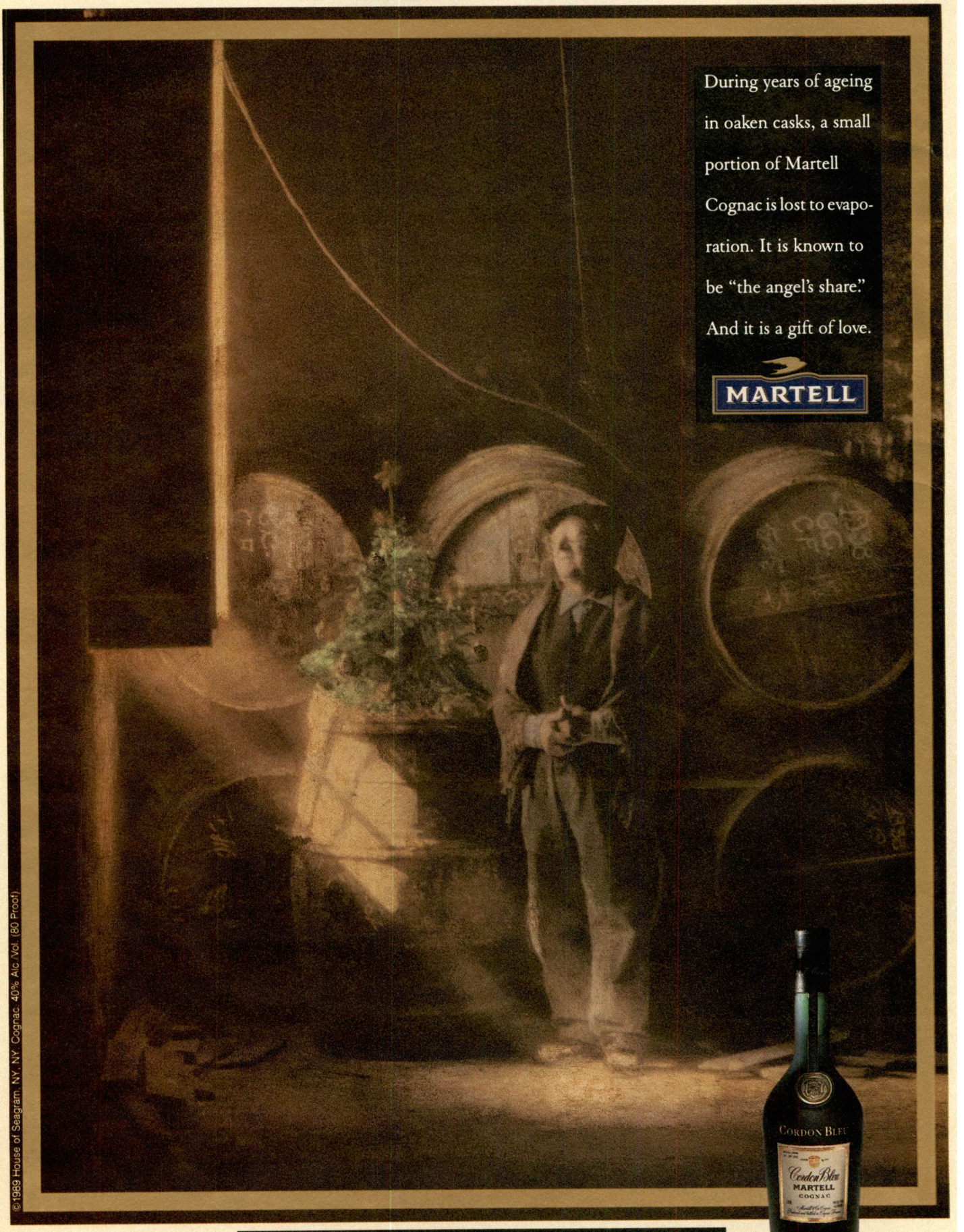
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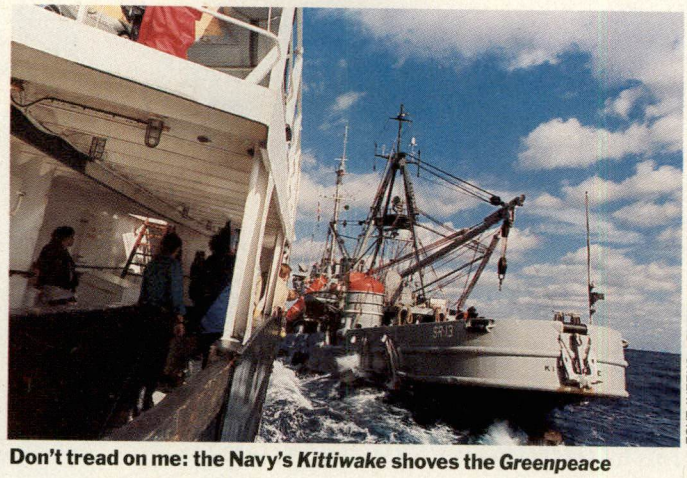
SINCE 1715.

THE NAVY

Butt Out, *Greenpeace*

After Greenpeace protesters forced the cancellation of a test-firing of the Trident 2 missile last July by hanging an antinuclear banner on the communications mast of an American submarine, the Navy vowed that it would never again be similarly embarrassed. Last week, when the U.S.S. *Tennessee* launched a Trident 50 miles off Cape Canaveral, Fla., the protesters discovered how determined the Navy can be.

As the activists' customized salvage tug *Greenpeace* shadowed the sub, the support ships *Kittiwake* and *Grasp* repeatedly rammed the vessel, punching a hole in her side just above the waterline. Meanwhile, sailors trained fire hoses on the *Greenpeace,* flooding her engines, while Navy SEAL frogmen cut the fuel lines of one of two antinuke motorboats trying to disrupt the test. "A terrible outrage ... an unbridled act of aggression!" cried Greenpeace's executive director as the group prepared legal action against the Navy. Just outside the launch area, the battle—and the test-firing—were monitored by a Soviet trawler bristling with electronic equipment. ■



JAY TOWNSEND—GREENPEACE

Don't tread on me: the Navy's *Kittiwake* shoves the *Greenpeace*

CHRISTMAS

Eau de Skunk For Thieves

Stealing that pretty little evergreen from a neighbor's backyard and setting it up as a Christmas tree in your living room is a dirty trick. But some enterprising Coloradans are striking back at would-be tree snatchers with a pungent recipe: fox urine, a drop or two of skunk essence and glandular extracts from cats, ferrets or muskrats. Sprayed on evergreens, the Scrooge Christmas Tree Protector, at $6 per pt., raises a stink to warn off tree rustlers. If a "Scrooged" tree is moved into a heated house, the putrid perfume gets really intense. How long before the scent wears off? Says Scrooge creator Major Boddicker: "For sure, by spring it'll be gone."



BARRY STAVER

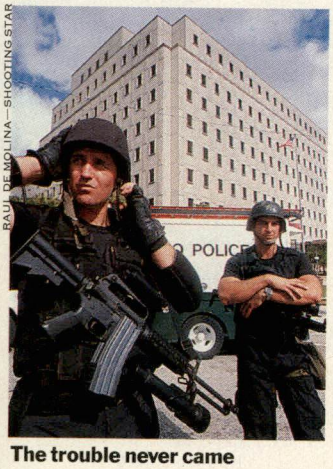
Scrooging an evergreen

CALIFORNIA

The Bishop Picks a Winner

Until last week it seemed nothing short of a miracle would enable a Democrat to win a state senate seat from San Diego's heavily Republican 39th District. But that was before Roman Catholic Bishop Leo Maher ordered that Democratic candidate Lucy Killea, 67, be refused Communion because of her pro-choice views on abortion. Though Maher declared that his action was "more pastoral than political," it quickly became the most important issue in the campaign. Riled by the bishop's intervention, voters gave Killea a 51%-to-49% upset victory over state legislator Carol Bentley in a special election.

Declared Kate Michelman, executive director of the National Abortion Rights Action League: "The bishop shot himself in the foot." ■



RAUL DE MOLINA—SHOOTING STAR

The trouble never came

MIAMI

Breaking the Cycle

Miami was prepared for the worst as the trial of police officer William Lozano, charged with killing two unarmed black men last January, came to an end last week. Their deaths sparked three days of burning and looting. Twice before in the 1980s, riots followed the acquittals of white or Hispanic police officers charged with killing blacks. As police were suiting up for more trouble, a jury of three whites, two blacks and one Hispanic broke the cycle of violence by convicting Lozano on two counts of manslaughter.

While another flare-up was averted, reaction to the verdict split along Miami's racial fault lines. Hispanics said the officer was being sacrificed to appease blacks. But in the Overtown ghetto, the site of January's worst rioting, some residents marched in celebration. "This is what the black community has been waiting for," said Overtown resident Alice Johnson, 43. "Justice." ■

MARYLAND

Mencken's Musings

H.L. Mencken, the iconoclastic journalist who delighted in debunking the "booboisie," is being debunked himself. An abridged version of his diaries will arrive in bookstores this month. In journal entries written between 1930 and 1948, Mencken emerges as a hypochondriac with an anti-Semitic streak. In one passage he noted that a house on his street had been bought by "some Jews ... with various ratty tenants." In a segment that the editor omitted, Mencken referred to two Baltimore businessmen as "dreadful kikes."

Mencken ordered that the diaries be sealed for 25 years after his death, which occurred in 1956, and thereafter be made available to students only. But in 1985 the Maryland Attorney General ruled the restriction not legally binding. Mencken would probably have put down controversy over the diaries to what he called "the virulence of the national appetite for bogus revelation." But admirers of Mencken's wit may now find it harder to laugh with him. ■



GEORGE KARGER

Mencken: "Dear Diary ..."

● COVER STORY

A Torrent of Dirty Dollars

Money laundering is a runaway global industry that serves customers ranging from cocaine cartels to tax-dodging corporations

BY JONATHAN BEATY AND RICHARD HORNIK

In Willemstad, the sunny Caribbean capital of the Netherlands Antilles, a banker ushers an American visitor through a hotel casino and into a dining room overlooking the harbor. During refreshments, the prospective customer says he expects a six-figure cash windfall soon and would like to bring the money "quietly" into the U.S. At first the banker responds cautiously. "This money isn't, ah, tainted, is it?" When the American assures him it is not, the officer of the Curaçao branch of the French-owned Credit Lyonnais Nederland smiles and orders another tonic water. In that case, says the banker, he can arrange a so-called Dutch sandwich.

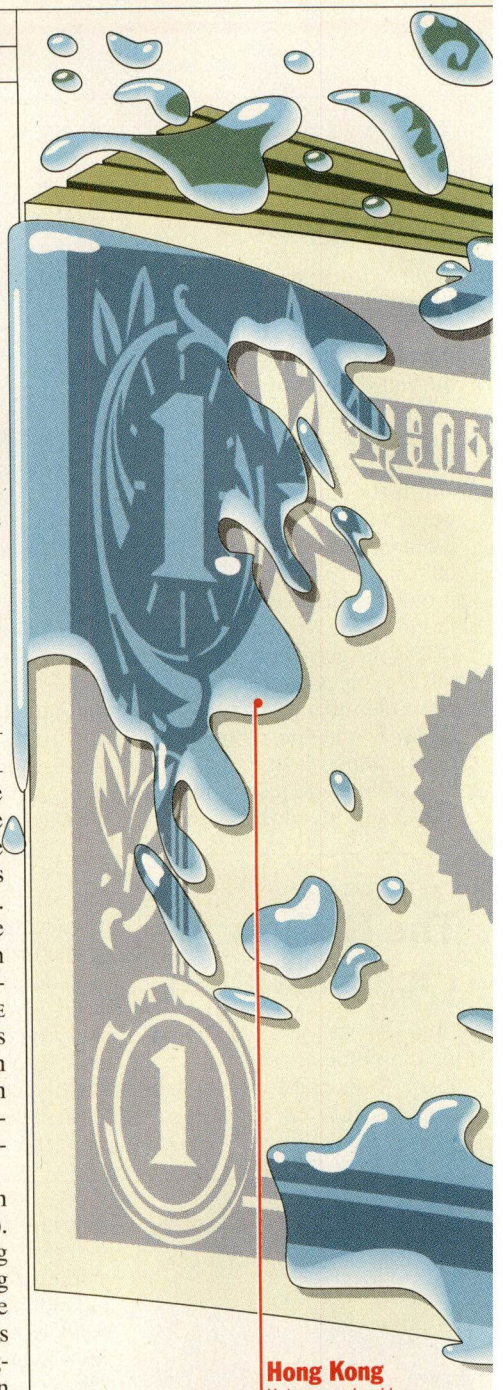
Under this multilayered plan, the Paris bank would set up a corporation for the customer in Rotterdam, where he would deposit his cash in the bank's local branch. The American would control the newly created Dutch corporation through an Antilles trust company, but his identity as the owner would be protected by the island group's impenetrable secrecy laws. The Caribbean branch would then "lend" the American his own money held in Rotterdam.

If the American were questioned by the Internal Revenue Service or other authorities about the source of his wealth, he could point to his loan from a respected international bank. "Many of your largest corporations, many of your movie stars, do much the same thing here," says the banker. "We wouldn't want to handle criminal money, of course. But if it's just a matter of taxes, that is of no concern to us."

When U.S. drug agents tallied up the amount of cocaine they seized during fiscal 1989, their haul totaled 89 tons, or 44% more than last year's. The volume, which is believed to be only a small percentage of the tons flooding the country, is evidence of more than just a frighteningly effective drug-smuggling industry. The wholesale value of the coke, as much as $28 billion, is testimony to another kind of dark genius. This is the scandalous ability of the coke kingpins to launder billions of dollars in drug proceeds using many of the same financial services available to the FORTUNE 500. In a wash cycle that often takes less than 48 hours, the drug smugglers can turn coke-tinged $20 and $100 bills into such untraceable, squeaky-clean assets as money-market deposits, car dealerships and resort hotels.

The coke smugglers can accomplish this feat because they have plenty of help. They rely on a booming money-laundering industry that serves a clientele ranging from tax-avoiding corporations to the Iranscam schemers. The system depends on the collaboration, or often just the negligence, of bankers and other moneymen who can use electronic-funds networks and the secrecy laws of tax havens to shuffle assets with alacrity. The very institutions that could do the most to stop money laundering have the least incentive to do so. According to police and launderers, the basic fee for recycling money of dubious origin is 4%, while the rate for drug cash and other hot money is 7% to 10%.

Much is at stake as the powerful flow of narcodollars is recycled through the world's financial system. Drug lords and other lawbreakers are believed to be buying valuable chunks of the American economy, but clever Dutch sandwiches and other subterfuges make it almost impossible for U.S. authorities to track foreign investors. A case in point: blind corporations based in the Netherlands Antilles control more than one-third of all foreign-owned

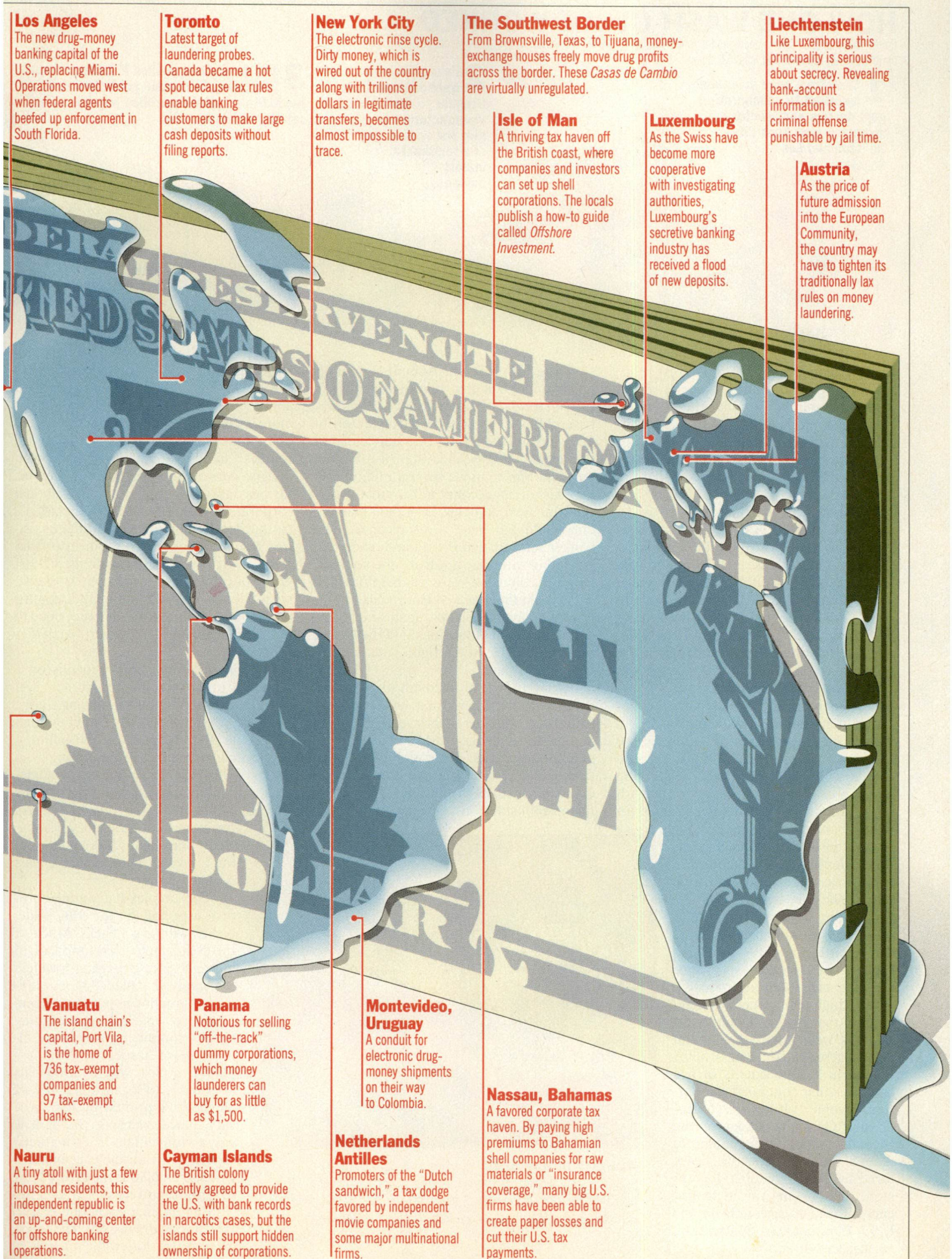


Hong Kong
Hot-money banking capital of the East. Much of the Marcos loot journeyed through here on the way to Switzerland.

YOUR FRIENDLY NEIGHBORHOOD CLEANERS

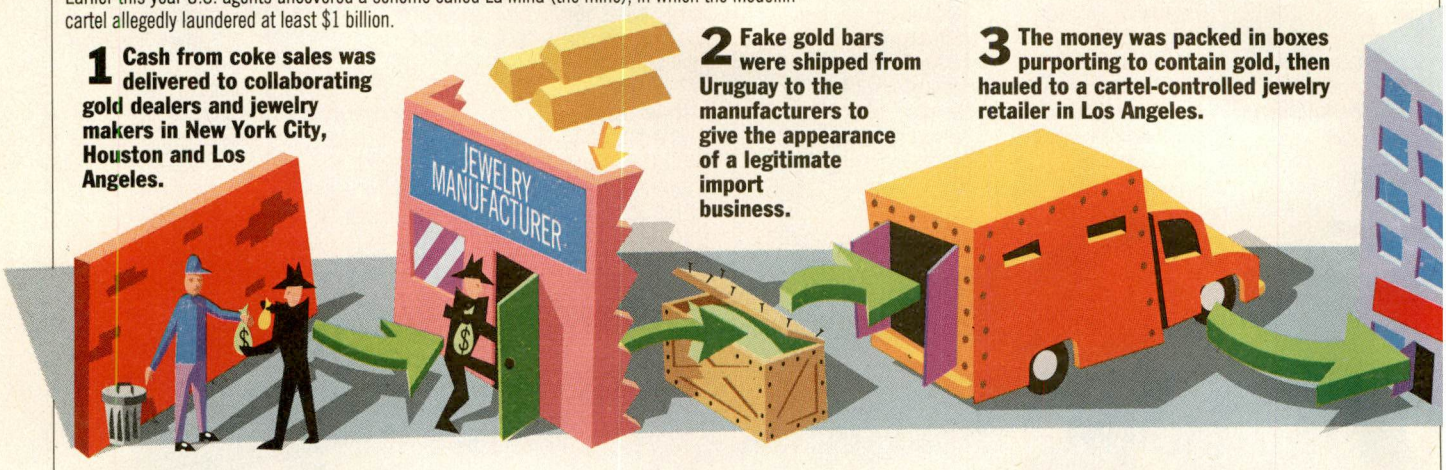
Money-laundering centers have sprung up all over the world, offering services ranging from secret accounts to dummy corporations with hidden ownership

Illustrations for TIME by Joe Lertola


Los Angeles
The new drug-money banking capital of the U.S., replacing Miami. Operations moved west when federal agents beefed up enforcement in South Florida.
Toronto
Latest target of laundering probes. Canada became a hot spot because lax rules enable banking customers to make large cash deposits without filing reports.
New York City
The electronic rinse cycle. Dirty money, which is wired out of the country along with trillions of dollars in legitimate transfers, becomes almost impossible to trace.
The Southwest Border
From Brownsville, Texas, to Tijuana, money-exchange houses freely move drug profits across the border. These Casas de Cambio are virtually unregulated.
Isle of Man
A thriving tax haven off the British coast, where companies and investors can set up shell corporations. The locals publish a how-to guide called Offshore Investment.
Luxembourg
As the Swiss have become more cooperative with investigating authorities, Luxembourg's secretive banking industry has received a flood of new deposits.
Liechtenstein
Like Luxembourg, this principality is serious about secrecy. Revealing bank-account information is a criminal offense punishable by jail time.
Austria
As the price of future admission into the European Community, the country may have to tighten its traditionally lax rules on money laundering.
Vanuatu
The island chain's capital, Port Vila, is the home of 736 tax-exempt companies and 97 tax-exempt banks.
Panama
Notorious for selling "off-the-rack" dummy corporations, which money launderers can buy for as little as $1,500.
Montevideo, Uruguay
A conduit for electronic drug-money shipments on their way to Colombia.
Nassau, Bahamas
A favored corporate tax haven. By paying high premiums to Bahamian shell companies for raw materials or "insurance coverage," many big U.S. firms have been able to create paper losses and cut their U.S. tax payments.
Nauru
A tiny atoll with just a few thousand residents, this independent republic is an up-and-coming center for offshore banking operations.
Cayman Islands
The British colony recently agreed to provide the U.S. with bank records in narcotics cases, but the islands still support hidden ownership of corporations.
Netherlands Antilles
Promoters of the "Dutch sandwich," a tax dodge favored by independent movie companies and some major multinational firms.

HOW ONE WASH CYCLE WORKED

Earlier this year U.S. agents uncovered a scheme called La Mina (the mine), in which the Medellín cartel allegedly laundered at least $1 billion.



U.S. farmland, many of the newest office towers in downtown Los Angeles and a substantial number of independent movie companies producing films like Sylvester Stallone's *Rambo* pictures.

While businesses and individuals may conceal their assets for purposes that are completely legal, or dubious at worst, the systems set up for their convenience can be perversely efficient at helping drug barons launder as much as $100 billion a year in U.S. proceeds. "It is hard to understand why we failed for so long to institute adequate controls," says Massachusetts Democrat John Kerry, chairman of the Senate's Subcommittee on Terrorism, Narcotics and International Operations. The state of regulation is "so lackadaisical," says Kerry, "it's almost damnable."

President Bush, for his part, has declared money launderers a critical target in the war on drugs, allocating $15 million to launch a counteroffensive. While the sum is minuscule for the task, the declaration signals a change in philosophy for the Administration, which had resisted calls for tighter banking regulations. Only hours after Bush unveiled his antidrug offensive last September, a federal task force began taking shape. The Financial Crimes Enforcement Network (FINCEN) hopes to zero in on money launderers with computer programs capable of spotting suspicious movements of electronic money.

In a high-tech game of cat and mouse, the Justice Department said last week that it had found and triggered the freezing of $60.1 million in bank accounts in five countries that contained the personal income of Jose Gonzalo Rodriguez Gacha, a leader of the Medellín cartel. Using financial records and computer disks captured by the Colombian government, U.S. agents traced Rodriguez money to accounts in the U.S., Luxembourg, Switzerland, Austria and Britain.

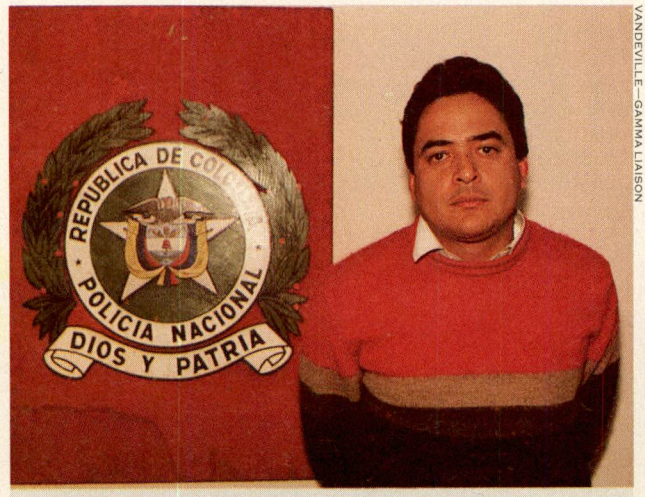
Drug Enforcement Administration officials told TIME that one of Rodriguez's purported financial advisers, Panama-based Mauricio Vives, tried desperately to keep moving the money one step ahead of the agents. Vives called a British banker and told him to move several million dollars, fast, to an account in Luxembourg. If the bank were to delay, his Colombian client would kill him, Vives pleaded. The banker refused, and British authorities cooperating with the DEA froze the account. Not all countries were as helpful. U.S. agents said they tracked Rodriguez's money to the Cayman Islands, Spain and Montserrat, but local authorities said they could not cooperate, citing rigid bank-secrecy laws as an excuse.

What makes enforcement so difficult is a financial murkiness that has long frustrated tax collectors as they search for dirty money afloat in the world's oceans of legitimate payments. The multibillion-dollar flow of black money, the profits from criminal enterprise, moves through the world's financial institutions as part of a vastly larger quantity of gray money, as bankers call it. This dubious, laundered cash amounts to an estimated $1 trillion or more each year. Often legitimately earned, this money has an endless variety of sources: an Argentine businessman who dodges currency-control laws to get his savings out of the country; a multinational corporation that seeks to "minimize" its tax burden by dumping its profits in tax-free havens; a South African investor who wants to avoid economic sanctions; an East German Communist leader who stashed a personal nest egg in Swiss bank accounts; or even the CIA and KGB when they need to finance espionage or covert activities overseas.

The world's prosperity depends on a fluid and unfettered financial system, yet the lack of supervision is producing a large shadow economy. The IRS estimates that tax cheats skim as much as $50 billion a year from legitimate cash-generating businesses and launder the money to avoid detection. Banking experts calculate that the private citizens of debt-choked Latin American countries have smuggled more than $200 billion of their savings abroad in the past decade.

The money-laundering process, especially in the drug trade, begins with greenbacks. Much of the cash simply leaves the U.S. in luggage, since departing travelers are rarely searched. Larger shipments are flown out on private planes or packed in seagoing freight containers, which are almost never inspected. That explains, in part, why U.S. officials are unable to locate fully 80% of all the bills printed by the Treasury. Once overseas, the cash is easy to funnel into black markets, especially in unstable economies where the dollar is the favored underground currency.

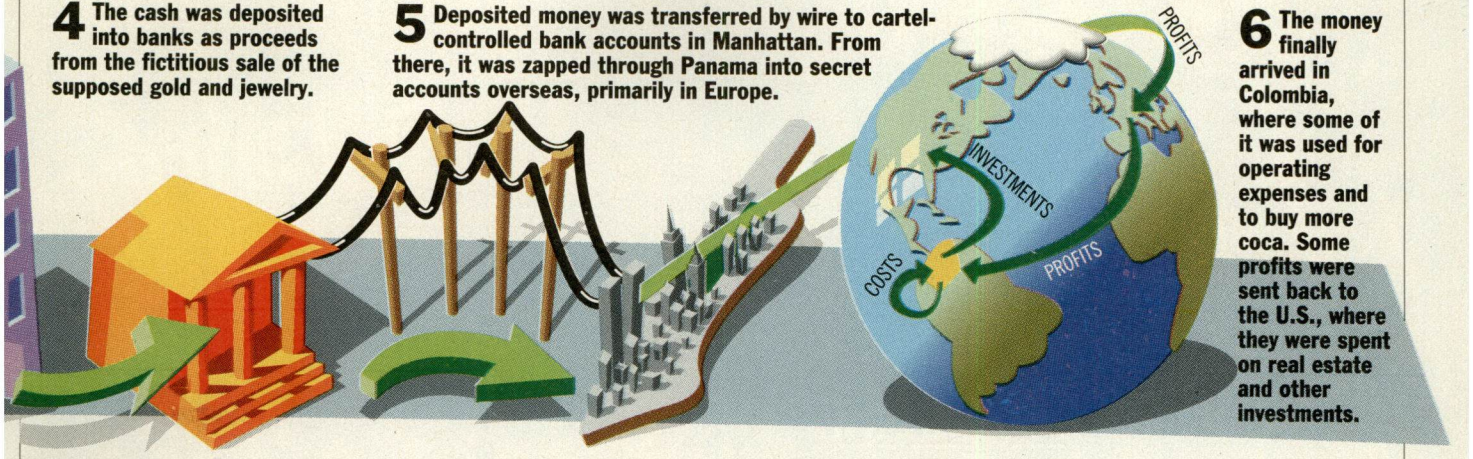
But hauling cash out of the U.S. has its drawbacks. The interest revenue lost while cash is in



VANDEVILLE—GAMMA LIAISON

Alleged moneyman: Extradited from Colombia to the U.S. last September, Eduardo Martínez Romero is accused of masterminding the La Mina laundering operation and serving as "finance minister" for the Medellín cartel. The college-educated Martínez, 36, awaits trial in Atlanta under heavy security.

EP-56



transit pains a drug dealer as much as it would a corporate financial officer. And since narcotraffickers see America as a safe and profitable haven for their assets, they often launder and invest their cash in the U.S. The first and trickiest step is depositing the hot cash in a U.S. financial institution. Reason: the IRS requires all banks to file Currency Transaction Reports for deposits of $10,000 or more. During the early 1980s, launderers got around this scrutiny by employing couriers called Smurfs, named for the restless cartoon characters, who would fan out and make multiple deposits of slightly less than $10,000.

The Government now requires banks to keep an eye out for Smurfs, but launderers have developed new techniques. Since retail businesses that collect large amounts of cash are often exempt from the $10,000 rule, launderers have created front companies or collaborated with employees of such outlets as 7-Elevens and Computer-Land stores. To drug dealers, "an exempt rating is like gold," says a Wells Fargo Bank vice president. A restaurant that accepts no checks or credit cards can be an ideal laundering machine. Even a front business with no exemption is valuable because launderers can file the CTRs in the knowledge that they are unlikely to attract scrutiny, since the Government is swamped with 7 million such reports a year, up from fewer than 100,000 a decade ago. Other places where drug dealers can often dump their cash include the currency-exchange houses along the Southwest border and urban check-cashing and money-transmittal stores.

Once the money is in a financial institution, it can be moved with blinding speed. Communicating with the bank via fax machine or personal computer, a launderer can have wire transfers sent around the world without ever speaking to a banking officer. The goal of many launderers is to get their money into the maelstrom of global money movements, where the volume is so great that no regulators can really monitor it all. Such traffic has exploded because of the globalization of the world economy, which has multiplied the volume of international trade and currency trading. On an average working day, the Manhattan-based Clearing House for Interbank Payments System handles 145,500 transactions worth more than $700 billion, a 40% increase in just two years.

Much of the electronic money zips into a secret banking industry that got its start in Switzerland in the 1930s as worried Europeans began shifting their savings beyond the reach of Hitler's Third Reich. Later the country's infamous numbered accounts became a hugely profitable business. Chiasso, a quaint Swiss town of 8,700 inhabitants on the Italian border, has 18 banking offices. But during the past few years, Swiss secrecy has been weakened by a series of cases involving money laundering. Switzerland is now preparing a new law that will make money laundering a crime punishable by prison terms. Explains Jean-Paul Chapuis, executive director of the Swiss Bankers Association: "Our hope is that the criminals will go to another country."

They apparently are, since many small countries have successfully attracted banking business by creating discreet, tax-free havens. In Luxembourg total bank deposits have grown from $40 billion in 1984 to more than $100 billion last year. In the wake of a drug-money scandal involving the Florida operations of Luxembourg-based Bank of Credit and Commerce International, the country has tried to burnish its public image by declaring money laundering a criminal offense, even while it has fortified its bank-secrecy rules.

The most inventive havens allow investors to set up shell corporations with invisible owners, which means that high rollers can secretly stash their money in real estate, corporate stock and other assets. The Netherlands Antilles, with cash flowing steadily from banking centers in Amsterdam and Rotterdam, is a favorite financial center for investors seeking a low profile. Many Hollywood filmmakers love the arrangement, since movie profits can be diverted to a nearly tax-free setting. Many actors, producers and directors set up so-called personal-service companies in the Antilles so they can collect their paychecks through such corporations and avoid U.S. taxes. "It has to be structured very carefully, since the rules are tortuously complicated, but it is legal," says a top entertainment lawyer. "However, the IRS may take a closer look after your story comes out."

Just as Hollywood paychecks pour into these havens to avoid taxes, mystery money flows out in search of well-paying investments. "The man I'm working with now," says a prominent screenwriter, "is an American representing vaguely described movie and cable interests in Europe who seem to have a waterfall of money from banks in Luxembourg and Amsterdam. He's all over town offering unlimited financing, but he won't show up himself at any of the meetings with the networks or studios."

Dozens of islands, from Britain's chilly Isle of Man to Vanuatu in the South Pacific, have boosted their economies by turning into havens for money. While narcotics traffickers launder their dollars through so-called brass-plate companies on these islands, the main business of the tax-free offshore havens is servicing some of the world's largest multinational corporations. "The idea is to put profits where there are the least taxes. Everybody does it," explains the president of a major U.S. corporation's foreign subsidiary.

One technique for minimizing taxes is a quasi-legal fabrication called reinvoicing, a paper shuffle that enables companies to rebook sales and profits into tax havens. For example, one FORTUNE 500 corporation imports raw materials through an offshore dummy company, which buys shipments at the lowest possible price and resells the material to the parent firm at a high markup. This dumps profits in the tax haven, while the U.S.-based company can boost its apparent costs to reduce taxes on the mainland. The profits can then be repatriated in


ROCK CZAR.
PIERRE SMIRNOFF
SMIRNOFF
FOR OVER A CENTURY
THE REIGNING VODKA.
SMIRNOFF® VODKA 40 & 50% Alc. by Vol., distilled from premium grain. © 1989 Ste. Pierre Smirnoff Fils (Division of Heublein, Inc.) Hartford, CT—Made in U.S.A.

the form of tax-free "loans" from offshore entities to the U.S. parent corporation.

While the IRS tolerates such schemes up to a point, the U.S. Government has tried to choke the river of drug money flowing through the same channels. Yet laundering hot spots tend to be moving targets. After the U.S. negotiated new treaties with Bermuda and Cayman authorities to allow limited access to banking records in narcotics cases, many of the launderers found new havens.

As the financial center of gravity in the world has shifted toward the Pacific Rim, new tax and secrecy havens have multiplied on such remote islands as Nauru in the western Pacific and Palau and Truk in Micronesia. Citizens of Vanuatu, a volcanic archipelago of some 80 islands formerly known as the New Hebrides, have found that international finance beats coconut and taro farming. In Port Vila, the capital, it is not unusual for a $100 million transaction between major international banks to take place on any given day.

Still, Hong Kong remains the pre-eminent laundering center in the Pacific. Almost everyone there does it, usually legitimately, at least according to the laws of Hong Kong, where even insider trading is no crime. By the puritan standards of the U.S., says one American banker, "the lack of public disclosure here is scandalous." The city is a mecca for arms dealers, drug traffickers and business pirates of every description. "Where else could I broker a deal that involves machine guns from China, gold from Taiwan and shipments traded in Panama City?" says a Brazilian arms merchant who maintains an apartment in Hong Kong.

In the U.S. a money-laundering center can be spotted by the huge surplus of cash that flows into the local branch of the Federal Reserve System. In 1985 the Miami branch posted a $6 billion excess. But after several years of intense federal probes of South Florida banks, Miami's cash glut fell last year to $4.5 billion. Much of the business went to Los Angeles, where the cash surplus ballooned from $166 million in 1985 to $3.8 billion last year. Despite such rocketing growth, the staffing of federal law-enforcement offices in L.A. still lags far behind the levels in Miami or New York City.

Both in the U.S. and abroad, financial businesses and even governments are often reluctant to impose regulations to keep out launderers. One reason is that a thriving financial industry brings jobs and income. South Florida's 100 international banks employ 3,500 workers and pump $800 million into the local economy. Even more appealing is the inflow of foreign capital. During the spend-and-borrow era of the 1980s, the gusher of flight capital into the U.S. from Latin America helped finance America's deficits. As in Hollywood, not many politicians were concerned about where the money was coming from. Alarmed by the tide, House Democrat John Bryant of Texas has long pushed for legislation to require disclosure of the identity of foreign investors. But for years, the Reagan Administration refused to go along, claiming that such openness might scare away capital.

Now that a consensus is building that the U.S. must pick out the black money from the gray, the tools at hand seem minimal for the task. Says Jaime Chavez, an international banking consultant: "The people who will probably be searching for it have a very limited knowledge of what money movement is all about. How is a third-rate employee of the Justice Department going to dissect the entire financial system to pinpoint the drug money correctly?" During the Reagan years, the budgets of agencies in charge of catching financial cheats failed to keep pace with the changing world of money manipulation. Even IRS agents are largely unprepared for the task of tracking transactions that can involve four or five banks, several shell companies and two or more currencies.

Few agents can be spared because IRS employees are working overtime to contain an explosion of smaller-time money-laundering cases involving car salesmen, ordinary investors, real estate agents and other entrepreneurs. In Florida undercover IRS agents operating a sting operation that they touted as a "full-service financial-investment corporation" have nabbed 50 would-be money launderers in the past year. "Some are lawyers and businessmen who are skimming cash from their businesses, and they've heard about what you can do through an offshore bank," says Tampa IRS supervisor Morris Dittman. "Others have cash that rolls out of the drug trade. When a druggie buys a big home and car for cash, you have a real estate agent and a salesman with sudden cash, and they begin wondering if they have to share it with the Government."

Such amateurs are running afoul of laws that professionals have already discovered. The statutes began tightening in 1986, when money laundering became a specific crime. Later it became illegal to evade the $10,000 currency-reporting requirements by making groups of smaller deposits. Banks have begun to exercise more internal supervision as well, prodded by a series of investigations in the mid-1980s in which such institutions as Bank of America and Bank of Boston were forced to pay hefty fines for their involvement in laundering schemes. Yet many major banks are still participants, witting or not, in ever more sophisticated laundering operations.

To close the gap, Bush's offensive against drug-cash handlers is being placed

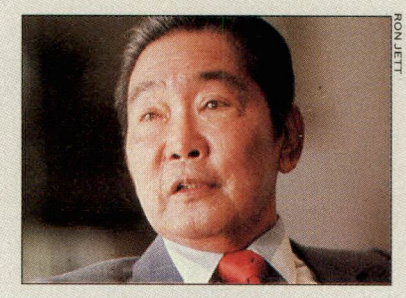
STICKY FINGERS

Heads of state as well as corporate chiefs have concealed dirty money



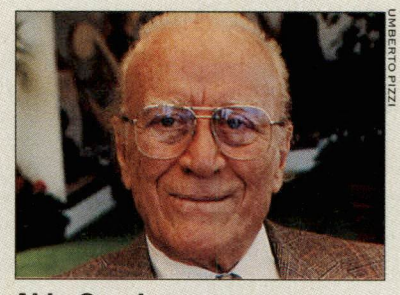
J.B. DIEDERICH—CONTACT

General Manuel Noriega For a fee, the dictator allegedly uses Panamanian banks to launder money for Colombian drug rings. His wealth: at least $200 million.



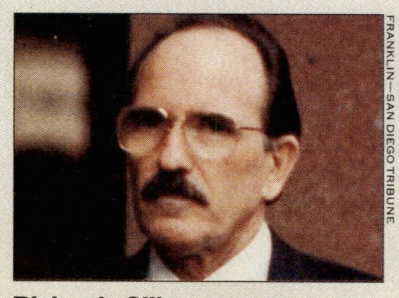
RON JETT

Ferdinand Marcos As the Philippine leader, he stashed billions of dollars in foreign banks and set up dummy companies to buy Manhattan real estate.



UMBERTO PIZZI

Aldo Gucci He used sham companies to divert more than $11 million from his fashion firm, hiding much of the money in Hong Kong to evade U.S. taxes.



FRANKLIN—SAN DIEGO TRIBUNE

Richard Silberman The California millionaire, once an adviser to ex-Governor Jerry Brown, allegedly laundered money for U.S. agents posing as drug dealers.

in the hands of a newly created task force that includes the CIA, the National Security Agency and the Pentagon, as well as a team of drug, tax and customs agents. FINCEN is already at work in a crowded Virginia office littered with discarded coffee cups, overflowing ashtrays, computer terminals and maps of the world. "We're going to be a financial think tank to help train cops who are deluged in financial data," says Gene Weinschenk, acting director of FINCEN's research-and-development division. "We're looking for money, not dope."

The biggest problem may be in deciding how to handle all the borderline illegality the task force will find. "How do you separate drug money from capital-flight money?" asks one of the mavens. "It will be more than drug money we come up with, and what happens when we stumble over a really major company and hold up its dirty linen? Maybe the banks will start turning in the narcotics people rather than lose their biggest customers."



DONNA DIETRICH—NEWSDAY

Bagging narcodollars. Federal agents captured $20 million from a Colombian coke gang in New York City earlier this year

To make a dent in the money-laundering trade, authorities will need more support from the financial community. "They're now willing to tell us about people coming in with bags of cash," says a regulator, "but as far as anything else goes, you can forget it." Yet many bankers think the feds have become indiscriminate in their crackdown. "They are characterizing traditional, ordinary, international banking transactions as money laundering," gripes Gerald Houlihan, a Miami attorney who represents financial institutions in money-laundering and forfeiture cases. "They are not going after money launderers, but are attempting to terrorize banks in an effort to give the impression they are doing something about drugs."

U.S. bankers rightly point out that they must abide by relatively strict currency-reporting laws, while their counterparts in other countries play fast and loose. That discrepancy has prompted Washington to try to persuade the rest of the banking world to adopt the record-keeping system used by American institutions.

The biggest push could come from the provisions of the Kerry Amendment to the 1988 anti–drug abuse act. The law requires the Treasury Secretary to negotiate bilateral agreements on money-laundering detection and prevention with all U.S. trading partners. Countries that refuse to participate or that negotiate in bad faith could conceivably be excluded from the U.S. banking network and clearinghouses. Yet in hearings earlier this year, Assistant Treasury Secretary Salvatore Martoche indicated that the Bush Administration is reluctant to enforce the law zealously for fear of hampering the U.S. banking industry.

But there is more at risk than the dislocation of business as usual. Many experts believe the financial stability and national security of whole countries will be in jeopardy until the problem is solved. Says the head of the Italian treasury police, General Luigi Ramponi: "Now that they are too rich, the drug lords will start investing everywhere: in industry, in the stock market." In the U.S. some lawmakers have begun worrying about the impact of billions of drug dollars invested in U.S. institutions and wonder what influence the drug barons might eventually exert.

The money-laundering game is also creating a mess for investigators of other crimes, who are running into dead ends when they try to identify the players in fraud cases. Beverly Hills police are stymied by last August's Mob-style assassination of Hollywood entertainment executive Jose Menendez and his wife Kitty, who were shotgunned in the front room of their mansion. Menendez had been an executive and director of Carolco Pictures, an independent movie company that produced Sylvester Stallone's *Rambo* movies, and police have been unable to unravel his business affairs or identify all his partners. Carolco is controlled by a Netherlands holding company that is, in turn, owned by a tangle of offshore family trusts.

Financial experts are beginning to recognize that Washington will be unable to control drug money unless the U.S. compels offshore financial institutions to make their books "transparent" enough to show the true owners of the money. In the end, the Colombian drug cartels are about to force the world to re-examine the international financial system that has developed haphazardly over the 60 years since the Swiss first popularized secret banking. Countries may not yet be willing to make their banking transactions fully "transparent," but some light must be shed on everyone's books. Says Kerry: "It will take significant leverage and leadership. The President has to have the top bankers in and say, 'Unless you are part of the solution, you are part of the problem.' "

Yet there is still a deep-seated reluctance to take drastic measures. Briefing reporters after a Paris conclave on money laundering last September, a senior U.S. official declared that global efforts to trace drug money will have to be balanced against the freedom from unnecessary red tape. Too many controls, he declared, could "constipate" the financial exchanges. That is the kind of attitude that has brought the system to its current state, in which drug money freely mingles with the life force of the world economy, like a virus in the bloodstream. —***With reporting by Jay Branegan/Hong Kong, S.C. Gwynne/Detroit and Jeanne McDowell/Los Angeles***

WHAT TO DO

1. Hold bankers responsible. Current requirements to report large cash deposits fail to deter professional launderers. Banks should have to investigate depositors as thoroughly as they do their borrowers.

2. Tighten controls on electronic banking. Computerized money transfers fall into a twilight zone of electronic pulses. The U.S. should require banks to keep standard customer information on all such wire shipments.

3. Insist on scrutiny abroad. The U.S. ought to call on foreign banks to cooperate in identifying the real owners of money. This should be considered the price of access to the global payments system that operates in the U.S.

4. Convene a bankers' summit. President Bush should bring together the heads of America's largest banks and financial companies to enlist their support in a unified effort to blockade drug loot.

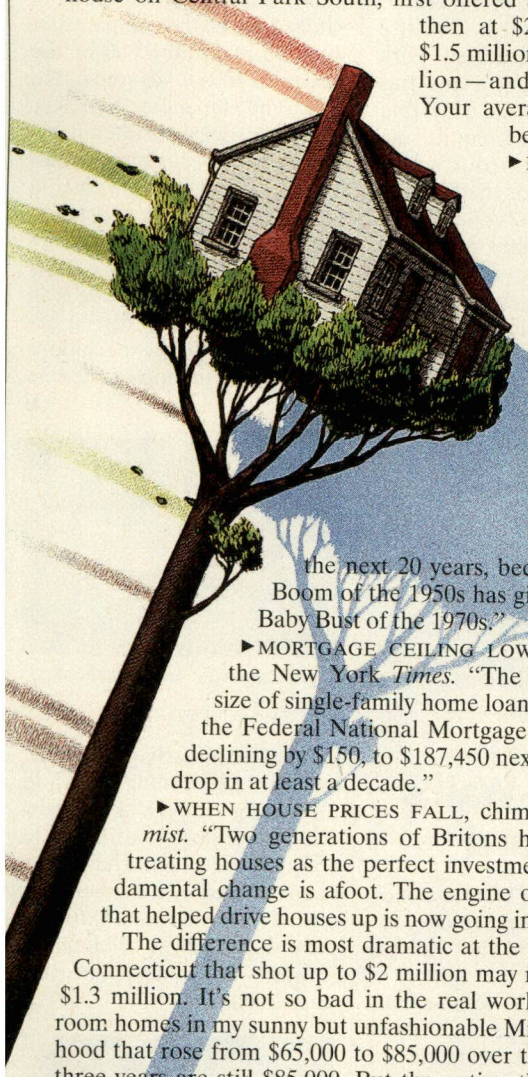
5. Provide money, not just lip service. Bush's pledge to target launderers is not convincing without a larger budget behind it. Computers capable of helping trace the world's flow of money would be a national asset—and they would cost accordingly.

Money Angles

Andrew Tobias

When a House Is Just a Home

Until recently, Newton's First Law was that home prices could only go up. Now residents of that Boston suburb—and homeowners nationwide—are having apples dropped on their heads. Suddenly a lot of people are talking about home prices going down. And I don't mean just in Houston (actually, they've begun to recover in Houston) or Billy Joel's penthouse on Central Park South, first offered at $2.8 million, then at $2 million, then $1.5 million, now $1.1 million—and *still* unsold. Your average home may be affected too.



▶PREPARE FOR A DROP IN PRICE OF HOUSING, warns columnist Hobart Rowen in the Washington *Post*. "Experts agree that the nation may be facing a serious drop in demand for housing over the next 20 years, because the Baby Boom of the 1950s has given way to the Baby Bust of the 1970s."

▶MORTGAGE CEILING LOWERED, reports the New York *Times*. "The ceiling on the size of single-family home loans purchased by the Federal National Mortgage Association is declining by $150, to $187,450 next year, the first drop in at least a decade."

▶WHEN HOUSE PRICES FALL, chimes the *Economist*. "Two generations of Britons have grown up treating houses as the perfect investment. But a fundamental change is afoot. The engine of demography that helped drive houses up is now going in reverse."

The difference is most dramatic at the top. Homes in Connecticut that shot up to $2 million may now fetch only $1.3 million. It's not so bad in the real world—three-bedroom homes in my sunny but unfashionable Miami neighborhood that rose from $65,000 to $85,000 over the past two or three years are still $85,000. But the notion that real estate prices will always go up, once common knowledge, like the notion that grapefruits can be eaten only in halves, is finally subject to doubt. After decades of steadily rising prices, we could be in for years, if not decades, of relatively poor performance.

In one sense this is good. (And of course it's *very* good if you don't yet own a house.) In the U.S., we need to invest relatively less on expanding our living space and more on retooling our factories. We need fewer real estate agents and more teachers, fewer mortgage brokers and more engineers. So if people get the notion they'll make more money investing in stocks and bonds than in homes—good! To succeed long-term, we need to save a little more and consume a little less.

Granted, building a home or installing a pool isn't exactly "spending" the way flying to Rio is—the home has lasting value. But neither is it a productive investment that makes the economy more efficient and competitive for the future.

Sluggish home prices are also good news in the drive to dampen inflation. Returning to the days of negligible inflation, if we eventually can do so, should also mean returning to the days of low interest rates (from 1880 to 1965, home mortgage rates above 6% were all but unheard of), and that would be good news for the economy—and for future home buyers.

So if the bull market in homes really is over, that's not all bad—unless it gets out of hand. It's one thing to have prices trail inflation for a number of years, quite another to allow a stock-market-style 40% crash in prices. That would leave the banks owning an awful lot of houses and the Government owning an awful lot of banks, which is why the Government is unlikely to let it go too far.

The banks and the Government already own an awful lot of homes—250,000 would be a rough estimate—which alone is reason to expect prices to be weak. The Resolution Trust Corp., set up to sell off the holdings of hundreds of failed S&Ls, is pledged to avoid triggering a price crash. Yet this is an arm of the same Government, after all, that actually lost money auctioning off confiscated drug loot.

A house near me worth a minimum of $65,000 was recently offered for sale by HUD for $50,000 (mistake No. 1). I bid $58,100, but lost it to a bid of $54,000 because the Government decided to accept the lower offer even before the bids were opened (mistake No. 2). One bumbled sale a real estate depression does not make. But if it's happening in my neighborhood, you have to wonder whether it won't be happening in others as well.

If prices come down and people feel poorer, consumer spending could slow a bit. Other factors may keep the economy humming, but one thing that's bound to slow is the turnover of houses. People are stubborn when it comes to selling their homes at less than they were counting on, let alone at a loss; and, especially after allowing for selling expenses, the equity available from the sale of one's first house may now be less, not more, than what's needed to trade up to a new one.

Homes can still be a good investment—much of my own money is in real estate, and so is much of the money of most of the successful stockbrokers I know (they sell stocks; they buy real estate). Even if there are fewer baby boomers entering the new-home market, the population continues to grow, and as it becomes wealthier, it will want more living space. So don't buy the new conventional wisdom unreservedly. But even in Los Angeles, where the *whole point* is to spend more than you can afford, rising values are no longer a given. So it's more important than ever not to buy a house you can't afford. And more sensible than ever to consider renting, if your career requires you to move often, incurring what can be upwards of 10% in commissions, closing costs and mortgage points each time you do.



Rising home prices may *not* pay for Junior's education or Senior's retirement. Some real money may need to be set aside as well. ■

ILLUSTRATION FOR TIME BY MIRKO ILIC

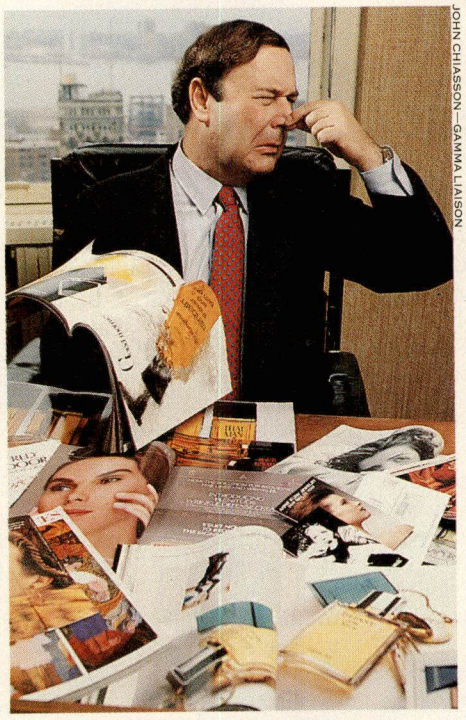
Business Notes

COMPUTERS

The Elephant Tries to Dance

To corporate customers, computers once meant IBM mainframes. But that has changed as high-powered workstations and personal computers from such companies as Compaq, Apple and Sun Microsystems have won over legions of business users. As a result, IBM's earnings have slipped from $6.6 billion in 1984 on total sales of $46 billion to an estimated $5.5 billion last year on total sales of $60 billion. In an attempt to cut its costs and become a more nimble competitor, IBM last week announced its fourth belt-tightening program in three years.

Big Blue plans to eliminate 10,000 jobs from its U.S. payroll of 216,000, mostly through attrition and early retirement. IBM has already eliminated 20,000 jobs during the past two years by the same means. The company will also spend as much as $4 billion in a stock repurchase to boost its sagging share price. Some industry analysts predict more cuts as IBM shifts its emphasis to the smaller and more flexible computer systems offered by its rivals. ■



JOHN CHIASSON—GAMMA LIAISON

Connor reacting to an onslaught of aromas

LEGISLATION

Down with Smellagrams!

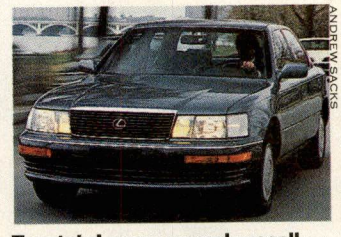
Time was when monthly bills were simply an affront to one's wallet. Now they can be an assault on the senses as well. Cosmetic and fragrance manufacturers have taken to packing heavily scented promotional material into the envelopes carrying statements from credit-card companies and retailers. Fashion magazines have gone aromatic too, surrounding readers with unsolicited bouquets.

Irked by the trend, a New York state senator has proposed a law that would require an odor-proof wrapper for the fragrant flyers. "A lot of people have been suffering in silence," says senator Martin Connor, who cites 120 complaint letters. Constituents who suffer from allergies, asthma and migraine headaches claim the scented ads aggravate their symptoms. In a New York hearing last week, perfumers defended the ads. Said Michael Petrina, an industry spokesman: "We know of no scientific data linking such samples to any significant threat to the public health." ■

AUTOS

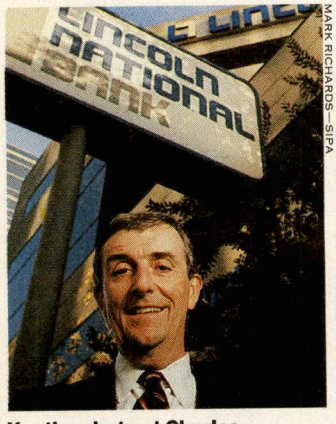
O.K., So We're Human

When Toyota introduced its Lexus LS 400 luxury automobile in September, it ran ads touting the $35,000 sedan as the ingenious brainchild of "1,400 perfectionists" and "close to faultless." Toyota was wise to hedge that claim. Because of safety defects, the company last week recalled all 8,000 of the Lexus LS 400s it has sold in the U.S. The Japanese carmaker made the decision after it received some customer complaints about loose wiring, a faulty cruise control and a malfunctioning brake light. The defects have caused no accidents or injuries, but the episode is an embarrassment for Toyota because of the high expectations surrounding the top-of-the-line model. ■



ANDREW SACKS

Toyota's Lexus: an early recall



MARK RICHARDS—SIPA

Keating, but not Charles

SAVINGS AND LOANS

Hey, That's Not Me on TV

His seven-year-old bank is solidly profitable, a respected institution in Encino, Calif. But John J. Keating, president of Lincoln National Bank, is getting a bum rap all over town. The banker and his institution are suffering from guilt by association with Charles Keating, the savings and loan operator whose Lincoln Savings and Loan of Irvine, Calif., was taken over by federal regulators last April. Charles Keating is a subject of a congressional investigation to determine if he tried to buy favors from five U.S. Senators. John Keating, on the other hand, is not even wanted for a traffic violation.

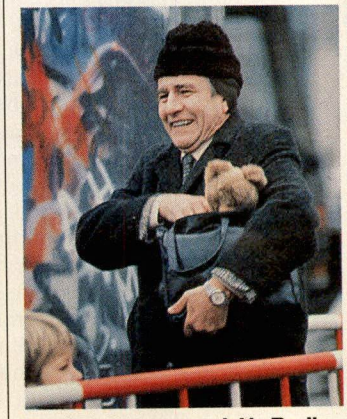
Even so, the double coincidence of names has unnerved shareholders of the Encino bank, so John Keating will probably change its name to avoid any more confusion. He jokes that he may also rechristen himself Fielding Mellish, the name of the goofy dictator in Woody Allen's 1971 movie *Bananas.* ■

ADVERTISING

Now the Wall's A Billboard

Advertisers, who know a trendy location when they see one, are flocking to Berlin. The Wall has become a potent new symbol in a plethora of TV commercials celebrating its opening. Pepsi-Cola filmed an ad that features a young woman handing a flower to a border guard. Quintessence, a Chicago cosmetics firm, taped a 30-second corporate ad depicting a family reunion at the Brandenburg Gate. AT&T interviewed people at the Wall who told how they phoned friends when it opened.

The Berlin commercials are among an outpouring of ads in which Western businesses seem to be welcoming Eastern Europe into the capitalist world. A Shearson Lehman Hutton commercial shows Slavic women wearing U.S. running shoes and a teenager riding a skateboard past a hammer-and-sickle sculpture. The tactics have even been adopted by the other side: one of the products to extol improved East-West relations in its ads is Stolichnaya, the Russian vodka. ■



Shooting a commercial in Berlin



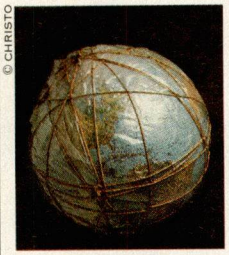
At last, you can give perfection in a vodka.

Tanqueray Sterling.

To give Tanqueray Sterling Vodka as a gift, visit your local retailer or call 1-800-243-3787. Void where prohibited.

Imported Vodka, 40% and 50% Alc/Vol (80° and 100°), 100% Grain Neutral Spirits. © 1989 Schieffelin & Somerset Co., New York, N.Y.





© CHRISTO

THE FIGHT TO SAVE THE PLANET

As concern for the environment grows, and some promising international initiatives take shape, the U.S. must do its share

As a follow-up to our Jan. 2, 1989, Planet of the Year issue, TIME invited 14 environment experts and policymakers to Alexandria, Va., for a one-day conference. Its aim was twofold: to take stock of the environmental progress that had been made around the world during the year, and to develop an agenda for the future. This special report sums up our conclusions—and some proposals for action.

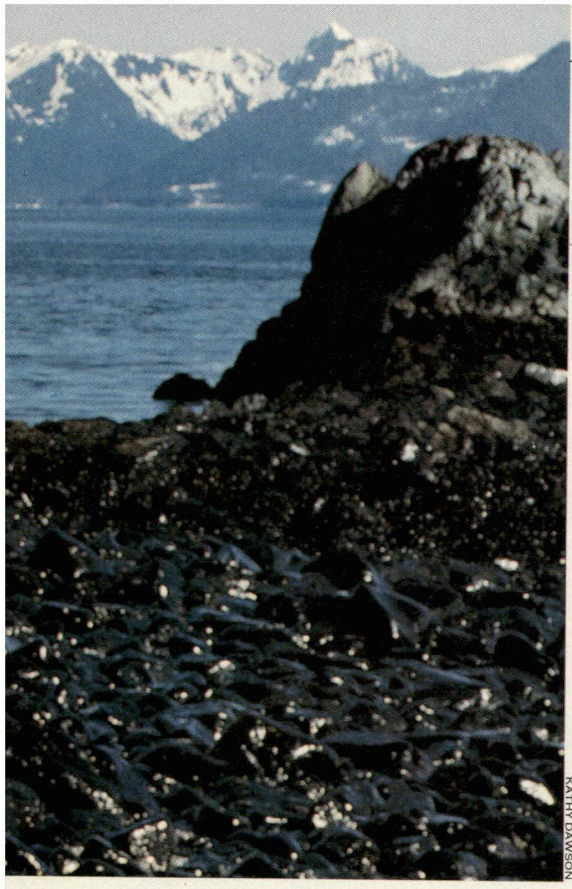
BY THOMAS A. SANCTON

"When a man knows he is to be hanged in a fortnight," Samuel Johnson once wrote, "it concentrates his mind wonderfully." The threat of impending ecological doom seems to be having the same effect on public opinion. If historians remember 1989 as the year the Iron Curtain collapsed, it has also been the year that concern for the environment reached a new peak.

No single incident did more to raise that consciousness than the *Exxon Valdez* disaster, which last March disgorged nearly 262,000 bbl. of crude oil into the pristine waters of Alaska's Prince William Sound. The images of dead birds and sea otters and miles of tar-smeared beaches graphically illustrated mankind's capacity to foul its environment. Coming in the wake of 1988, with its devastating droughts, mega–forest fires and record high temperatures, the *Valdez* spill convinced all but the most skeptical observers that humanity was courting ecological disaster.

Yet the *Valdez* spill was only a trivial occurrence compared with the far-reaching, perhaps irreversible processes that were unfolding around the world. The earth's population, now 5.2 billion, rose in 1989 an estimated 87.5 million, maintaining a growth rate that could double the number of human beings by the year 2025. Deforestation and burning of fossil fuels spewed at least 19 billion tons of carbon dioxide into the atmosphere, aggravating the global warming process that could cause the average worldwide temperature to rise as much as 4.5° C (8° F) within the next 60 years. Another 11.3 million hectares (28 million acres) of tropical forest were destroyed. The ozone hole over Antarctica remained alarmingly large, and scientists reported evidence that a second hole was developing over the Arctic. Whether or not all of the dire predictions come to pass, they underscore a chilling message: the planet is in grave trouble. If nations do not take drastic action, it could one day be unfit as a human habitat.

All around the world, there were signs that people were beginning to heed that message. In the U.S. a Gallup poll indicated that 3 of every 4 Americans consider themselves environmentalists. The level of public concern is so high, says Republican Senator John Chafee of Rhode Island, that pro-environmental bills now get "a tidal wave" of support in Congress. In elections to the European Parliament, Green parties scored impressive gains. In Hungary



KATHY DAWSON

Consciousness raiser: an oil-smeared beach on Alaska's Prince William Sound after the *Exxon Valdez* disgorged nearly 262,000 bbl. of crude into the once pristine waters

protests from local environmentalists led the government to cancel a controversial multibillion-dollar hydroelectric-dam project. And in the Soviet Union the budding Green movement showed its muscle by shutting down a new chemical-weapons dismantling facility in the Siberian town of Chapayevsk. "In the future," said Soviet People's Deputy Alexei Yablokov, "the Green movement may be so strong that without its support, no government can do anything sound."

Such grass-roots pressure gave added impetus to some major international initiatives. In Basel last March, 105 nations tentatively agreed to place strict curbs on international shipments of hazardous waste. Meeting in Helsinki in May, representatives of 86 countries declared their intention to phase out their production and use of ozone-destroying chlorofluorocarbons (CFCs) by the year 2000. All this is encouraging. But make no mistake: these are only the opening skirmishes in what may prove to be mankind's ultimate battle for survival. Mostafa Tolba, executive director of the United Nations Environment Program (UNEP), put the matter starkly in his keynote speech before TIME's Alexandria conference: "Addressing the global environmental crisis requires nothing less than a radical change in the conduct of world policy and the world economy."

Most of all, it requires international cooperation on an unprecedented scale. No nation can cordon itself off from the effects of its neighbors' pollution. Radioactive fallout from Chernobyl swept across most of the European continent. Canadian lakes are being poisoned by the belchings of U.S. smokestacks. The torching of Brazil's tropical forests each year accounts for some 6% of all the CO_2 that is pumped into the atmosphere. Deforestation in Haiti and drought in Africa have prompted large cross-border refugee movements—just a foretaste, perhaps, of the mass migrations that could result if runaway population growth outstrips world food and energy resources.

International efforts to preserve the biosphere will not succeed unless the Third World goes along with them. The irony is that the laissez-faire, free-market rules that allowed the industrial world to prosper must now be suspended. "If the developing nations, home to 8 out of 10 people, repeat the pattern of development of the North," warns UNEP's Tolba, "if they reach the North's levels of consumer goods and fuel consumption, and if they continue to clear the forests, then our mutual destruction is assured."

The industrialized nations must therefore persuade the Third World to embrace the goal of sustainable development—economic growth that relies only on renewable resources and does not permanently damage the environment. But the debt-burdened developing nations cannot be expected to do so without an enormous influx of funds and technology from the North. According to Kenneth Piddington, director of the World Bank's Environment Department, the crucial question is, "Are the rich countries of a mind to organize the transfer of resources in such a way that the Thailands and Indonesias of this world are actually going to benefit materially from the way they have dealt with their environmental agenda?" Arranging such a transfusion is perhaps the central challenge facing all the nations of the world today.

As humanity moves into the final decade of the 20th century, many experts believe the next few years will be the turning point. In order to avert the catastrophes that threaten the earth, immediate action must be taken in several key areas. Among the international initiatives currently under way:

Climate Change. This month UNEP, the Climate Institute and the government of Egypt will sponsor a World Climate Conference in Cairo. Its aim: to begin laying the groundwork for a global convention to limit the emission of greenhouse gases and stabilize the world's climate.

Ozone Depletion. Next April, representatives from scores of countries will meet in London to complete the agreement to phase out CFC production by the year 2000. But unless all major nations accept the ban, efforts to halt ozone depletion may prove fruitless.

Biodiversity. UNEP is drafting an international biodiversity-conservation treaty. Among other things, it could provide financial incentives to protect tropical forests, whose destruction threatens thousands of lifeforms with extinction.

In these and other areas, America must play a leading role. Not only is the U.S., as a wealthy, technologically advanced nation, in a position to help others achieve sustainable development; the country also has a moral responsibility to do so. After all, the U.S. consumes a disproportionate amount of the world's resources and has inflicted more than its share of environmental damage. But perhaps the strongest argument for American leadership on the environment is an idealistic one. Ronald Reagan loved to sing paeans to America's unique role as "a city on a hill"—an inspiring model of democracy and free enterprise. Now that much of the world seems to be moving in a democratic direction, the U.S. should set its sights on an even loftier, more urgent mission: saving the planet. ■



Long the world's largest consumer of elephant tusks, **Japan** went along with a global ban on the ivory trade.



Brazil suspended several government subsidies that had encouraged speculators and ranchers to clear large tracts of the Amazon rain forest.



Australia and several other Pacific nations backed a U.N. resolution calling for a ban on fishermen's drift nets, huge expanses of nylon mesh that kill marine animals indiscriminately.



The **European Community** committed itself to reducing use of ozone-destroying chlorofluorocarbons by 85% as soon as possible.



U.S. AGENDA

GOVERNMENT

GET GOING, MR. BUSH

Rich and profligate, America can spur conservation in countless ways

BY EUGENE LINDEN

A new American role in world affairs, that of bystander, has been defined by the Bush Administration's reaction to two epochal events. But while it may be wise for the U.S. to refrain from meddling too much in Eastern Europe's current upheaval, the global environmental crisis cries out for presidential leadership. Michael Deland, chairman of the White House Council on Environmental Quality, admits that "this country is the most wasteful on the face of this earth."

Candidate Bush produced fine environmental rhetoric, but this commitment has gradually given way to mixed signals and throat clearing. Lack of federal leadership has led to regulatory chaos as states and municipalities, going it alone, have passed scores of differing environmental statutes. Other nations now find it easy to dismiss American calls for action. If the Bush Administration is to assert its promised international leadership, it must take action to reassure the world that it is serious about dealing with environmental threats.

A small but symbolically important first step would be to halt deforestation of ancient forests in the Pacific Northwest and Alaska. Incredibly, the Government spends $40 million yearly building logging roads and subsidizing the destruction of virgin forests on public lands. If the U.S. protected its last old-growth woodlands, American officials would have more credibility when asking tropical nations to stop the relentless cutting of their rain forests.

Another simple but vitally important move would be to reinvigorate the U.S. commitment to family planning at home and abroad. Peter Raven, director of the Missouri Botanical Garden, points out that humanity consumes or wastes 40% of the total amount of energy stored by photosynthesis in terrestrial vegetation. No one knows how much more people can devour before they begin to exhaust resources and crowd out vital ecosystems. Lester Brown of the Worldwatch Institute argues that global annual food production already falls short of human consumption and that environmental degradation reduces yields 1% annually at a time when world population is growing 2%.

Despite this trend, the Reagan Administration slashed aid to international family-planning programs, and President Bush has not restored it. He recently vetoed a $15 billion foreign aid package because he feared that a tiny $15 million targeted for the U.N. Population Fund might help support abortion services in China. Getting birth-control information and devices to the 2.5 billion people beyond the present reach of family-planning programs will require $8 billion annually, a $5 billion rise from current levels. In 1989 the U.S. contributed $245 million to such programs, less in real terms than in 1979. Unless America reverses its present policy, it sends a message to the world that the U.S. considers mass starvation preferable to the termination of unwanted pregnancies.

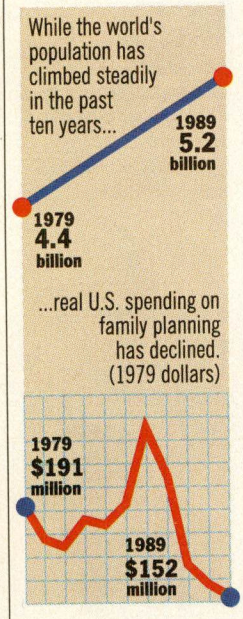
Similarly, the U.S. needs to revamp its technical assistance to poorer nations. In the past, development agencies have tended to promote pell-mell progress, leading many nations to conclude that environmental destruction is an integral part of economic advance. Senator Albert Gore, a Tennessee Democrat, advocates that assistance be refocused on "leapfrogging" technologies, like low-emission power plants, so that nations may better the lives of their people without repeating the mistakes of the industrial world. But to develop better technologies, says Harvard atmospheric scientist Michael McElroy, the U.S. will have to bolster its faltering science education.

Because of its prestige, the U.S. has the potential to do enormous good in promoting international treaties to heal the planet. Agreements like the 1987 Montreal Protocol, governing the release of ozone-damaging gases, serve the important function of reassuring nations that protecting the environment will not put them at a competitive disadvantage. So far, though, the Bush Administration has squandered the momentum generated by the Montreal agreement. Administration negotiators outraged nations in Africa, a prime dumping ground for hazardous wastes, by opposing important safety provisions in an international agreement on the shipment of toxic refuse.

Such precedents are not encouraging if the U.S. is to grapple with global warming, the climate change that might follow from overloading the atmosphere with gases like carbon dioxide. To date the Administration has been slow to react to the greenhouse threat because scientists are still debating how serious the problem is and because taking strong steps against it could cause severe economic dislocations. The U.N. is sponsoring a major study that could provide the basis for a coordinated international approach to global warming. American leadership is critical to this effort, just as it was to the Montreal Protocol.

In the meantime, the U.S. should begin to take unilateral action. The centerpiece of such a policy should be a comprehensive drive to cut gaseous emissions by conserving energy. Whether or not global warming is an imminent threat, curbing energy use would produce a more breathable atmosphere and reduce American dependence on unreliable foreign sources of fossil fuels.

The best way to do this is to raise energy prices and let free-market forces do the job of stimulating conservation. First, the federal gasoline tax should be increased substantially—to at least 60¢ per gal., from the current 9¢ per gal., over the next four years. At the same time, the Government could begin setting up a program to tax the use of all fossil fuels. The size of the tax should vary according to how much carbon is released into the atmosphere when a particular fuel is



WHAT CAN BE DONE

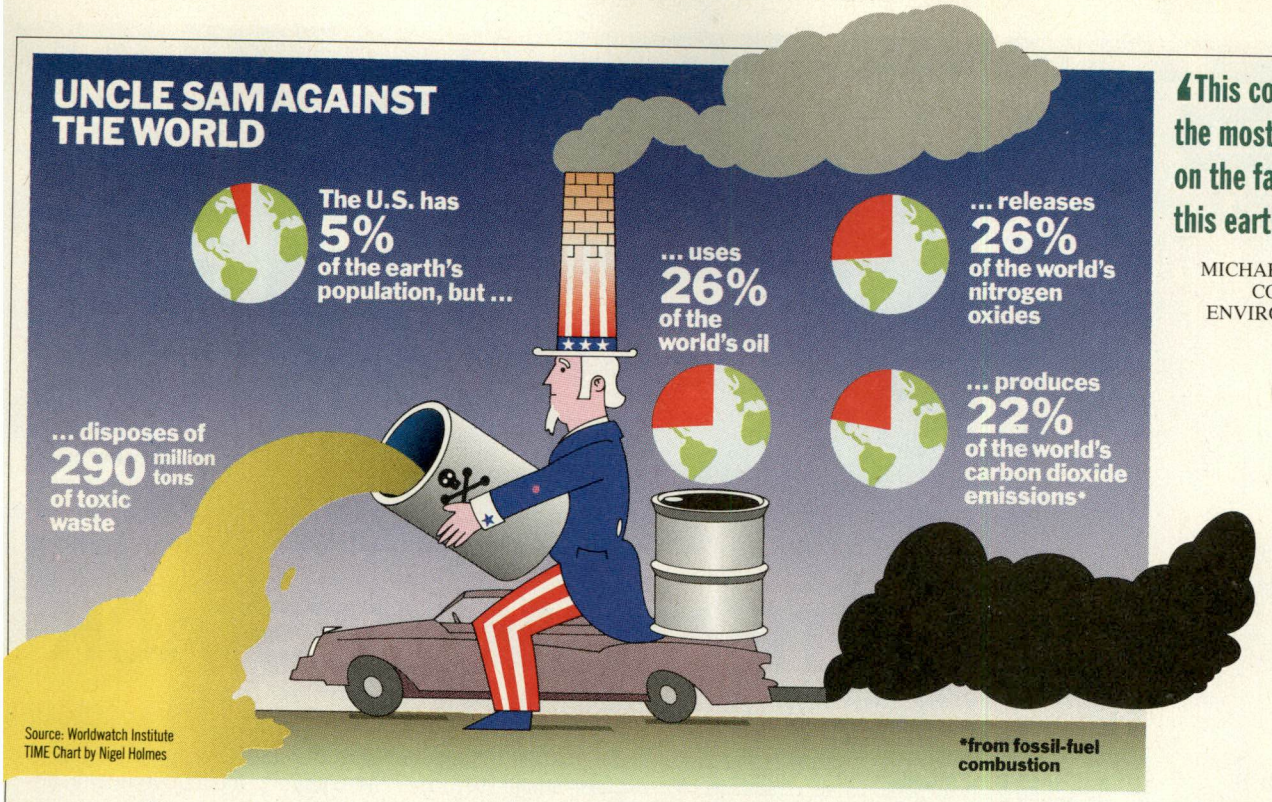
1. Push for worldwide family planning.

2. Aid the transfer of nonpolluting technologies to poor nations.

3. Follow through on pledges to support the U.N.'s effort to forge an international accord on climate change.

4. Create tax incentives to encourage efficiency and discourage pollution.

5. Promote "resource accounting," so that economic yardsticks include the costs of pollution and the depletion of resources.



"This country is the most wasteful on the face of this earth."

MICHAEL DELAND
COUNCIL ON ENVIRONMENTAL QUALITY

burned. That would encourage a shift in consumption patterns away from high-pollution fuels like coal to cleaner ones like natural gas.

Such tax penalties could be broadly applied to all forms of pollution. Senator Gore suggests that pollution fees could be collected in an Environmental Security Trust Fund, which would be used to reward environmentally responsible behavior like the insulation of homes. At the moment, most economic incentives work in a perverse direction. J. Gustave Speth, president of the World Resources Institute, notes that consumers have to pay extra for additional pollution gear if they want a cleaner vehicle—exactly the opposite of what should be the case.

Ultimately, the U.S. needs a whole new way of evaluating economic growth. Gross national product and other standard measures of progress merely look at increases in output. They do not take into account the loss of irreplaceable natural resources and the damage that pollution from higher production does to the environment. For instance, ozone pollution, largely from auto emissions, reduces crop yields 5% to 10%, in effect making farmers subsidizers of commuters. The U.S. should lead the world in promoting "resource accounting," a process that adjusts economic measures to reflect environmental costs of industrial activity.

To meet environmental threats effectively, the Government will have to reorganize its efforts. The Bush Administration inherited a structure designed to deal with problems in a fragmentary manner, but by their very nature environmental problems require an integrated, holistic approach. The Environmental Protection Agency proposed revisions of the Clean Air Act without input from the departments of Energy or Transportation. Such lack of communication will continue until the President designates one agency to coordinate policy on the environment throughout the Government. Kathryn Fuller, president of the World Wildlife Fund, goes further and argues that the environment should be at the foundation of policy review in all departments.

Finally, there is the question of who will pay for cleaning up the environment, particularly with the budget deficit looming large. Increased penalties for polluters could help raise money, but the Government will still have to reallocate its scarce resources. In view of the reduced tension between East and West, there is a growing consensus that the defense budget can be cut. While it would be naive to think that much of the military-industrial complex can be quickly dismantled or that there will not be fierce competition for any savings, protecting the environment certainly has a strong claim to a larger share of the budget.

This is a timely idea. The West has spent trillions over the years in anticipation of a threatened invasion of Western Europe. When it came, it involved East German day trippers and shoppers rather than armies. It is time to recognize that environmental degradation has become perhaps a greater threat to security than the possibility of military conflict. ■

TARGET: WASHINGTON WASTE

If George Bush wants to be an environmentalist, he should look first to his own domain: the U.S. Government. Each year the 3 million civilian federal workers discard some 273,750 tons of paper. The 1.8 quadrillion BTUs of energy used to run U.S. facilities and operations in 1988 could heat and light every American home for about 40 days.

Though some federal offices have recycled paper and conserved energy for years, much more could be done. Recycling all the stationery and other high-grade white paper the Government throws out could, in a year, save about 4.7 million trees. By installing sensors that turn off lights in unoccupied rooms, the Interior Department expects to cut electric bills at least 30%. That program should be expanded to all federal buildings. The Government could do more to encourage its workers to use mass transit, perhaps by eliminating most parking spaces. Finally, it should reduce its toxic trash. Routine maintenance of military trucks, ships and aircraft annually yields more than 400,000 tons of toxic sludge, solvents, acids and heavy metals.

U.S. AGENDA

BUSINESSES



WILLIAM CAMPBELL

Union Camp Paper Co.'s group of four plants in Savannah was cited as one of the nation's worst producers of toxic emissions in a recent National Wildlife Federation report based on Environmental Protection Agency data. A $375 million renovation of the pulp-and-paper mill should reduce methanol and acetone emissions 90% by 1991.

SCRUB THAT SMOKESTACK

Clean, efficient companies can put a shine on their bottom line

IN A YEAR:

An average paper mill consumes 180,000 tons of wood;

uses enough energy to light Las Vegas for a week;

disgorges 31 billion liters (8.2 billion gal.) of liquid waste;

discharges an average 62 g (2 oz.) of dioxin*

*One of the most potent animal carcinogens, only emitted from mills that bleach paper

BY MICHAEL D. LEMONICK

For far too long, many U.S. companies have looked upon the ecology movement as bad for business. Putting scrubbers on smokestacks is expensive, they lament, and drafting all those environmental-impact statements can consume an enormous amount of time and resources. But while cleanup efforts cost money in the short run, they can eventually pay hefty dividends. As more and more firms are discovering, many environmentally sound practices can build up goodwill, win customers and produce a healthier bottom line.

Among the most important steps that any company can take is to launch an all-out campaign to conserve energy. Such a drive can cut fuel bills sharply and at the same time reduce the pollution that contributes to smog, acid rain and the greenhouse effect. Most companies may think they use energy wisely, but few have invested in the most energy-efficient equipment and lighting systems. Contends Amory Lovins, director of research at the Colorado-based Rocky Mountain Institute: "The technology exists today to save 75% of the electricity and 80% of the oil used in the U.S. without lowering our standard of living at all." Several electric utilities are leading the way in making companies more conservation-conscious. Southern California Edison runs 50 different energy-management programs, which helped hold the growth in demand for the utility's electricity to 2.1% over the past decade, in contrast to 4.1% from 1970 to 1980.

Along with curbing energy use, companies can take a hard look at the amount of waste they generate. Increasingly stringent environmental regulations have made it ever more expensive to clean up smokestacks and reduce releases of toxic chemicals. Thus, limiting factory waste can save money while it helps preserve the surrounding environment. Since 1975, the 3M company has cut its waste discharges in half by redesigning equipment, streamlining manufacturing processes and selling or reusing materials that used to be discarded. By not having to deal with that waste, 3M has so far saved $300 million.

Companies can also reduce costs by cutting back on elaborate packaging for their products. Paper, glass, metal and plastic packaging constitute 50% of U.S. garbage by volume and 30% by weight. To help shrink the mountains of wasted material, manufacturers should concentrate on using recyclable packaging. Procter & Gamble is test-marketing the use of recycled plastics in detergent and fabric-softener bottles. The firm says 70% of its packaging is made from recycled paper. Also, grocers could market more foods in bulk, requiring customers to supply their own reusable containers.

Whatever actions a company takes to help the environment should apply to foreign operations as well as those in the U.S. In too many cases, corporations have complied with antipollution measures at home but ignored them abroad, especially in Third World countries that are too desperate for foreign investment to complain.

Companies that refuse to clean up their acts could be forced to do so, either by increased government regulation or public pressure. In September an alliance of environmental groups, bankers and investment-fund managers, known as the Coalition for Environmentally Responsible Economies, unveiled a set of guidelines for corporate conduct called the Valdez Principles (a name taken from the *Exxon Valdez*, the tanker responsible for the Alaskan oil spill). Firms that agree to the guidelines must pledge, among other things, to conserve energy, reduce waste and market environmentally safe products.

Coalition members plan to monitor which companies abide by the Valdez Principles and to publicize the findings. In that way, environmentally conscious citizens would be able to decide which firms are best to buy products from, invest in and work for. If this strategy succeeds, companies will find that protecting the environment will be the best way to protect profits. ■

WHAT CAN BE DONE

1. Conserve energy by modernizing equipment and lighting systems.

2. Reduce waste at the source by changing manufacturing techniques and recycling materials now discarded.

3. Cut back on excessive packaging.

4. Adopt the same antipollution and safety measures in foreign operations as at home.

U.S. AGENDA
CONSUMERS

IT'S NOT EASY BEING GREEN

"Waste Not, Want Not" should become the slogan for the age

BY GLENN GARELIK

"Think Globally, Act Locally" was the watchword of environmental activism from its beginning in the '60s. That advice is as appropriate now as it was then. Just as the Green movement started more than two decades ago not with governments but at the grass roots, so today it is individuals who must occupy the front lines in protecting the environment. Over the years, droughts, energy crunches and garbage strikes have stimulated common-sense approaches to conserving resources and minimizing waste. It is time to begin applying these lessons in ordinary times as well as in emergencies.

The easiest, most direct way for people to make a difference is to watch what they throw away. Every year more than 220 million trees are cut down just to make



TED THAI

The typical American discards 590 kg (1,300 lbs.) of garbage a year, rapidly clogging U.S. landfills

U.S. newspapers, the majority of which are tossed into the trash. Americans discard enough aluminum cans each year to rebuild the entire U.S. commercial airline fleet four times over. Quite obviously, says Earth Day 1990 chairman Denis Hayes, "the answer to the solid-waste problem is not figuring out some way to compact it or to incinerate it; the answer is to reduce it."

Environmentalists can suggest a multitude of ways to do that: recycle paper, aluminum, tin, glass, motor oil and car batteries. Reuse bottles, containers and shopping bags, or at least choose paper bags over plastic at the supermarket. And do not be fooled by the BIODEGRADABLE label on some new plastic products. They may not in fact break down, and those that do may take as long as 500 years. When something tears, wears or breaks, repair it instead of replacing it.

While the contents of the trash can are easy to see, the all-but-invisible fumes that pour out of automobile tail pipes are just as damaging to the environment. Every time Americans climb behind the wheel, they make their own personal contribution to the global-warming threat. Here again, a gradual modification of life-style can make a dramatic difference. When possible, use mass transit and support its development and expansion. For short distances, consider using a bicycle; it is excellent aerobic exercise. And, as in the energy-short 1970s, buy more fuel-efficient autos and carpool to work.

People also put carbon into the air when they heat homes with oil or natural gas, or use electricity that comes from burning fossil fuels. Household conservation tips should be familiar: close off unused rooms, seal up cracks and openings, and insulate roofs. Look at the energy-efficiency rating when buying appliances. And one more idea that few people know about: replace ordinary incandescent light bulbs with "compact-fluorescent" models sold by major light-bulb manufacturers. They can give off the light of a 60-watt bulb while using only 15 watts of electricity. These fluorescent bulbs cost at least $10, but they last ten times as long as conventional models and will pay for themselves by lowering electricity bills.

Conserving water is just as important as saving energy. Only 3% of the world's water is fresh, and 75% of that is locked away in glaciers and the polar ice caps. The scramble for what is left is growing ever more intense, as the water table falls and toxic chemicals make some supplies undrinkable. Saving the precious liquid can be simple: use a water-conserving shower head, which can reduce consumption by more than half. For older-model toilets, put a brick or two in the tank, since they use 7 gal. of water per flush. Better yet, install a new ultra-low-flush toilet that can cut water use as much as 80%.

And do not think that the toxic-waste mess is all the work of big bad industry. The average homeowner uses more pesticide and chemical fertilizer per acre of lawn than farmers do on the same amount of land. Cut back on these potent pollutants as well as nonbiodegradable detergents, cleansers and solvents. An attractive alternative to buying chemical fertilizer is to compost fallen leaves and lawn clippings, which now constitute 18% of all municipal solid waste.

People may think they can change only their own life-styles, but their influence extends far beyond their homes, cars and offices. Americans can put their money where their ideals are by investing in companies that respect Mother Nature. Several mutual funds have been set up to buy shares only in corporations judged to follow the Valdez Principles, a set of guidelines for environmentally sound practices. Most important of all, Americans, like the citizens of all democracies, have the ultimate political power to enforce their will. If they are anxious to have a cleaner, safer, healthier environment for themselves and their children, they can vote for political candidates who seem to share that sense of urgency. ■

IN A YEAR:



An average American discards 38 kg (84 lbs.) of plastic;



uses 140,000 liters (37,000 gal.) of water;



eats more than 50 kg (110 lbs.) of meat;



uses 1,125 liters (300 gal.) of gasoline

WHAT CAN BE DONE

1. Cut energy consumption by insulating homes, buying efficient appliances and switching to fluorescent lighting.

2. Conserve gasoline by picking fuel-efficient autos, joining car pools and using mass transit.

3. Make every drop of water count.

4. Recycle and repair, rather than dispose and replace.

5. Invest in companies that follow the Valdez Principles.

Winning America over.

Ford Escort is America's best-selling car again for 1989.* It's also been the world's best-selling car for seven straight years.** One reason why it's cleaning up may come down to one simple fact–Ford Escort offers you more for your money.

More features for less money.

One glance at the lists on your right will tell you that Escort offers you more features than Honda Civic DX and Toyota Corolla Deluxe. Yet, the best news is that with Escort you can get all these features *for less money.*** Which makes it obvious that the imports come up short.

Transferable 6/60 Powertrain Warranty.

Covers you and future owners on major powertrain components for 6 years/60,000 miles. Ask to see a copy of this limited warranty at your Ford Dealer.

*Based on '89 model year manufacturers' reported retail deliveries.
**Based on '82-'88 worldwide sales and export data.
***Based on comparison of latest available sticker prices and destination charges but excluding title and taxes. Escort LX includes special value package 321A and selected option items. Package varies by region. See your dealer about the package in your area.

Ford Escort's laundry list takes the imports to the cleaners.



Buckle up–together we can save lives.

HONDA CIVIC DX	TOYOTA COROLLA DELUXE	FORD ESCORT LX
1. 1.5L SOHC Engine	1. 1.6L DOHC Engine	1. 1.9L SOHC Engine
2. Automatic Transaxle	2. Automatic Transaxle	2. Automatic Transaxle
3. Power Steering	3. Power Steering	3. Power Steering
4. Electronic AM/FM Cassette Stereo	4. Electronic AM/FM Cassette Stereo	4. Electronic AM/FM Cassette Stereo
5. Tinted Glass	5. Tinted Glass	5. Tinted Glass
6. Reclining Bucket Seats	6. Reclining Bucket Seats	6. Reclining Bucket Seats
7. Rear Window Defroster	7. Rear Window Defroster	7. Rear Window Defroster
8. Light Group	8. Light Group	8. Light Group
9. Clearcoat Paint	9. Clearcoat Paint	9. Clearcoat Paint
10. Remote Trunk Release	10. Remote Trunk Release	10. Remote Hatch Release
11. Cloth Seat Trim	11. Cloth Seat Trim	11. Cloth Seat Trim
12. Bodyside Moldings	12. Bodyside Moldings	12. Bodyside Moldings
13. Dual Remote Manual Mirrors	13. Dual Remote Manual Mirrors	13. Dual Electric Remote-Control Mirrors
14. Quartz Digital Clock	14. Quartz Digital Clock	14. Electronic Digital Clock
15. Instrumentation Group	15. Instrumentation Group	15. Instrumentation Group
		Plus...
		16. Air Conditioning
		17. Speed Control
		18. Interval Wipers
		19. Polycast Wheels
		20. Split Fold-Down Rear Seat



The World's Best-Selling Car Seven Years Running.

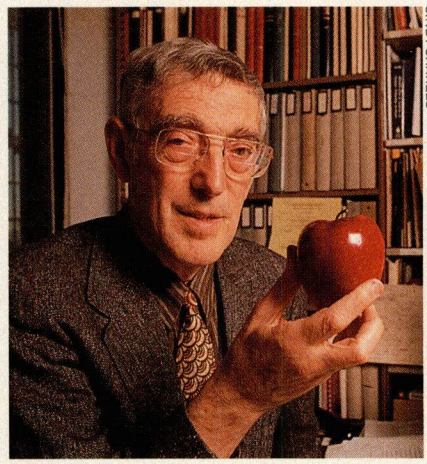
Have you driven a Ford...lately?

Ford

NOW WAIT JUST A MINUTE

Naysayers dispute the forecasts of doom and gloom

BY EUGENE LINDEN


CINDY CHARLES

Since the dawn of the Green movement, critics have argued that environmentalists exaggerate the dangers that humans pose to planet earth and understate the resilience of nature. Historically, the naysayers have had a key influence on policy: they weakened the original Clean Air and Clean Water acts, and Reagan officials James Watt and Anne Burford nearly destroyed the Environmental Protection Agency. But a worsening environment has put the naysayers on the defensive as they struggle to explain ever dirtier air, moribund forests and lakes, oil spills, desertification and the ozone holes over the poles.

"Lowering fat intake will do more to reduce cancer than eliminating pollutants."

BRUCE AMES
UNIVERSITY OF CALIFORNIA, BERKELEY

Still, while the critics may be down, they are not out. The public may think such issues as the imminence of global warming and the danger of toxic wastes are settled, but scientists do not. Their disagreements about ecological threats make life uncomfortable for the activists, who fear that any apparent uncertainty will give policymakers an excuse for inaction. Critics respond that environmental false alarms have produced bad policy. While some naysayers are economists, industrialists and bureaucrats who view environmentalism as an irrelevant disruption of the real business of the world, others are sophisticated scientists who maintain that the U.S. should not risk its economic security to prepare for ecocatastrophes that might never come to pass.

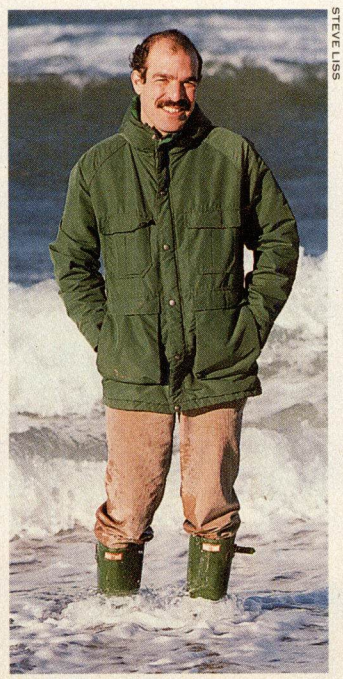
One formidable contrarian is Bruce Ames, a biochemist at the University of California, Berkeley. He contends that obsessive concern with cancer-causing chemicals in foods, pesticides and toxic wastes has produced a regulatory tangle at EPA and a superfluous Superfund to clean dump sites. Government restrictions on man-made chemicals are absurdly stringent in proportion to their risk, says Ames. He notes that while the public panicked last spring because of trace amounts of the synthetic growth regulator Alar found on apples, many fruits contain natural carcinogens in concentrations 1,000 times as great. Observes Ames: "Eating vegetables and lowering fat intake will do more to reduce cancer than eliminating pollutants."

Ames is a tough target for environmentalists because he devised the test that is used to determine whether chemicals are carcinogenic. Nonetheless, Janet Hathaway of the Natural Resources Defense Council argues that talk about natural carcinogens deflects attention from industry's responsibility for environmental risks. Ames, she says, exaggerates levels of natural toxins and understates the exposure to and effect of synthetic chemicals.

Another area of contention is global warming, which scientists fear could cause disruptive changes, such as a rise in sea levels. NASA official James Hansen told Congress last year that he believed the greenhouse effect had already arrived. Since then, that assertion has been widely challenged.

Among the most respected critics is Andrew Solow, a statistician at the Woods Hole Oceanographic Institution's Marine Policy Center in Massachusetts. Solow asserts that the computer models used to predict the greenhouse effect are so weak that they cannot even account for the modest 0.5° C warming that has occurred over the past 100 years. "We all believe in the physics of the greenhouse effect," says Solow, "but to say almost anything about timing, the magnitude of change or its geographic distribution is more than we can do."

The scientist believes lack of computing power—as well as ignorance about such critical factors as the interactions between the oceans and the atmosphere, and the impact of clouds on surface temperatures—limits the ability to predict the greenhouse effect. "It's possible that Washington will see 96 days of temperatures over 100° F in the year 2010," he says, "but it's also possible that the U.S. will be economically impoverished because it unilaterally imposed draconian measures in anticipation of a greenhouse warming that never arrived."


STEVE LISS

"It's also possible that the U.S. will be economically impoverished . . . in anticipation of a greenhouse warming that never arrived."

ANDREW SOLOW
WOODS HOLE OCEANOGRAPHIC INSTITUTION

Stephen Schneider of the National Center for Atmospheric Research responds that waiting for absolute certainty about global warming will produce many years of policy paralysis. Thomas Lovejoy of the Smithsonian Institution agrees, noting that societies may pay a price for doing nothing that outweighs the expense of prudent preparation. While the world hailed the 1987 Montreal Protocol, designed to reduce chlorofluorocarbon output, the destruction of the ozone layer continued to accelerate because of CFCs already in use. Atmospheric chemist Sherwood Rowland of the University of California at Irvine is worried that similar delays in dealing with global warming will produce a treaty that is "a perfect autopsy." ■

OAT BRAN MADE SIMPLE.

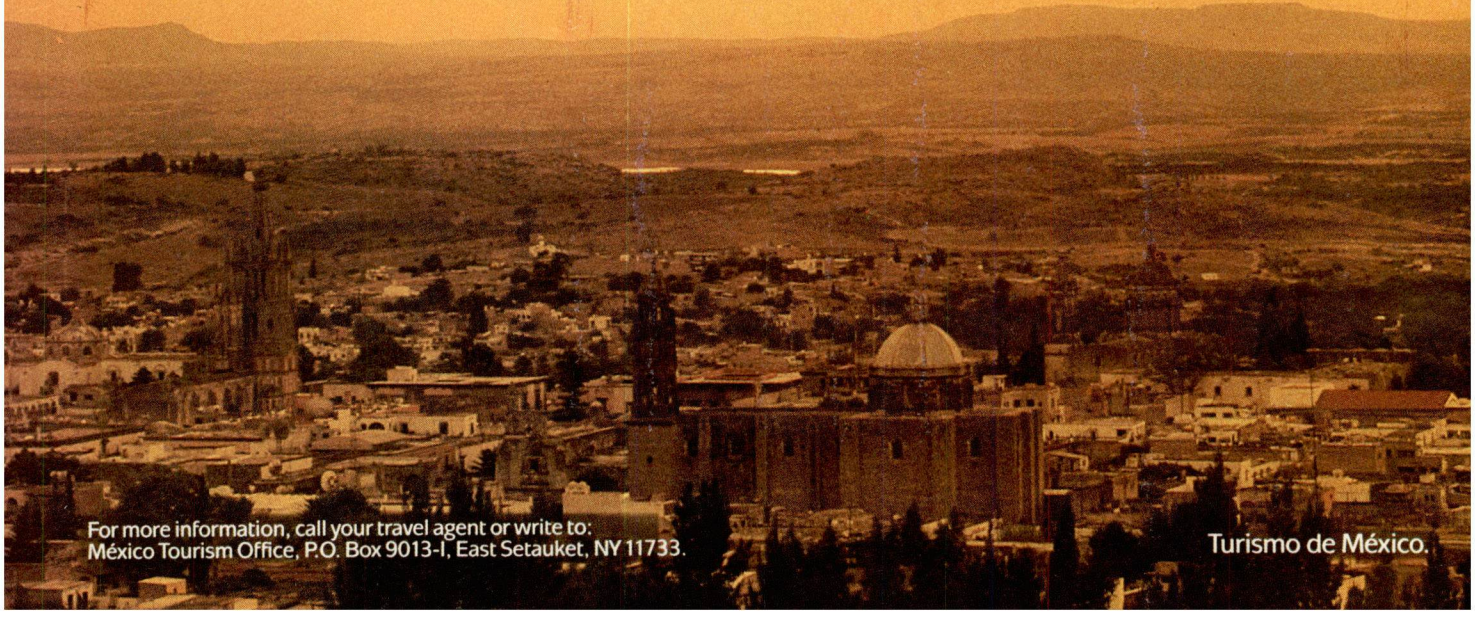


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LET EARTH HAVE ITS DAY

But the biggest demonstration in history should be only the beginning

BY JEANNE MC DOWELL

It will begin at sunrise on April 22, with church bells pealing for the health of the planet. In tiny chapels and grand cathedrals, Sunday sermons will stress the moral responsibility of environmental awareness. And in thousands of communities around the world, citizens will stage a cacophony of events: parades, proclamations, protests, teach-ins, trash-ins and eco-fairs. In Seattle, residents will demonstrate against pollution in Puget Sound. Environmentalists in West Bengal, India, are planning a bicycle procession. Schoolchildren on Mauritius, a tiny island in the Indian Ocean, will plant trees. And a team of climbers from the U.S., the Soviet Union and China intends to reach the summit of Mount Everest and clean up debris left by previous expeditions. If all goes as planned, at least 100 million people will take part in the largest global demonstration in history: Earth Day 1990.

The April 22 date has special meaning for environmentalists: it marks the 20th anniversary of the first Earth Day. In that memorable 1970 mobilization, which evolved from an idea by Senator Gaylord Nelson, more than 20 million Americans, many of them students, rallied under the banner of Mother Nature. Their plea for action helped lead to the passage of the Clean Air Act and the creation of the U.S. Environmental Protection Agency.



The organizers of Earth Day 1990 hope it will have a similar galvanizing effect, that it will change individual behavior and launch a decade of environmental activism. This time the event will be international, reflecting the recognition that all the major environmental threats are global in scope. More than 100 countries, including Hungary and Uganda, have started to form committees and plan activities. Says Denis Hayes, a San Francisco lawyer and chairman of Earth Day 1990, an international umbrella organization: "The whole thrust of Earth Day as we go into the 1990s is an environment that is much brighter, a far more diversified movement and, hopefully, a working agenda for the next ten years."

If Earth Day 1970 was almost spontaneous, next year's sequel has become a strategic operation. Hayes, who was a 25-year-old Harvard law student when he temporarily dropped out of school to help organize the first Earth Day, is the driving force behind the current campaign. With principal funding from foundations and individuals, Earth Day 1990 has a 115-member American board of directors that includes prominent environmentalists, politicians, business executives, religious leaders, celebrities, labor officials and journalists, among others. There is an international arm with representatives from 33 countries.

At Earth Day 1990 headquarters in Palo Alto, Calif., 20 staff members are plotting strategy as if the event were a political campaign. "We're organizing neighborhoods, regions and special constituencies," says communications director Diana Aldridge. The group has taken a few marketing cues from Madison Avenue as well. As part of a drive to raise $3 million, Earth Day 1990 is licensing its logo, which will be plastered on everything from coffee mugs to windbreakers. Posters and ads will soon appear carrying the slogan EARTH DAY 1990: WHO SAYS YOU CAN'T CHANGE THE WORLD?

But Hayes' group is not trying to run the whole show. It will organize nationally and regionally and offer support for local groups, making suggestions for setting up events. Several smaller organizations are extremely active. Earth Day 20, a group based in Seattle, is planning a week-long exposition in a natural amphitheater in the Columbia River Gorge during the seven days leading up to Earth Day. The events, which will combine exhibits, musical performances and speeches, will be broadcast live by satellite to screens in shopping malls and on college campuses around the U.S. Earth Day 20 is also co-sponsoring grass-roots action by the National Toxics Campaign to urge companies that release excessive amounts of pollution to sign good neighbor agreements on reducing toxic emissions.

One of the main goals of Earth Day 1990 is to help broaden the environmental movement far beyond its upper-class, bird-watcher base. Six national labor unions have already endorsed the event, and in February a group from Earth Day 1990 will embark on a nationwide tour to urge minority-group members to get involved. Observes Gerry Stover, executive director of the Environmental Consortium for Minority Outreach: "In this country 4 out of 5 toxic-waste dumps are in or near minority communities. These people have as much stake in what happens as mainstream America, maybe more."

Above all, the organizers hope to have political impact. Says Christina Desser, a lawyer and executive director of Earth Day 1990: "Whereas 1970 awakened people to the issues, 1990 needs to make the environment the screen through which all other decisions are made. I want to see millions of people metaphorically standing in the same direction and yelling the same thing to policymakers: 'Hey, get it, you guys? We mean it. If you don't respond, we'll find someone who will.' "

Earth Day 1990 will show how much people care about their planet. The challenge of the next decade will be to channel that concern into strong and sustained action to save endangered earth. ■



CHRIS SPRINGMAN

The symbol in 1970



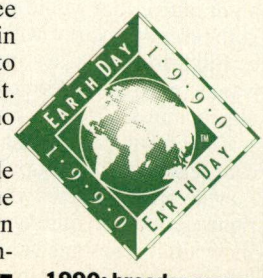
AP

The first rally: a gas



WARD—BLACK STAR

Two decades ago, thousands converged on the Mall in Washington



1990: broader scope

The Furor over Wearing Furs

Assailed by animal rightists, many women face a difficult choice

When Anna La Barbera, a 33-year-old psychotherapist from White Plains, N.Y., bought a silver fox coat in 1984, she did so with joy and absolutely no hesitation. She would like to replace the aging fur, however, and she is in a quandary. "There's nothing like the warmth of fur," she says. But her physician husband is concerned about animal rights, and the arguments of anti-fur activists have moved her. "I've been struggling with the dilemma of buying fur," says La Barbera. "I like the look, but I feel real guilty." She is now shopping for good-quality wool coats as well as for furs.

La Barbera's dilemma is increasingly common among American women. Until recently, owning a fur coat, usually a mink, was an unquestioned emblem of luxury and social status. But lately a growing cadre of animal-rights activists has been aggressively denouncing such garments as "sadist symbols" that, they say, require the deaths of some 70 million helpless creatures each year (about 50 minks for each coat). That emotional claim has touched off a bitter battle that pits the animal lobby against fur owners and an increasingly embattled fur industry. So nasty have the hostilities become that in some cities around the country women wearing furs are being publicly jeered or otherwise harassed.

Animal-rights groups have steadily gathered force. Last month Trans-Species Unlimited, an animal activist organization, staged its fourth annual Fur-Free Friday in 90 cities across the nation. In New York City some 3,000 protesters, led by perennial TV game-show host Bob Barker, marched down Fifth Avenue carrying signs and taunting fur-coat wearers with shouts of "Shame!" Says Barker, who resigned last year as host of the Miss Universe pageant because contestants wore fur: "We want people wearing fur to be embarrassed when they walk into a restaurant. Fur is obscene, fur is cruel, and fur is archaic." Two weeks ago, the city council in Aspen, Colo., voted to put on the ballot an initiative that would ban the sale of fur in the trendy resort town. Says Aspen Mayor Bill Stirling: "As a community, we don't want to earn our sales-tax dollars from cruelty to animals."

The furor has also hit the media. A recent segment of the popular TV series *L.A. Law* involved a furrier who sued an animal-rights group for ruining his business. The show aired gruesome video clips of animals caught in brutal leg traps. On an upcoming episode of *Designing Women,* narcissistic Suzanne Sugarbaker is mauled by anti-fur activists. When Atlanta disk jockey Scott Woodside this month mentioned that he had bought his wife a mink coat, listeners deluged his station with calls. The result was an informal poll in which the anti-fur forces carried the day, 702 to 684. Said Woodside: "I was extremely surprised."



MARIO RUIZ

While most anti-fur groups work by moral persuasion, a few animal activists have adopted extreme, even criminal tactics to advance their cause. In New York City they have sprayed coats with paint. On Fur-Free Friday several fur shops were vandalized in Miami and Fort Lauderdale. In Europe anti-fur commandos have even attacked fur wearers to gain attention. Their campaigns have succeeded in depressing fur sales in Britain, Holland and West Germany. Diana, Princess of Wales, has publicly stated that she will no longer wear furs.

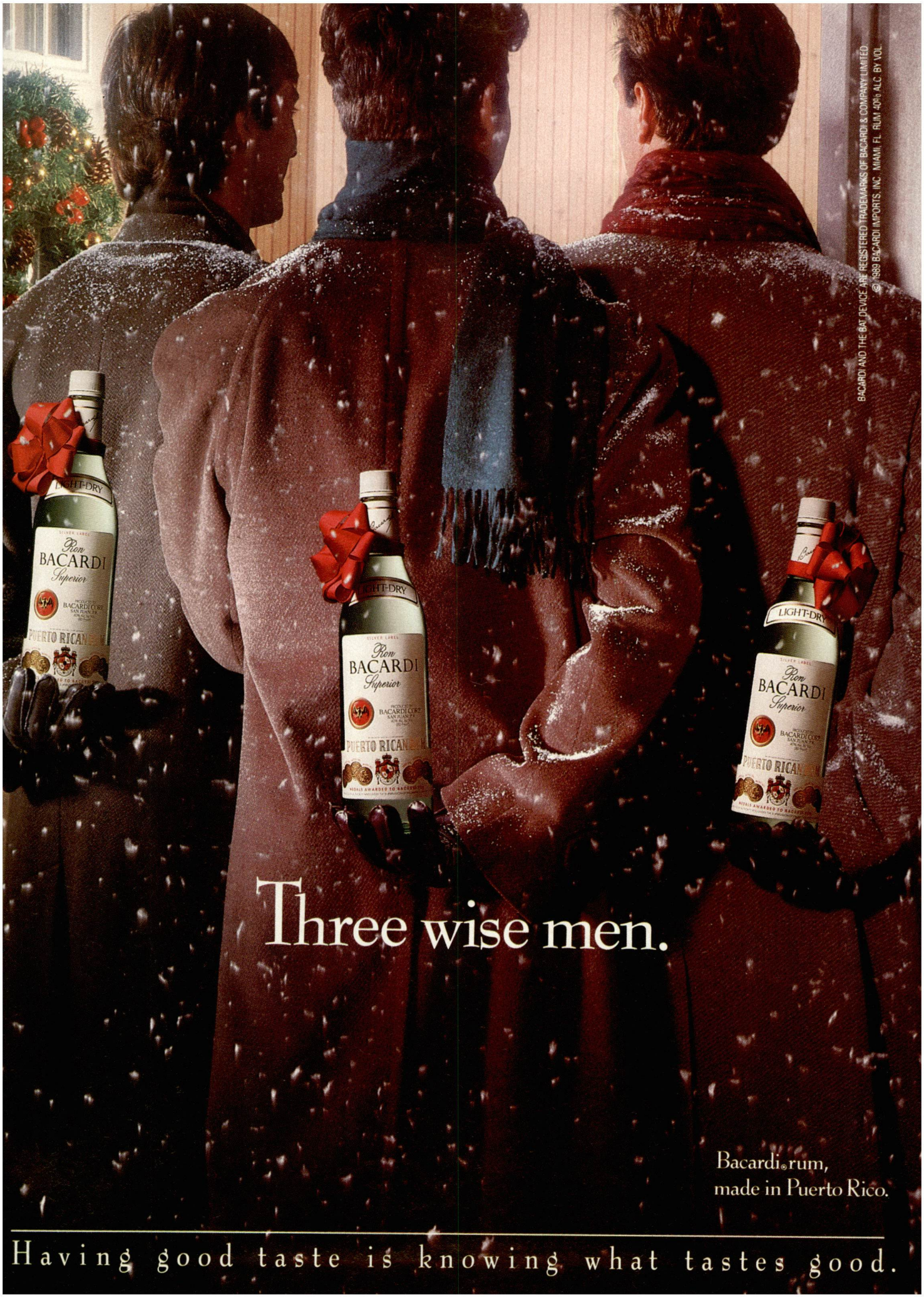
The fur industry maintains that mink, which account for 75% of U.S. fur coats, are treated humanely and killed painlessly. Fur, the industry points out, is a natural fabric whose production does not pollute the environment or use fossil fuels, as does the creation of acrylic fibers. Nonetheless, U.S. fur sales have remained stagnant—at an annual level of about $1.8 billion—over the past three years; during the Christmas season, many department stores are slashing prices to move their furs. To meet the animal-rights threat, the Fur Information Council of America last month launched an ad campaign stressing freedom of choice: "Today fur. Tomorrow leather. Then wool. Then meat." Bernard Groger, co-publisher of the trade magazine *Fur World,* says, "Nobody can tell the American woman what to wear." Warns Seattle furrier Nicholas Benson: "You're seeing signs of terrorism. People are afraid to wear furs on the streets because of what might happen."

Many women—and fur-wearing men too—are starting to think twice before they shrug on a fur and nip off to the office or the grocery store. Ever since she was called "animal killer" on the street, Susan Singer, a Manhattan executive, has been ambivalent about wearing her fur coat. So is New York department-store employee Suzanne Pandjiris, who still wears her mink but fears attacks by protesters. "It makes me nervous," she says.

Moved by ethical concerns, a number of former fur lovers have defected to the other side. Davida Terry, a Lincolnshire, Ill., advertising executive, has kept her eight fur coats hidden in a closet ever since a chiding by an animal-rights supporter caused her to have a change of heart. "How could anyone wear a fur coat?" she now says. "How these animals have to suffer!" Last week, as a gesture of support, Chicago secretary Kathi Hodowal turned over her eight-year-old mink coat to Trans-Species, which uses such donations to stage mock funerals with fur-filled coffins. Explains Hodowal: "I just decided to give up my fur coat. It's so cruel to animals."

Other women stubbornly refuse to be intimidated. Chicago art-gallery owner Eva-Maria Worthington, for instance, does not hesitate to wrap herself in beaver against the winds on the Magnificent Mile. "If they're so concerned about animals," she sniffs, "I think they should go to a pound and clean cages and take care of the dogs and cats. Some people have replaced their religion with animal rights." But it's a jungle out there: even women who have switched to fake furs to assuage their conscience do not feel comfortable. Many protectively wear large buttons that proclaim NO FUR OR REAL PEOPLE WEAR FAKE FUR. —**By J.D. Reed.**

Reported by Scott Brown/Los Angeles and Andrea Sachs/New York


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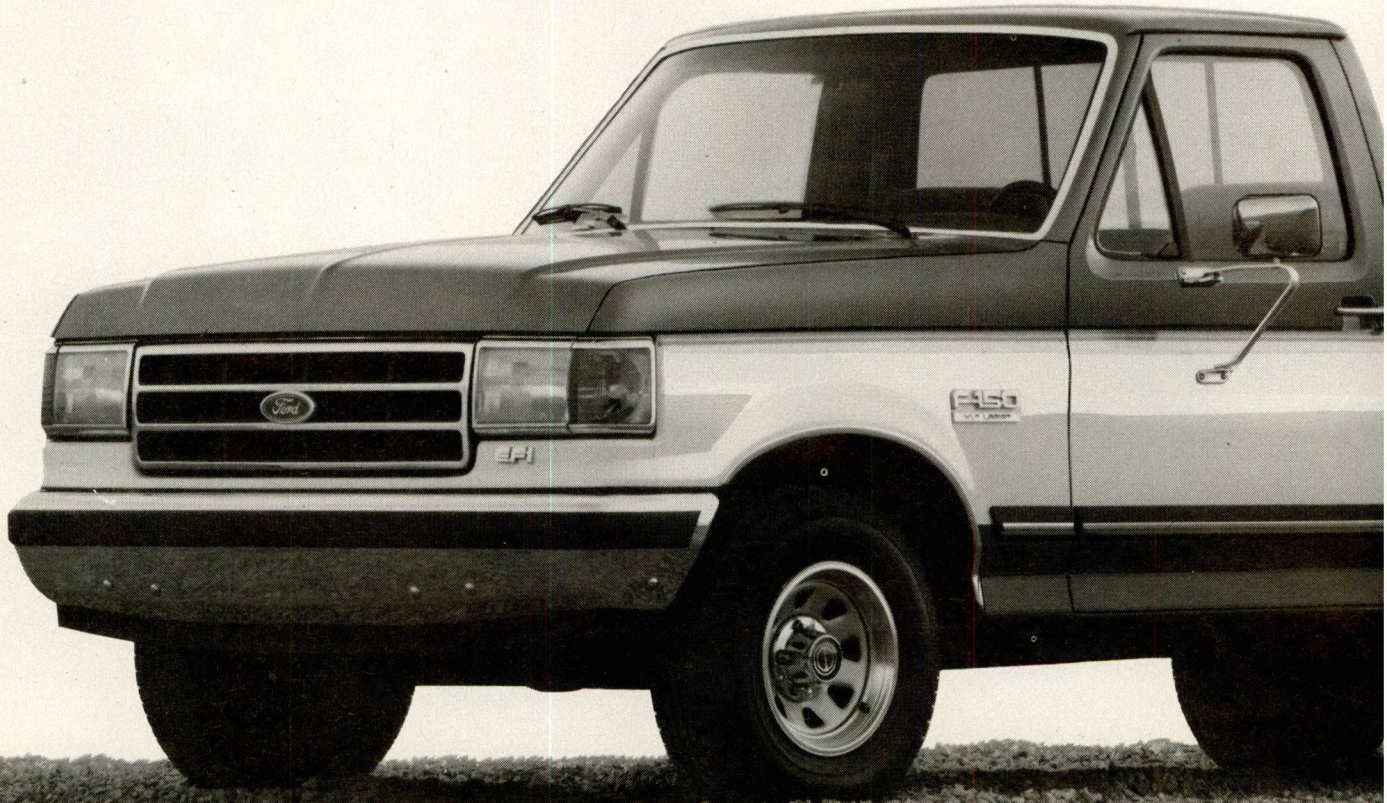
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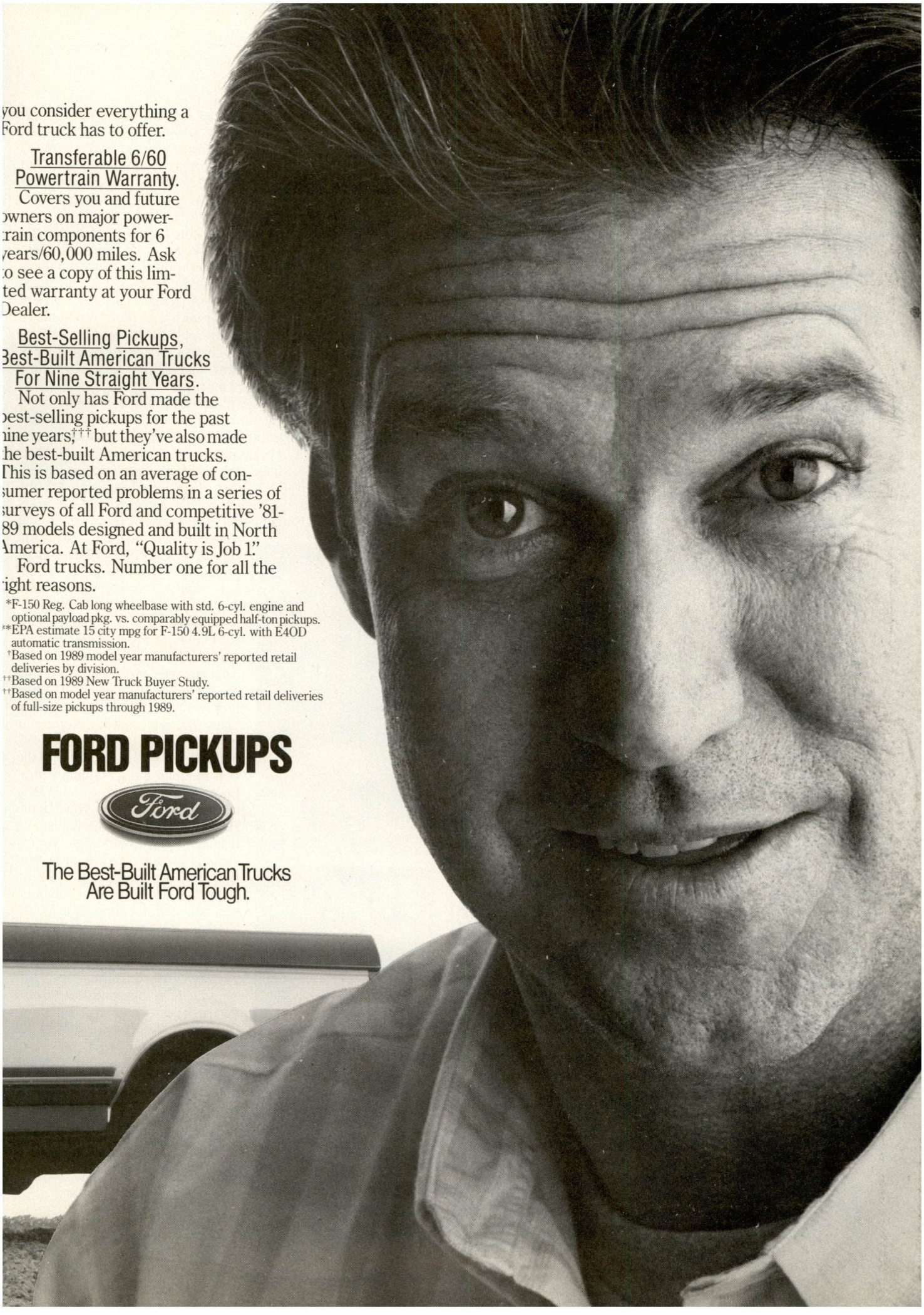
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Never Having to Grow Up

The latest geriatric jocks are (creak, groan) baseball players

BY RICHARD CORLISS

It was a perfect day for baseball. Now if only the baseball had been perfect. At McKechnie Field in Bradenton on the Gulf Coast, the midweek weather might have been auditioning for a Florida picture postcard, but the hometown Explorers committed three errors, looked orphaned on the base paths and lost by nine runs. After the game, Wayne Garrett, the former New York Met, who entered the lineup in the eighth inning, was asked if he was exhausted from playing. "No," Garrett sighed, "but I was tired of watching."

Welcome to the Senior Professional Baseball Association, where the crack of the bat meets the creak of the bone. Founded this year by Arizona real estate developer Jim Morley, the S.P.B.A. is into its first three-month season, fielding eight Florida teams of ex–major leaguers 35 or older (catchers may be 32). Most of the superstars are missing: Reggie Jackson is occupied with his classic autos, Jim Palmer with his underwear, Pete Rose with hawking his tarnished name. But enough good ole boys of summer are participating to help ease the winter of discontent every baseball addict endures between the last out of the World Series and the first bud of spring training.

They will also be tapping the deep font of goodwill toward aging sports idols. The American male wants to keep seeing athletes do what they once did best. In golf, the senior circuit earns more money than the entire women's tour. Former tennis aces draw big crowds in their own slots at the major tournaments. Boxing, aside from Mike Tyson's bum-of-the-month festival, is one big Over the Hill Gang. Last week's waltz between Sugar Ray Leonard, 33, and Roberto Duran, 38, was the top-grossing fight in history. Next month George Foreman, now bigger than Mount Rushmore and twice as old, will face perennial white heavyweight Gerry Cooney. Someone will get hurt—probably the first one who throws a punch—and people will pay to watch. Like rock 'n' roll, sports used to be a young man's game. But with the graying of America, the Stones go rolling on, and geriatric jocks are big business.

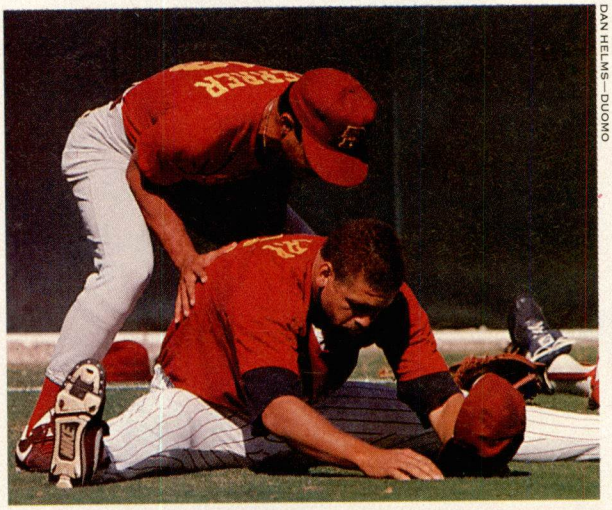
Well, maybe not big Senior Baseball business. The eight S.P.B.A. owners, each of whom staked a reported $850,000 for the first season, are not expecting quick profits. With some games attracting as few as 100 paying customers, a team or two may fold before the scheduled February play-offs. The players, whose salaries average $23,000, won't get rich either. But what they want is to prove, to themselves and others, that there is life after Fan Appreciation Day. "Hell," says ex-Yankee Graig Nettles in the S.P.B.A. yearbook, "if I can stay in baseball, I may never have to grow up." The same goes for the fan, especially at long distance. Just checking S.P.B.A. stats in *USA Today* keeps the faithful in touch with the game's liturgy. To catch a Senior game on a remote radio signal—to hear "Bobby Bonds now batting against Rollie Fingers"—is to be time-warped into any fan's favorite baseball era: Back When.

And to see a game in person is to watch *The Natural* replayed in super slo-mo, but often only the outtakes. Mopey grounders duck under the gloves of groaning shortstops. The 90 ft. between bases can loom like a C-5A runway when a Senior tries stretching a single into a double—except that outfielders frequently concede the extra base on elusive fly balls. The players, as considerate of their team's equipment manager as they are of their own vulnerable bodies, rarely dirty their uniforms with stabs at a circus catch or a headfirst steal. They know that those feats of reckless grace are mostly memories.

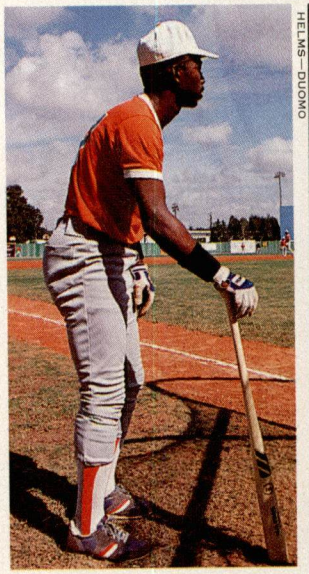
Age inflicts its cunning humiliations on any sportsman's skills. At times gravity takes its toll too. Though an S.P.B.A. locker room reveals plenty of movie-star musculature, other athletes have surrendered to paunch lines. Wags assert that you can't tell the players from the sportswriters. "A good team from the rookie leagues could beat some of the Seniors," says Jim Brown, a Tougaloo, Miss., college professor and an aficionado of minor league baseball. "These guys don't have the speed or the hunger."

Maybe not, but if enough fans get hungry, it won't matter. Proponents of all-weather, all-age baseball can take heart from the rallying cry of Cy Young winner Vida Blue, now with the St. Lucie Legends: "Hey, the majors will become our minor leagues." Or fans can sit back in the Florida sun and enjoy not the best baseball but a whole lot of it. On that midweek afternoon in Bradenton, the visiting West Palm Beach Tropics put on a big-league display of power and wiles. Mickey Rivers, spark plug of the last Yankee team to win a World Series, slapped six comely hits, though he was hurt and hobbling. Ron Washington, late of the Minnesota Twins, bopped two of the Trops' five home runs. The manager, cranky Dick Williams, chugged onto the field to dispute a close play at first base and informed the umpire, "I'm seein' 'em a helluva lot better than you're callin' 'em."

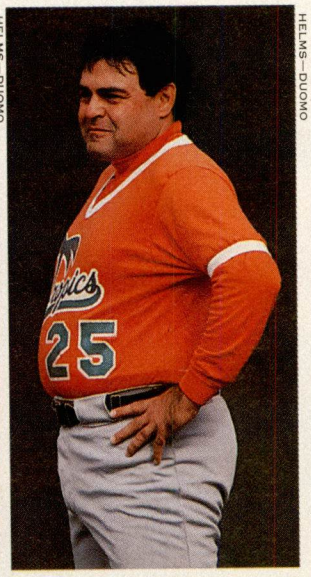
By the eighth inning the line score looked like bowling frames; West Palm led the Explorers 22-13. Yet the local fans stayed put, stoking their enthusiasm with valiant quips as the game got further out of reach. When it ended, after three hours of ramshackle thrills, someone gaily shouted, "Let's play two!" The Senior Leaguers might not be up to it, but the hot-stove leaguers will never be tired of watching. ■



DAN HELMS—DUOMO



HELMS—DUOMO

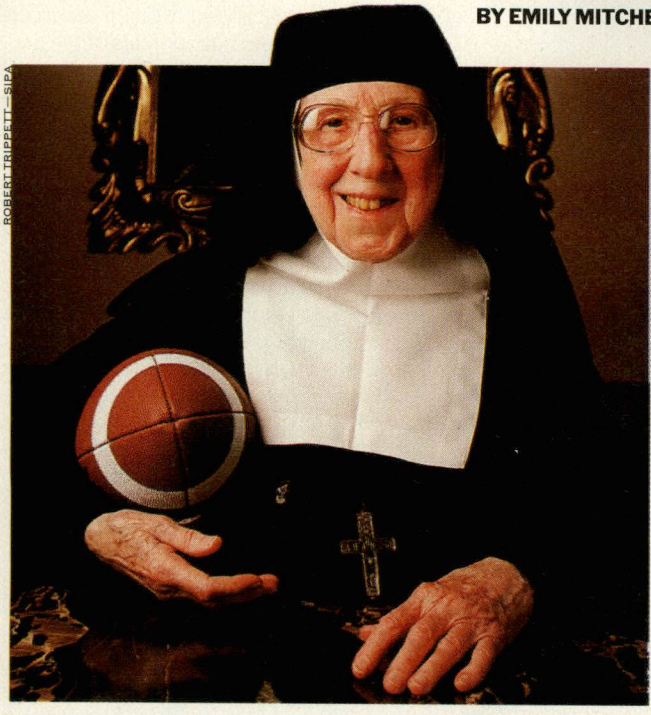


HELMS—DUOMO

Age's humiliations: the St. Petersburg Pelicans stretch out the kinks, top; West Palm Beach's Rivers and Joe Minceberg

People

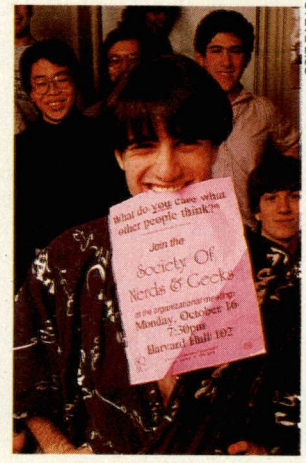
BY EMILY MITCHELL/Reported by Wendy Cole



ROBERT TRIPPETT—SIPA

Getting the Football Spirit

"I don't have a system," explains SISTER MARIE LOUISE, 89, a Washington nun who has won national attention by her uncannily accurate picks of the winners of National Football League games. "I read the newspapers. If I get a hunch, I stick with it. Of course, I do pray and ask the Holy Spirit for help." That seems to work divinely. On a local TV program that asks guests for N.F.L. predictions, the Visitation nun, who once played basketball and baseball, has so far bested the secular guessers. Along with the mother superior, a fellow football fan, the sister follows the sport on the convent TV. Has she made a pick for the Super Bowl? Only heaven knows.



STEVE LISS

Eeek! A Geek

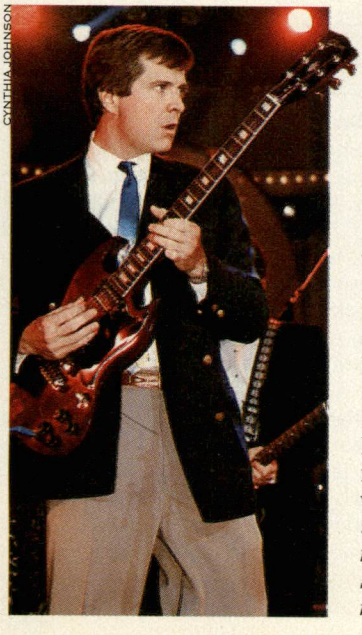
Being a nerd isn't supposed to be fun, but Harvard junior **Jeremy Kahn** may change that. He has founded a campus group called SONG (Society of Nerds and Geeks) and has preached the gospel of nerdiness in such forums as CBS *This Morning* and the *Wall Street Journal*. Who might be a patron saint for SONG? Perhaps **Mikhail Gorbachev,** who, Kahn says, is both a nerd (studious) and a geek (nonconformist). Math major Kahn's "classwork is faltering" because of SONG. Is he in danger of becoming that nemesis of all nerds, a BMOC?

All Fall Down

Nobody's perfect, not even if she's been a faultless Olympian. It turns out that NADIA COMANECI'S impetuous defection from Rumania was more than a flight to freedom: she vaulted into the arms of a Florida roofer named Constantin Panait, who happens to have a wife and four kids. Nadia, 28, wants to make a movie about her escape, but the impolitic affair with Panait, whom she met at a party back home two years ago, may have its price. Sponsors who could ensure her financial future prefer their sports stars to be squeaky clean.



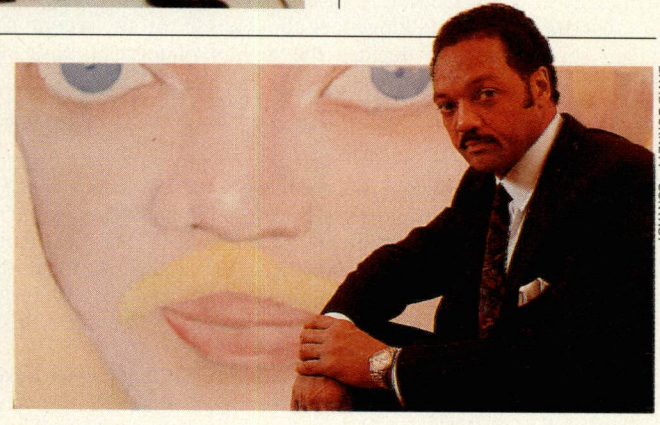
BOB EIGHMIE—THE MIAMI HERALD/SYGMA



CYNTHIA JOHNSON

Dirty Blues

Democrats know no one can get down and dirty like G.O.P. Chairman **Lee Atwater.** His tactics in last year's presidential campaign had them singing the blues. But then, that's his favorite kind of music. On weekends Atwater, who played with a soul band in high school and has been at it ever since, has been flying to Nashville to record his first album, with R. and B. greats B.B. King and Isaac Hayes. Proceeds from the album, set for release early next year, will go to charity. And a-one and a-two: "*I woke up this morning; sun didn't shine./ Scared six Democrats, and now I feel fine.*"



DAVID BURNETT—CONTACT

If I Had a Hammer

Angered by the outdoor mural in Washington, a group of blacks took a sledgehammer to it. So why didn't they like *How Ya Like Me Now?* Could it be because it showed JESSE JACKSON as a blond, blue-eyed white man? Inspecting the damage last week, Jackson said the artist didn't intend "to disfigure me. The painting was designed to force people to think." If it were up to him, Jackson says, he would put the painting back on display—with the sledgehammer beside it.

Having a Hell of a Time

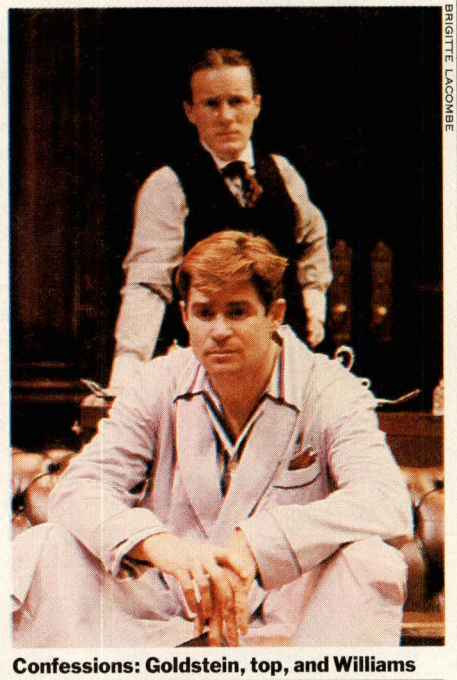
When Satan takes the stage, audiences wind up with angelic smiles

BY WILLIAM A. HENRY III

His company may not be much esteemed in heaven, but, from Eve onward, mere mortals have found Satan a singularly seductive fellow—spookily charming, mordantly funny, even sexy in a sulphur-scented way. Writers have been especially beguiled, from Marlowe and Milton to Shaw and Stephen Vincent Benét. Indeed, while putting God on display as a character is normally a guarantee of literary disaster, it sometimes seems that stories about his arch-opposite just can't miss. Presumably there is a sound theological basis for all this: virtue could hardly be considered virtuous if it were also indisputably fun, while a patently offensive Old Nick would have trouble procuring the ruin of souls.

Some playwrights, like Shel Silverstein in *The Devil and Billy Markham,* presume that Mr. Scratch has nothing to teach mankind: the sensible response is to spot the fiend's tricks and escape perdition. Other dramatists, like David Mamet in *Bobby Gould in Hell,* recall that Beelzebub is a fallen angel and reckon he must be something of a moral philosopher. Both authors seem to think nothing could be more instructive than a sojourn in Hades to enhance the remainder of a life back on earth. They give that opportunity not only to the title characters of their two one-act plays but also, vicariously, to audiences in a double bill that opened last week at New York City's Lincoln Center.

Billy Markham is a talking blues about a failed songwriter who decides the devil could not possibly be any worse than the music publishers and producers who have thwarted his career. A gambler, boozer, womanizer and general hellion, Markham tosses away eternity in exchange for a single, futile roll of the dice, then squanders what reprieves are offered in unrepentant revelry. He nonetheless stumps Satan twice, escaping the first time and settling down the second time into a perverse sort of domestic bliss. Markham's good-ole-boy world view is distasteful: women are treated as property, and both defeats of the devil depend on the notion that homosexuality is a fate worse than damnation. But Silverstein's script, told in verse with occasional bursts of music, is rowdy and rousing and raunchily uproarious, especially in a song about a gala party where saints and sinners mingle ("Richard III is comparing his hump with Quasimodo's"). The sole performer, as both Markham and his demonic adversary, is Dennis Locorriere, erstwhile singer-songwriter of the pop group Dr. Hook. His energy is boundless, his timing flawless, his depravity seemingly bottomless in this bewitching romp.



BRIGITTE LACOMBE

Confessions: Goldstein, top, and Williams

Given a second chance, sinners seek a third.

Mamet's wit at first appears equally prankish—the stage is ablaze with hellfire and brimstone, aroar with howls and explosions, and the devil's chief clerk (Steve Goldstein) doggedly keeps trying to tell a "two Jews in a bar" joke—but he has more serious matters in mind. His subject is how to live morally in this world rather than penitently in the next, and the dynamic that fascinates him is why people make excuses, time and again, rather than attempt to be better. The title character, played by Treat Williams, is the conscience-pricked but ultimately expedient movie executive depicted in Mamet's *Speed-the-Plow.* Gould is called on the netherworld carpet for seduction and abandonment of a woman who, when summoned to testify, proves insufferable even to the great adversary. Mamet may mistrust all women—his essay "True Stories of Bitches" featured his mother, sister and wife—but this shrew is a giddyingly specific blend of utter unreason and serene self-righteousness. Still, her sins pointedly do not excuse Bobby's. Mamet may josh about the devil but plainly believes in evil—and finds it entrenched in the heart of man. ■

Milestones

MARRIED. Elizabeth Morgan, 42, the plastic surgeon who spent 25 months in jail for refusing to disclose the whereabouts of her child, and federal judge **Paul R. Michel,** 48; both for the second time; in Washington. In 1987 Morgan defied a court order from Judge Herbert Dixon Jr. permitting her ex-husband Eric Foretich an unsupervised visit with their daughter Hilary, now 7. Morgan, claiming that he had been sexually abusing the girl, placed Hilary in hiding and was charged with civil contempt. She was released last September.

DIED. May Swenson, 76, poet and co-winner of the Bollingen Prize in 1981; in Ocean View, Del. Her spare, playful verse has been widely anthologized. Her works include *New and Selected Things Taking Place* and *Poems to Solve.*

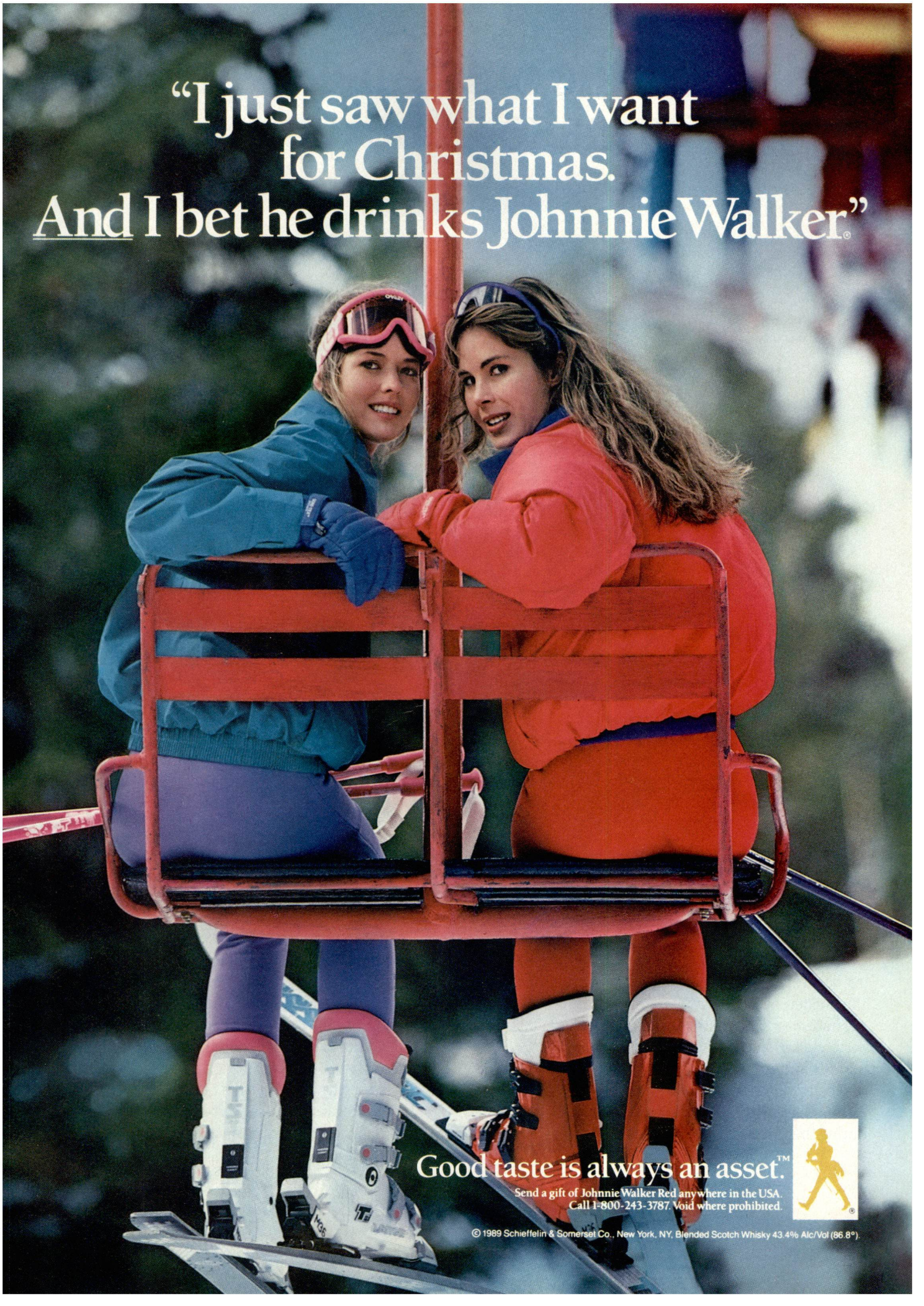
DIED. John Payne, 77, Hollywood leading man of the 1930s, '40s and '50s; in Malibu, Calif. His most famous role was that of the idealistic attorney in *Miracle on 34th Street* who helps a department-store Santa Claus prove that he really is Kris Kringle.

DIED. Frances Bavier, 86, Emmy Award–winning actress best remembered as Aunt Bee on TV's *The Andy Griffith Show;* in Siler City, N.C.

DIED. Sammy Fain, 87, prolific Broadway and Hollywood composer; in Los Angeles. Fain won Oscars for *Love Is a Many Splendored Thing* and *Secret Love.* His other hits include *Let a Smile Be Your Umbrella, Dear Hearts and Gentle People, Tender Is the Night* and the classic World War II ballad *I'll Be Seeing You.*

DIED. Stan Price, 90, denizen of Alaska's Admiralty Island, which has the world's largest concentration of brown bears; in Juneau. Known as "the bear man of Pack Creek," Price appeared to have a special rapport with the huge creatures, moving fearlessly among them with only a walking stick for protection. He was the subject of many articles and television documentaries.

DIED. Harland Bartholomew, 100, dean of American city planners; in Clayton, Mo. An early critic of decentralization who warned against the decay of America's inner cities, Bartholomew planned more than 500 communities. He worked for Presidents Hoover, Roosevelt and Eisenhower, and helped design the nation's first network of national highways.


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J.D. Power and Associates 1989 Customer Satisfaction with Product Quality and Dealer Service℠ Buick ranked 10th overall. 1989 New Car Sales Satisfaction Index℠ Buick ranked in a tie for 3rd overall. 1989 Initial Quality Survey.℠ Buick ranked 7th overall.

America Goes Stair Crazy

Better machines propel the popularity of step climbing

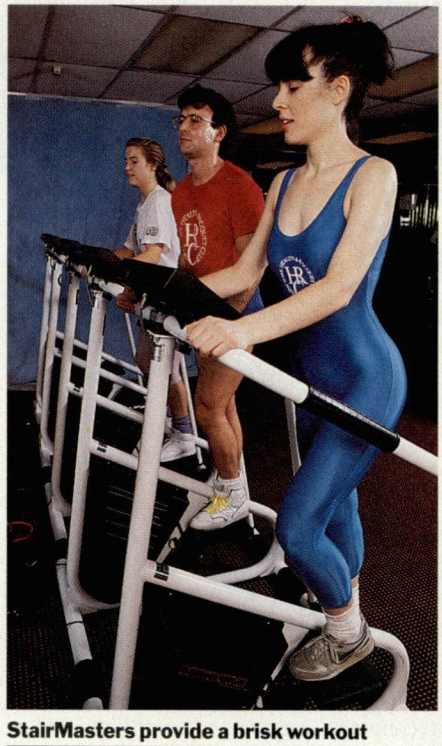
Every weekday before sunrise, a large crowd gathers in front of the Gross Court Athletic Club in Woodland, Calif., and waits eagerly for the doors to open at 5:30. What's the attraction? An aerobics class conducted by Jane Fonda? No, these health buffs are standing in line for a chance to climb stairs. Well, not real stairs. The club features those ubiquitous machines that enable people to simulate the healthful huffing and puffing of clambering up steps.

Stair climbing is the fastest-growing form of aerobic exercise in the U.S., according to American Sports Data. An estimated 4 million people, from young professionals to energetic grandparents, have joined the climbing generation, an increase of more than 40% since the end of 1988. In many health clubs, stair-climbing machines are more popular than stationary bicycles, and they threaten to make treadmills a thing of the past.

The growing vogue for stair climbing has been made possible by the development of new and better machines. They come in a dozen different models, including several home versions, that are easier to use and much more widely available than earlier devices. Over the past year, many health clubs have doubled the number of machines for their members. Even so, supply has badly trailed demand. In some places club managers strictly enforce time limits to keep people from fighting over the machines. Those tired of the health-club hassle can buy home machines for much less than the $2,000 to $3,400 that professional models cost. The $400 Precor Fitness Climber routinely ranks among the ten top-selling items in the Sharper Image catalog.

The benefits of stair climbing first gained attention in 1968, when fitness guru Dr. Kenneth Cooper promoted aerobic exercise as a good way to strengthen muscles and build endurance. Interest swelled in 1977, when a study showed that men who climbed more than five flights a day had 25% fewer heart attacks than those who stuck to elevators and escalators. But most people found it inconvenient or boring to climb stairs regularly. Many lived in ranch-style houses, and high-rise-apartment dwellers were leery of trudging up and down deserted stairwells.

The beginnings of a solution came in 1983, when the Tulsa-based StairMaster company pioneered the stair-climbing machine. The first model looked like a three-step escalator, and the steps revolved like a treadmill. But people found it hard to keep up with the machine, and only the superfit mastered it. In 1986 StairMaster introduced the 4000 PT, which was simpler to use. Exercisers push a pair of bicycle-like pedals that move up and down instead of in circles, and a computerized screen gives such data as the number of "flights" climbed and the "distance" traveled. Fans say they can burn off 10% more calories on stair machines than on stationary bicycles, and the step climbers are easier on the feet and legs than treadmills are.



JAMES KEYSER

StairMasters provide a brisk workout

Some clubs need to set strict time limits.

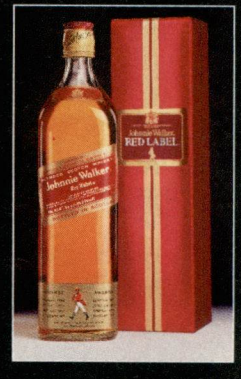
StairMaster's success has inspired competitors, among them Bally, the maker of arcade games and slot machines. In June Bally subsidiary Life Fitness put out its Lifestep model for health clubs. It has large, easy-to-move pedals and an advanced computer screen that tells users how many calories they are burning at any given moment. The price: $3,395, in contrast to $2,195 for the StairMaster 4000 PT.

Yet despite all their high-tech wizardry, stepping machines offer little that a staircase cannot provide. "There is nothing magical about the machines," says Steve Farrell of the Institute for Aerobic Research in Dallas. "You can get the exact same benefit from just climbing stairs in the home or office." And going between floors on foot can be healthier for the bank account.

—*By Linda Williams*



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ELECTRONIC FRESCOES

High above the floor of the Sistine Chapel, a computer displays Michelangelo's original sketches hidden beneath the finished work

Old Masters, New Tricks

Italy has become the capital of computerized art restoration

Critics scoffed when computers were first enlisted to help restore Michelangelo's magnificent frescoes in the Sistine Chapel. What could an electronic filing system in some Vatican basement contribute to the painstaking, labor-intensive task of liberating one of the world's largest and most famous paintings from nearly 500 years of accumulated grime and murky glue? But the computer—an Apollo workstation programmed to map every curve and crack down to the last millimeter—proved so indispensable that it was installed 20 meters (65 ft.) above the ground, on the main scaffold, where it put a wealth of data about the frescoes at the master restorer's fingertips. Today man and machine labor side by side, only an arm's length from Michelangelo's original brushstrokes.

The Sistine Chapel project was a breakthrough that made believers of the skeptics. Even the Vatican's chief restorer, Gianluigi Colalucci, concedes that future computers will recall in an instant visual information that used to require years of research, including, he adds with a laugh, "the errors we are making now." But more important, the restoration marked the beginning of the Italian art establishment's love affair with technology. Nowadays, computers linked up to gamma-ray detectors, infrared cameras and thermographic sensors are turning up in art-restoration projects all across Italy, from the vast ruins of Pompeii to the crowded workshops of Venice. In tasks ranging from simple cataloging to advanced image processing, the new technology not only is making restoration more manageable but also is helping solve some of the oldest mysteries of art history.

In the past, technological advances in art have moved from the new world to the old, as when computer techniques developed by NASA to enhance satellite photos were adapted for use on the works of the old masters. That flow has, to some extent, been reversed. With a major portion of the world's ancient art treasures located inside its borders, Italy has become the capital of high-tech restoration. Experts from such citadels of art as the Louvre, the Getty Museum and the Metropolitan Museum of Art are making pilgrimages to Italy to see how it is done in Rome, not to mention Venice, Milan and Florence.

The technology that most fascinates visitors is a method for peering below the surface of a finished artwork and analyzing the various layers of paint it contains. The technique, computerized infrared reflectoscopy, is based on the fact that some pigments that reflect light in the visible range (like cadmium red) are more or less transparent to infrared light. By looking through these layers, art historians can catch glimpses of the artist's original handiwork: rough sketches, repaintings and the occasional erasure. Other techniques, notably X-ray analysis, had been used in the past. The major advantage of using a computer with a video display screen is that the artwork can be superimposed over the infrared image, making the slightest differences easily visible.

CIS has become a veritable third eye for restorers and art historians. Paolo Spezzani, a Venetian radiologist who pioneered the technique with Olivetti, has applied it to hundreds of familiar paintings, sometimes with startling results. In one case, an examination of Titian's Albertini *Madonna and Child* turned up a praying saint hiding under the baby's chubby legs. In another instance, the procedure helped prove that the so-called Sketchbook of Raphael, long thought to be a 17th century copy, actually



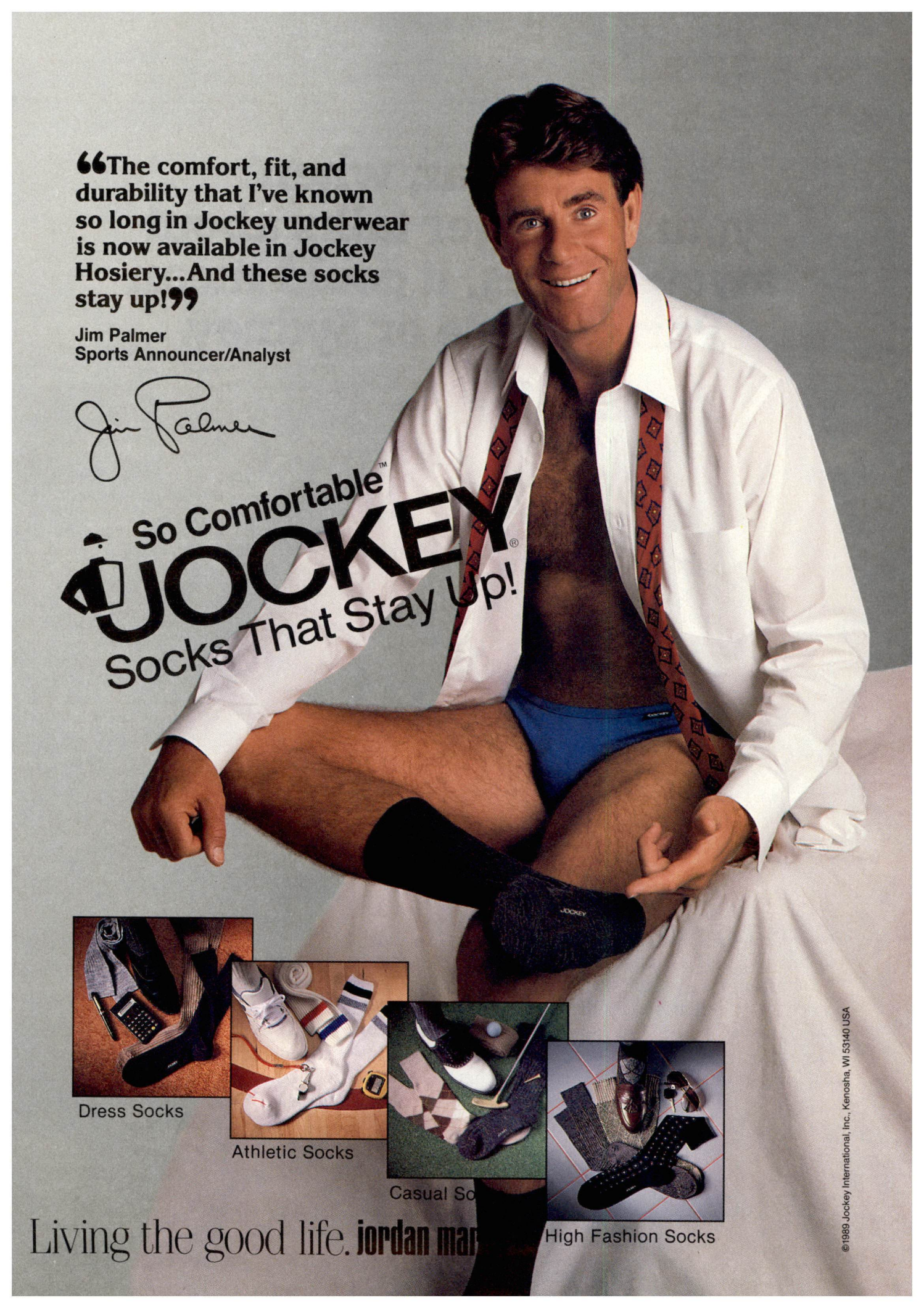
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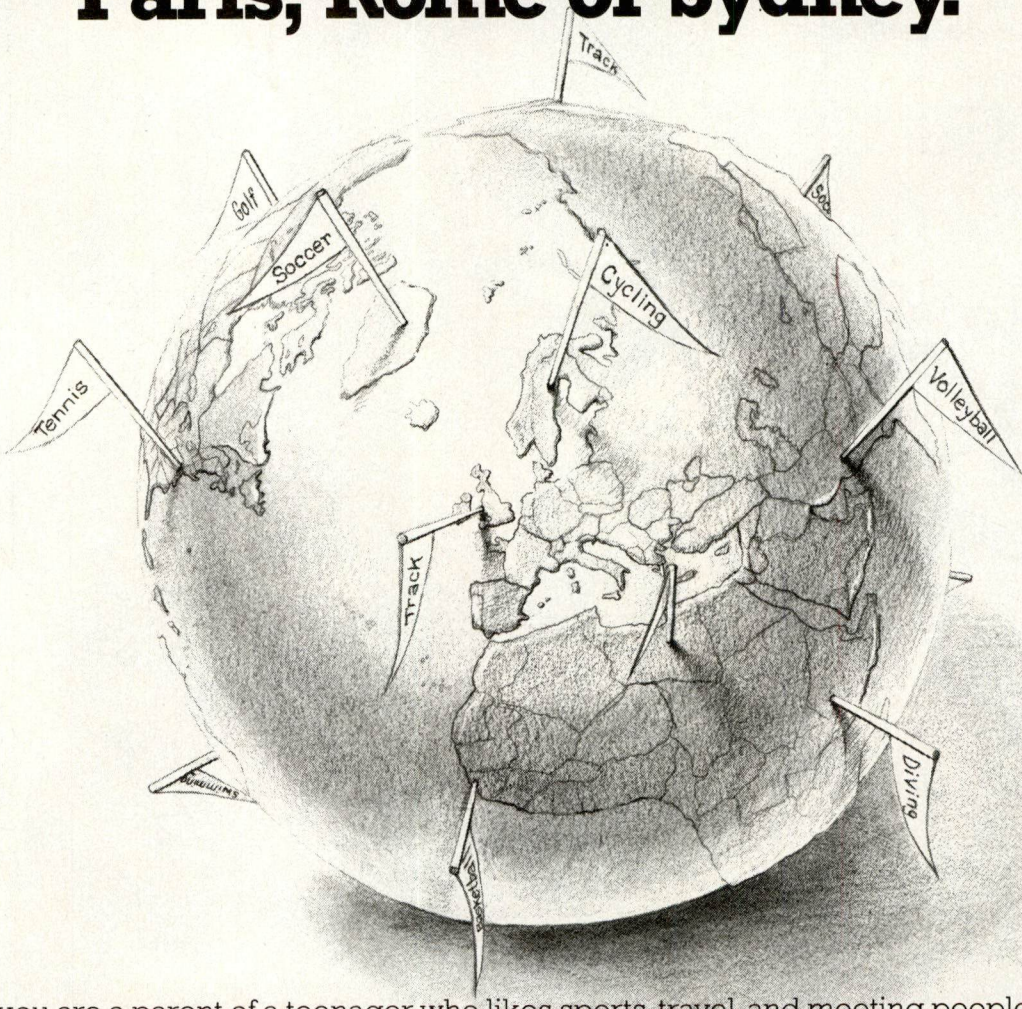
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INFRARED EYES

A false-color infrared analysis of Giorgione's *La Tempesta* reveals details, inset, painted over by the artist nearly 500 years ago


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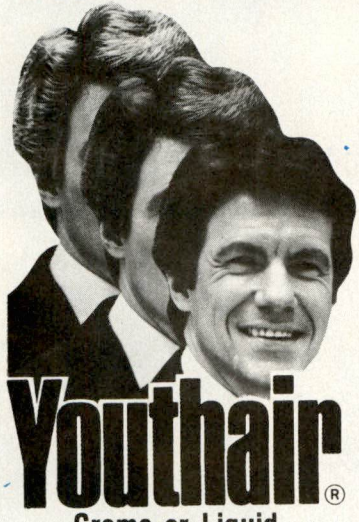
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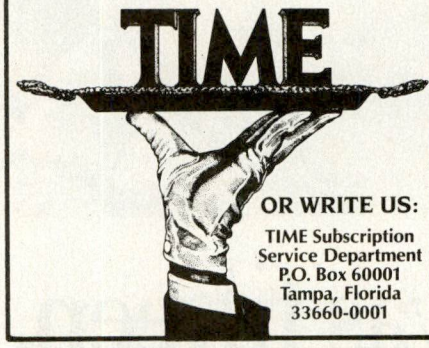
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did contain early 16th century drawings from Raphael's Umbrian school that had been later covered over in ink.

Sometimes the simplest application of the computer, as an electronic archive, is the most effective. At Pompeii, experts from Fiat and IBM, aided by more than 100 young workers, cataloged thousands of frescoes and mosaics scattered over 36,000 hectares (89,000 acres) of the Vesuvius valley. Result: a computerized map that makes a great deal of art history instantly accessible. Says Aldo Todini, IBM's operating director for the project: "If you see a house on the map, you can go into that house, go right up to a wall, ask the computer what's painted on it and see the fresco in living color."

Computer operators at the Sistine Chapel can call up a vast library of information for every square meter of fresco, from the location of weakening areas to the curves of the artist's underlying sketches. On the screen, green lines mark the beginning and end of each day's work for Michelangelo, providing historians with a graphic record of his progress as he struggled to master the art of painting face upward in soft plaster. It took him an exhausting 29 days to do 15 square meters (18 sq. yds.) of *The Flood,* even with several helpers. By the time he reached *The Creation of the Sun and Moon,* however, he could cover the same space in seven days without any help at all.

Art-restoration computers in Italy have become nearly as ubiquitous as masterpieces. In Bologna's Church of Santa Maria della Vita, a computer analysis of body postures showed art historians how to piece together a disassembled 15th century terra-cotta sculpture of Christ and six grieving figures. In Rome a computer has created a perfect electronic "mold" of the bronze statue of Marcus Aurelius. Says Giorgio Accardo, head of the physics lab at Italy's Central Institute for Restoration: "The idea is to put Italy's artworks on a computer disk so that if somebody chops off an arm or a leg, we can re-create it."

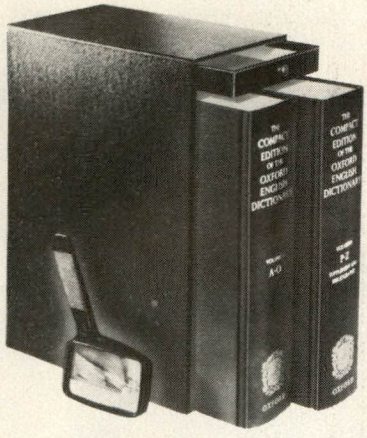
But even the smartest computer cannot decide what to do with the information it gathers. An analysis of Tintoretto's *Paradiso* uncovered a coat of arms that had been painted over with a cloud, presumably by new owners. The decision to remove or not to remove was one that had to be made by art historians. (In the end, they decided to bring the coat of arms back to light.) The loincloths in the Sistine Chapel pose a trickier problem. Michelangelo's nude figures in *The Last Judgment* so offended the prelates of the 16th century that they ordered papal artists to cover the bodies with strips of cloth. An analysis of the underlying layers makes it unlikely that the outerwear will be removed, however. Before the loincloths were added, Michelangelo's original painting was physically scraped away. —***By Philip Elmer-DeWitt.***

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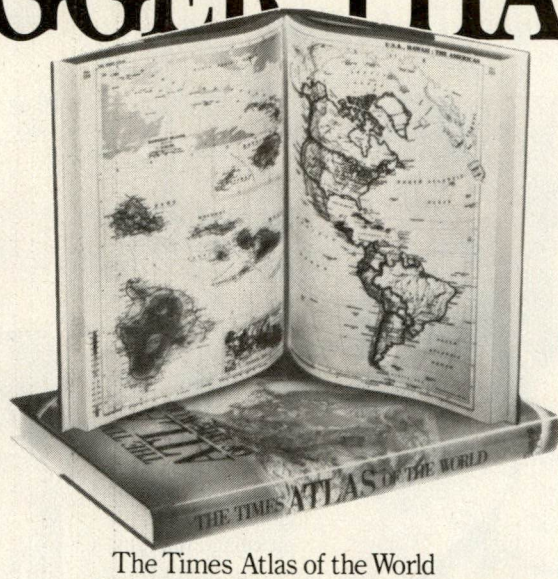
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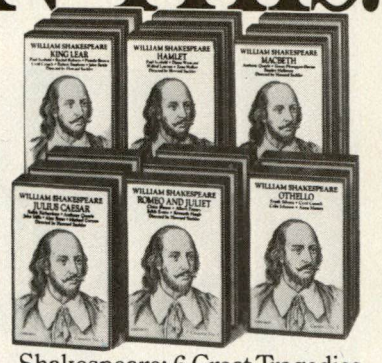
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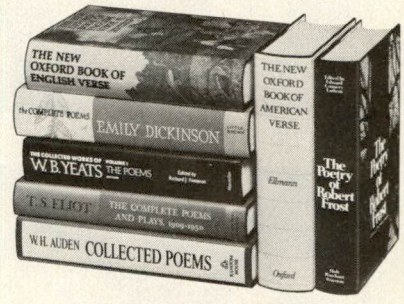
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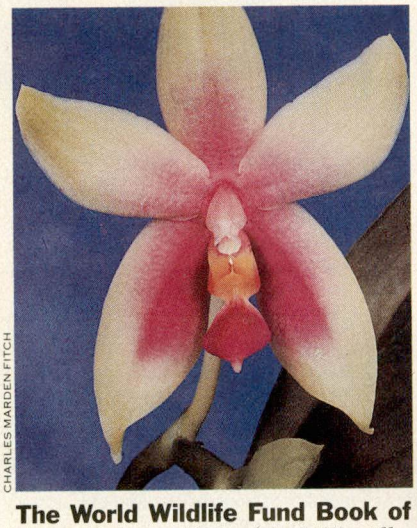


Chagall: The Russian Years, 1907-1922 *by Aleksandr Kamensky (Rizzoli; $100).* Like the figures in his paintings, Marc Chagall (1887-1985) floated over formal artistic boundaries. This book tracks his flight from the Russian village that gave him his themes and folk style to St. Petersburg and beyond, where he reflected his past in modernism's bright palette and broken planes.



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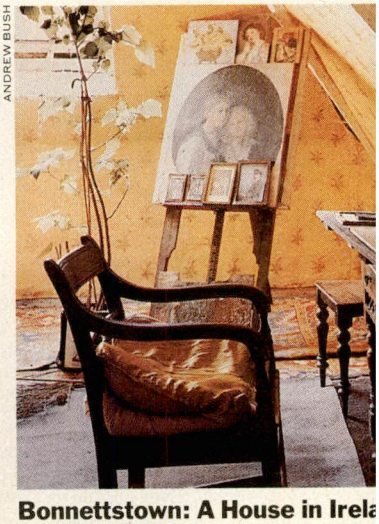
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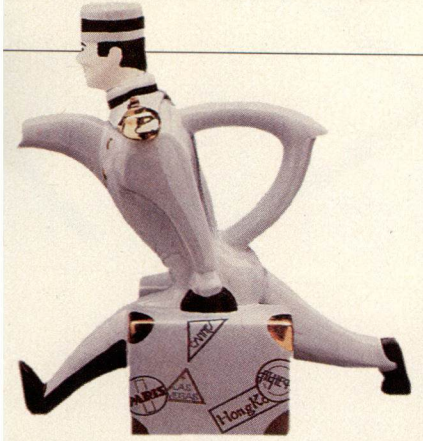


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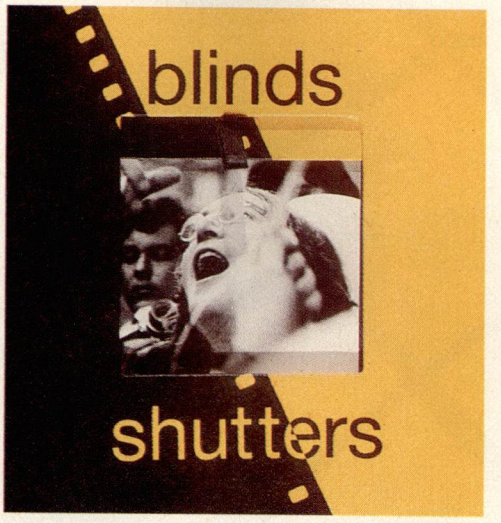
Bonnettstown: A House in Irela *by Andrew Bush (Abrams; $37.5* Built near Kilkenny in 1737, this li stone manor house is revealed in magnificent color photographs. rooms display the cluttered charm t only two centuries of daily use can br Bush revels in textures: flaking plas rubbed wood, well-worn carpets. book celebrates old but ageless beau



he Eccentric Teapot *by Garth Clark (Abbeville; $29.95).* Why pour your oolong om a plain pot when you can pour it out of rooke Shields' head? Whether they are apots for art's sake or art for the sake of king tea, ceramics critic Clark has cataged the fun. The Kentucky Fried Teapot as the head of Colonel Sanders and the ody of a plucked chicken.



aily Life in the Forbidden City *by Wan , Wang Shuqing and Lu Yanzhen Viking; $75).* As the Son of Heaven oved through his palaces, the Hall of Luinous Benevolence, the Gate of Divine owess, there was everywhere beauty behold. The Palace Museum in Beijing as assembled a sumptuous record of this otidian splendor.



Blinds & Shutters *by Michael Cooper (Genesis/Hedley; $595).* Wherever the artists or arrivistes made the scene in 1960s London, Cooper was there, camera in hand. For those craving a (costly) glimpse of the time when the Beatles and the Stones ruled the realm—"For a few years then we were just flying," recalls one of the bit players—comes this collection of 600 works by their court photographer.



Lick 'Em, Stick 'Em *by H. Thomas Steele (Abbeville; $19.95).* Once upon an envelope (circa 1900 to 1930), posters were reduced to the size of postage stamps. Some were tiny comedies—a giraffe advertising neckwear, a pig promoting lard—others dazzling designs by Egon Schiele and Rockwell Kent. They became, says the lively text, "the common man's art gallery," and this homage deserves the same stamp.

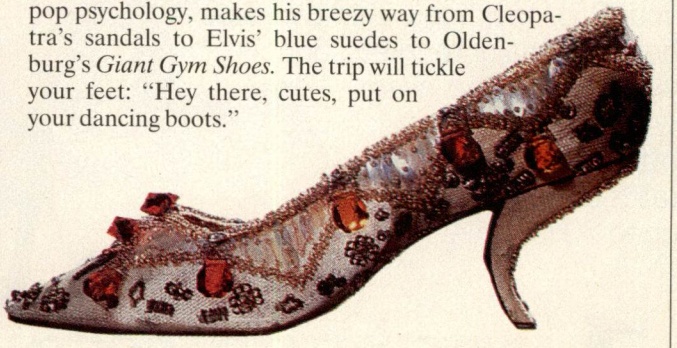
Greek Revival America *by Roger G. Kennedy (Stewart, Tabori & Chang; $85).* Its title may suggest the morning after a fraternity party, but this dignified volume, by the director of the Smithsonian's National Museum of American History, is about the 19th century architectural style whose graceful masses and columns (as at the White House) have become synonymous with national purpose and cohesion.

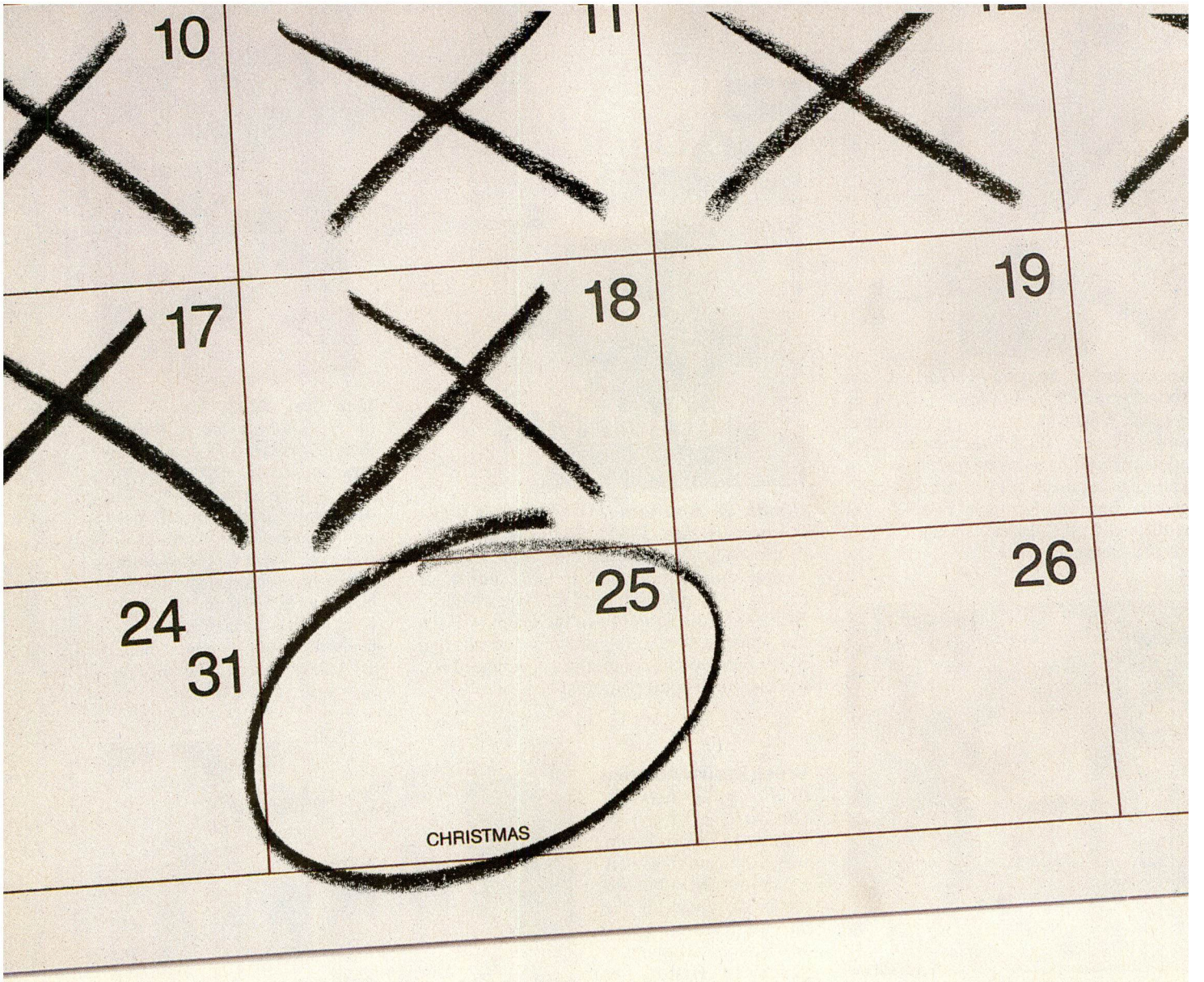


he Spirit of Folk Art *Henry Glassie Abrams; $60).* Indian ass horses share space th a New Mexican èche; an Irish dresser nds near an African ron; shadow puppets China and Indosia exchange greetings. ys, dolls, samplers and gs show a striking simiity of expression and tention to detail. The mily of Man has never emed smaller.



Shoes: Fashion and Fantasy *by Colin McDowell (Rizzoli; $50).* This lavish compendium is a fetishist's playground. The author, well versed in historical trivia and pop psychology, makes his breezy way from Cleopatra's sandals to Elvis' blue suedes to Oldenburg's *Giant Gym Shoes.* The trip will tickle your feet: "Hey there, cutes, put on your dancing boots."





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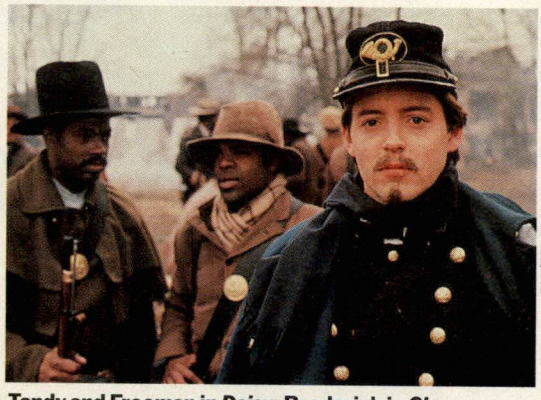
Of Time and the River

Coming to terms with bravery and tomfoolery

DRIVING MISS DAISY
Directed by Bruce Beresford
Screenplay by Alfred Uhry

BY RICHARD SCHICKEL


WARNER BROS.


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Tandy and Freeman in *Daisy*; Broderick in *Glory*

Confronting custom—and prejudice—across the ages.

It is the season when movies are ablaze with self-importance, urging us to contemplate, through various fictive metaphors, the great issues of our time. And, by the way, to spare some kindly thoughts for the high-mindedness of their makers and their worthiness for Oscar nominations.

Such a metaphor is available in *Driving Miss Daisy*. If you look hard, you can find in this account of the 25-year relationship between Daisy Werthan (Jessica Tandy), a genteel Southern, Jewish matriarch, and her black chauffeur, Hoke Colburn (Morgan Freeman), a microcosmic study of changing racial attitudes in a crucial time and place (Atlanta, circa 1948-73). What you will not find in this marvelously understated movie is overtly inspirational comments on that subject, broad sentimentality or the slightest pomposity about its own mission. In other words, Alfred Uhry's adaptation of his Pulitzer-prizewinning play aspires more to complex observation of human behavior than to simple moralism about it. Precisely because it has its priorities straight, it succeeds superbly on both levels.

Director Bruce Beresford's tone is cool and shadowy—like Miss Daisy's fine old house. Hoke is introduced into it by her son Boolie (Dan Aykroyd, displaying full credentials as an actor), when at 72 Miss Daisy careers her car into a neighbor's yard. She has objections, suspicions. She harbors—yes—more racial prejudice than she has ever been forced to admit.

But Hoke is a wise and patient man. And Miss Daisy is a woman worthy of those qualities. She may be comically set in her small ways, but she casts a shrewd eye on her immediate world. As she ages, that world shrinks, so that Hoke looms ever larger within it. As a result, she is forced to think harder about the growing civil rights struggle than she might otherwise have. An encounter with menacing red-neck cops on a country road, the bombing of her synagogue, a distant but moving exposure to the force of Martin Luther King Jr.'s oratory all have their effect on her. But mostly it is the simple presence of a good man that grants her age's greatest benison, expanding rather than shrinking her humanity.

One cannot speak too highly of the subtlety that two great actors, Freeman and Tandy, bring to their roles. Or of the faith that Beresford places in their ability to convey large emotions through an exchange of glances in a rearview mirror. Or of his trust in a script that speaks most eloquently through silences and indirection. All, finally, have placed their faith in the audience's ability to read their delicately stated work with the responsiveness it deserves. It would be a shame to fail them. ■

GLORY
Directed by Edward Zwick
Screenplay by Kevin Jarre

It just slips under the wire as the first large-scale Civil War film of the decade. And it may be the last of the millennium, so far out of favor (and economic viability) have historical epics of all kinds fallen. Maybe one's good response to *Glory* derives from the sheer novelty of the thing and from admiration for the producers' gumption in flinging it in the face of the movie audience's indifference to the pretelevised past.

But not entirely. For the specific historical events the film narrates—the formation, training and terrible blooding in battle of the 54th Massachusetts Regiment, the first black fighting unit enlisted in the Union cause—are little known yet resonant with high symbolic significance. The 54th, led by an idealistic 25-year-old white man, Colonel Robert Gould Shaw (Matthew Broderick skillfully blending shyness and tenacity), had to fight to fight. Their white comrades-in-arms were full of contemptuous prejudice against them, and the high command was afraid to arm black men who had their own bitter racial grievances (many were runaway slaves).

Yet precisely because of their lowly status, these men had a more than usually powerful need to assert their manhood through deadly exertion. *Glory* is at its best when it shows their proud embrace of 19th century warfare at its most brutal. Director Edward Zwick graphically demonstrates the absurdity of lines of soldiers slowly advancing across open ground, shoulder to shoulder, in the face of withering rifle volleys and horrendous cannonade. The fact that the 54th finally achieves respect (and opens the way for other black soldiers) only by losing half its number in a foredoomed assault on an impregnable fortress underscores this terrible and brutal irony.

Kevin Jarre's script makes no direct comment on these matters, and a squad of fine actors ground the film in felt reality: Denzel Washington is a proud and badly misused troublemaker; *Driving Miss Daisy's* Morgan Freeman a steadying influence; Andre Braugher a Harvard student who finds Emersonian idealism of small help in mastering the bayonet. It is the movie's often awesome imagery and a bravely soaring choral score by James Horner that transfigure the reality, granting it the status of necessary myth. Broad, bold, blunt, *Glory* is everything that a film like *Miss Daisy,* all nuance and implication, is not. But arriving together, they somehow hearten: they widen the range of our responses to what remains the central issue of our past, our present, our future. — ***R.S.***

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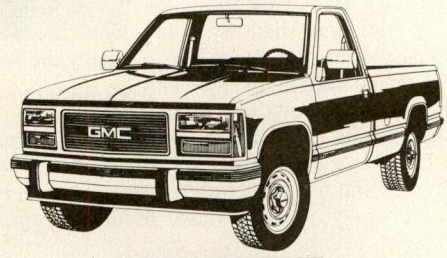
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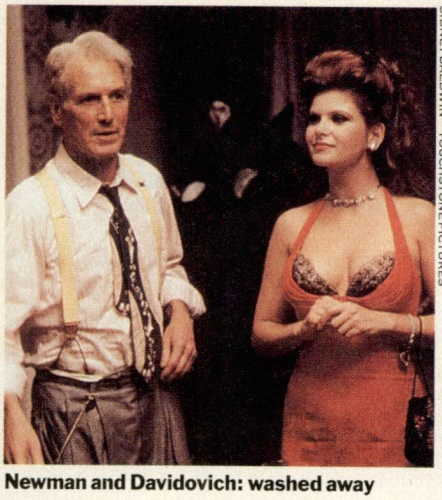
Cinema

BLAZE

Directed and Written by Ron Shelton

It was an affair made in tabloid heaven: stripteaser Blaze Starr ("Miss Spontaneous Combustion, and I do mean *bust*-ion!") and Earl K. Long, fine Governor of the great state of Louisiana. Long was too full of his princely power to be discreet about his indiscretions. Blaze could have told him—and in this lengthy, clever, depressing film she does—that "your political instincts are clouded by the aroma of my perfume." By 1959, when Long's campaign slogan was the forthright "I ain't crazy," his liaison with the stripper was as controversial as his tax evasion and support for Negro voting rights. He lost. It was a little American tragedy, played as farce.

Ron Shelton *(Bull Durham)* directs *Blaze* with plenty of pungent wit, but from a high, disinterested view. He never gets steam into the affair. Paul Newman approaches Earl from the outside too, as a growly-bear clown who doesn't realize he's King Lear. Lolita Davidovich, making the most of her first big break, plays Blaze as a sensible, loving career gal with an overripe body. But the picture is not mainly about sex or even love; it is about an aging man's loss of sexual, political and personal power.



SIDNEY BALDWIN—TOUCHSTONE PICTURES

Newman and Davidovich: washed away

The film ends with a great shot. Blaze walks out of the state house where Earl's corpse lies, and the camera ascends to take in Long's old domain. Randy Newman's poignant song *Louisiana 1927*—a cracker's lament about a devastating flood—reaches its apogee of symphonic paranoia with the line "They're tryin' to wash us away." Just then, the camera discovers the Mississippi roaring past, washing away Earl and his wily, wild, pre-TV tradition of Southern politics. What has happened down there is that the wind has changed, and for its last three minutes *Blaze* finds potent film poetry to express that change. The rest of the movie lacks Earl's heroic craziness. And the stars could use a dose of Blaze's spontaneous combustion. —**By Richard Corliss**

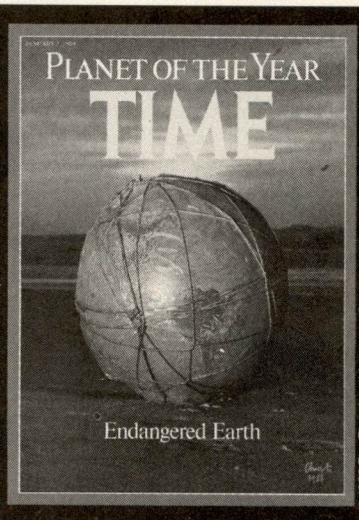
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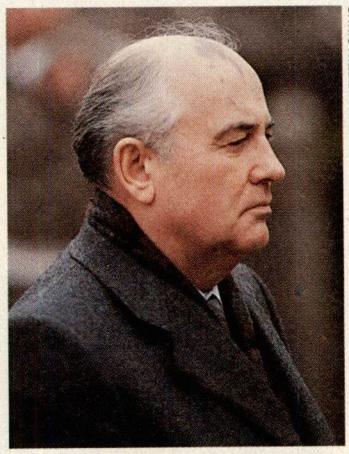
Essay

Richard Nixon

Should the U.S. Help Gorbachev?

The headline over a recent editorial in the New York *Times* proclaimed, THE COLD WAR IS OVER. President Bush has rightly taken issue with that statement. But as the "spirit of Malta" washes over the West, he may soon find that he is a very lonely member of a virtually silent minority. On all sides we hear that Western ideas have won and that Communism has been defeated. And yet a Communist named Gorbachev is the most popular man in Europe.

Let us take a close look at this new international superstar. As a Communist he is publicly dedicated not to renouncing Marxism, like millions of demonstrators in Eastern Europe, but to rejuvenating it. He is a proud Russian nationalist. He likes power, knows how to use it and wants to keep it. His political reforms, *glasnost,* are totally inadequate compared with a free society. But compared with what the Soviet people had before, the changes are breathtaking. His economic reforms, *perestroika,* have been an abject failure. For example, in the ten years of Deng Xiaoping's economic reforms, the per capita income of the Chinese people has doubled. In the five years of Gorbachev's rule, the per capita income of the Russian people has gone down. But while Gorbachev has only marginally changed the Soviet Union, he has profoundly changed the world, simply by saying what many in the West want to hear after generations of Soviet intransigence.



CHRIS NIEDENTHAL

Rather than just applauding *what* he has done, let us examine *why*. When Gorbachev came to power he found he was presiding over a military superpower and a Third World economic power. His clients in Cuba, Viet Nam, Ethiopia, Angola and Nicaragua required huge subsidies. Afghanistan was costing lives as well as money. In Eastern Europe the explosive forces of dissent were building dangerously. The stagnant Soviet economy was falling further and further behind the West. Gorbachev's only option was to reform at home and retrench abroad.

For two years, he temporized, trying to get a bad system to work better by eliminating drunkenness, corruption and inefficiency. This policy failed, so he adopted bolder reforms. His purpose was not to abandon Communism but to save it. Ironically, by doing so he has become the darling of Western intellectuals and pundits.

As we would with any other master politician, we should look at Gorbachev's deeds as well as his words. One example is Soviet military power. He still spends 20% of his gross national product on defense, compared with 6% in the U.S. He has modernized all three legs of the Soviet strategic nuclear triad. Soviet superiority in tanks, chemical weapons and combat aircraft has been maintained and in some cases increased. The Soviet Union's military might is greater now than when Gorbachev came to power. Even if he has been sounding to some hopeful ears like a dove, his bristling talons still make him look like a hawk.

Many observers say he inspired the changes under way in Eastern Europe. Some even say he encouraged them. Most ignore that it was Western ideals, combined with the failure of Communist ideals he still defends and opposition to Soviet domination he represents, which brought millions into the streets. It is true that he could have repressed the demonstrations, but it might not have worked and would have inevitably derailed his brilliant diplomatic blitzkrieg aimed at psychologically disarming the West. Instead, he is now getting credit for developments he could not contain.

Should we help Gorbachev? If so, how?

A leading foreign policy analyst concluded bluntly, "We should help those in the Soviet Union who are doing the right thing." But is Gorbachev really a convert to those ideals we consider the "right things"—political pluralism, individual rights and a free-market economy? Whoever believes that will believe Santa Claus is bringing my grandchildren the $150 Nintendo sets I am buying them for Christmas.

Gorbachev has changed, but it is a change of the head, not the heart. At a time when he is using his head, we should not lose ours. In providing help for Gorbachev, we should adhere to a fundamental principle. If his ultimate goal is to make life better for the Soviet people, we should help him. But we should not help him if his ultimate goal is to make life more difficult for the West by using Western subsidies to build an economically and militarily stronger Soviet Union with the same aggressive foreign policy.

His economic reforms will not work unless they are radically expanded. As Andrei Sakharov put it, "In the absence of radical reforms in the Soviet system, credits and technological aid will only prop up an ailing system and delay the advent of democracy."

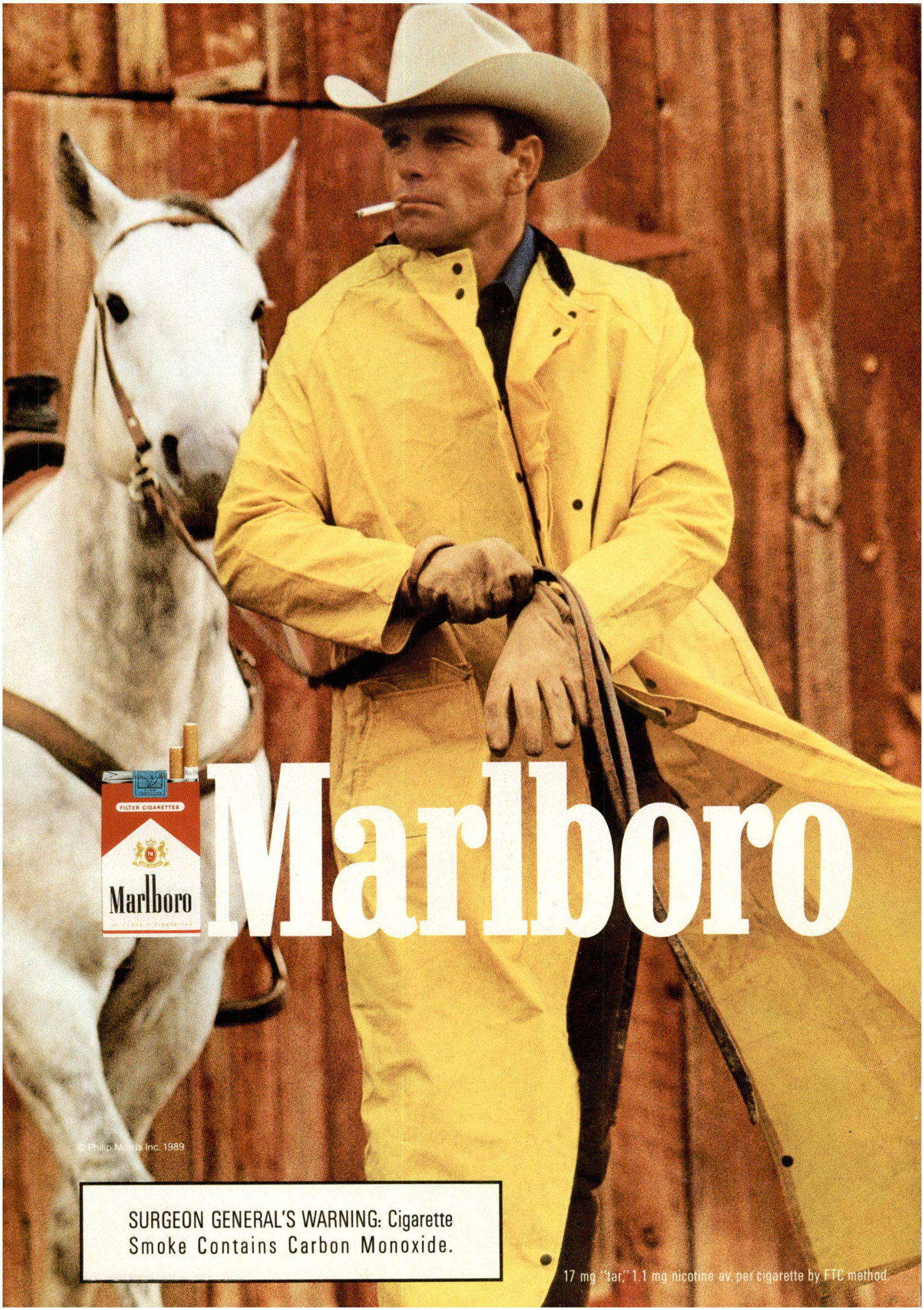
What will work? Only policies the West takes for granted but that could weaken Gorbachev's grip on power—lifting price controls, encouraging more entrepreneurism, decentralizing economic decision making.

If the reforms do go far enough to work, it is still not in our interest to help Gorbachev unless his foreign policy becomes less aggressive. Even as he issues calls for "new thinking," Soviet power is being applied against American interests in Afghanistan and El Salvador and for propping up anti-American regimes in Cuba, Nicaragua, North Korea and Libya. When Gorbachev asks the U.S. to help pay for *perestroika,* we should insist he pay for it himself by cutting his budgets for defense and foreign adventures.

Is Gorbachev "for real"? Let us look again at the editorial page of the New York *Times:* "One week ago Russia came of age. She allowed her people all the fun and trappings of a real election—voting not publicly by show of hands but in private in red-curtained booths behind closed doors." Most people would assume that editorial had been written about Gorbachev's Russia in 1989. In fact, it was written about Stalin's Russia in the 1930s. Gorbachev is certainly not a Stalinist, but he is also just as certainly not a Jeffersonian democrat. We should examine his motives just as coldly as he is examining ours.

I do not question his sincerity. He is profoundly sincere in wanting to rescue the Soviet system from a terminal illness. He has been bold and courageous in pursuing that goal. We should help him—but only if his reforms go far enough to have a chance to succeed and if, as a result, the Soviet Union becomes less repressive at home and less aggressive abroad. ■


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