Stephen S. Rosenfeld

The New Attack On Soviet Trade

Richard Perle, formerly of Scoop Jackson's Senate staff and Ronald Reagan's Pentagon, is back with an attack on Soviet trade that, characteristically, gets to the hard part of the new Soviet-American connection—the part a lot of people want to duck.

He heads up a new effort to induce American corporations to endorse "ethical" guidelines that would keep their commercial dealings with the Soviet Union from strengthening the security threat to the United States or from contributing to denial of the Soviet people's freedoms. Patterned on the "Sullivan Principles" of trade with South Africa, the "Slepak Principles"—for Soviet human rights activist Vladimir Slepak—are targeted on the glistening new vista of Soviet-American joint ventures.

Signers would have to ensure that their ventures don't serve the military sector, don't use forced labor, don't allow Soviet employees to be dismissed for other than good cause, don't use structures that previously were religious institutions and aren't dangerous to workers or to neighboring populations. In addition, companies would have to "strenuously" oppose internal Soviet restrictions on political freedom and assist their Soviet employees "to put an end to such restrictions."

These deeply intrusive measures are, of course, vintage Richard Perle. He is into his second decade of masterminding attempts to use the Soviet appetite for trade and technology to make Moscow swallow political concessions—an effort that many of his political adversaries see as masking an intent to kill détente. The Jackson-Vanik amendment of 1974 linking Soviet access to the American market to Jewish emigration and the Reagan administration's export controls on technology with military application are among his trophies.

The Brezhnev-era Kremlin lived with American pressures and muddled through. But Gorbachev aspires to surge ahead, and for that he needs not only to unlock the energies of his own people but to open the door to Western technology and investment. This is what puts the gleam in Richard Perle's eye: he sees Gorbachev's confession of economic backwardness as an unprecedented invitation to the West to turn the Soviet Union on a democratic path.

It's a thrilling vision; the conservatives are good at challenging the rest of us more balance-minded types to live up to principle. It reflects the truth that, with glasnost, the Soviets are in fact receptive to some appeals that they spurned just a few years ago. The emigré Vladimir Slepak adds his shining moral credentials to the cause.

Still, the earlier record gives grounds for caution. Arguably, the Jackson-Vanik amendment did more to burden Soviet-American relations than to benefit Jewish emigration. Just last year a heavyweight National Academy of Sciences panel found that the technology controls "are in danger now of overcorrecting in that they fail to promote both military security and economic vitality, two objectives set forth in the statutes authorizing national security export controls."

The basic economic context also has to be cranked in. Conservatives believe Gorbachev's modernization ambitions make him uniquely vulnerable now to the big squeeze. Their nightmare is that a gaga peace-and-profit business lobby will lose the West a historic moment.

But conservatives have not thought the matter through. They assume the pressure is all ours to apply. Not so. To an extent that neither has acknowledged, both of our presidential candidates count on détente for the savings to ease the crisis of the American budget. It is shortsighted to think that Americans can open up a major new political front with the Slepak Principles without risking some of the broader benefits our country seeks in Moscow.

We should not be too confident of our capacity to fine-tune Soviet political change. Gorbachev appears intent on going beyond tinkering into recasting some of the most delicate internal connections of his society. Some would say there is no need for an American hand (and certainly not Perle's heavy one). I would say there is some room for an American hand but it must be wielded carefully. We cannot simply raise a new demand on the Soviets every time they meet an old one—"moving the goal posts." There is pressure and there is overkill.

Jack Anderson and Dale Van Atta

Savings & Loans & Intrigue & 'Meddling'

What was once a dirty little secret is now headline news: the American taxpayer will have to foot a bill, estimated at between $50 billion and $100 billion, to pay for the profligate pursuits of savings and loan operators.

Deregulation, once hailed as a panacea, turned out to be little more than a license to turn S&Ls into federally insured casinos. S&Ls historically had the job of lending mortgage money. Under deregulation, the "honest" operators went broke pursuing daredevil investment and lending schemes. The more dishonest of the breed turned the thrifts into their personal piggy banks.

Our associate Michael Binstein interviewed Edwin Gray, who was the chief regulator of the industry until July 1987. Gray paints a picture of an industry totally out of control and of Washington politicians either too arrogant or too ideological to head off what has become a national emergency.

Gray recounted one tale from late summer 1984. The Federal Savings and Loan Insurance Corp., which insures nearly $1 trillion in deposits, was almost wiped out when the nation's largest savings and loan nearly collapsed. The California-based Financial Corporation of America was reeling from reckless investment and lending decisions. Officials at the Federal Home Loan Bank Board, the agency that regulates S&Ls, worked feverishly to prop it up.

Gray, who was then chairman of the bank board, proposed raising $1 billion in deposits for FCA. His plan was to enlist the aid of deposit brokerage houses on Wall Street, which, for a commission, elicit deposits around the country and put them in financial institutions that are willing to pay high interest rates.

Gray called his bank board predecessor, Richard Pratt, who occupies a senior position at Merrill Lynch. Pratt listened sympathetically to Gray's plea and assured him that $1 billion would be forthcoming within days. The funds would give regulators and FCA breathing room to quell the panic. But then Pratt called Gray back and said the deal was off. Pratt would only say that he had been overruled by his superiors at Merrill Lynch, according to Gray's account. Gray scrambled and raised the money from other brokerage houses.

More than a year later, the two men ran into each other at an economic conference in San Francisco's Fairmont Hotel. Pratt pulled Gray aside into an ice cream parlor, where they could talk privately. Gray recalls that Pratt dropped a bombshell. He said that Donald Regan, who was Treasury secretary during the FCA crisis, had intervened with Merrill Lynch top brass to kill the deal. Regan had run Merrill Lynch before joining the Reagan administration and had promised he would not touch any issues that involved the company after he joined the cabinet.

If Regan meddled in the FCA deal, as Pratt alleges, it raises serious questions about that promise. Gray believes Regan's actions put the whole financial system at risk and that Regan allegedly did it out of revenge in a petty bureaucratic feud between himself and Gray. In response to a question about Regan's motives, Gray told Regardies magazine that Regan was angry at him a few weeks before the Merrill Lynch deal fell through. "Regan was obviously very angry I'd made a suggestion that he check with me before he commented publicly about our very ticklish situation with FCA," Gray said.

In the middle of the FCA crisis, Regan had been quoted in a story in the American Banker magazine saying that the government would not stand behind the uninsured deposits at FCA. Gray wanted him to be more careful about what he said. "Given the extremely sensitive liquidity situation at the institution, all we needed was something like that in the financial press. In fact, that very day [that Regan's remarks appeared in American Banker] the institution suffered a $400 million outflow of deposits," Gray said.

In response to Gray's suggestion that Regan ask him first before making any more public statements about FCA, Regan sent Gray a testy letter: "I was surprised and frankly displeased by your letter. . . . Candidly, I do not have to be reminded of my responsibilities in areas of concern to you or, for that matter, any of the other areas of government in which economics and finance play a role."

What does Regan have to say about the Merrill Lynch deal today?

He said he didn't quash it. "A careful search of my telephone logs and appointment schedules for August and September 1984 reveals that I made no calls to or received any calls from Merrill Lynch, nor did I see anyone from Merrill Lynch."

Regan said a Merrill Lynch lawyer called an assistant Treasury secretary and was told that the government would remain neutral and not ask Merrill Lynch to underwrite the deal. "But he was told that Treasury had no objection to such an underwriting," Regan said.

Pratt refused to return numerous telephone calls to confirm or deny Gray's account. But Regan claimed to have spoken to Pratt and concluded that Gray was mistaken about laying the blame for the Merrill Lynch deal on Regan. "If Ed Gray somehow got this impression, [Pratt] is sorry because he did not mean to convey it," Regan said. "Gray is mistaken in his statement, and no one can recall my calling Merrill Lynch regarding FCA."

Chileans celebrate "No" vote in Santiago. —REUTER

Ariel Dorfman

'We Reconquered Our Dignity'

SANTIAGO—For the first time since Gen. Augusto Pinochet took power in a bloody coup 15 years ago, the Chilean people have had a chance to express, in a plebiscite, what we really feel about the dictator, and we have told him, by a substantial majority, that we want no more of him and his methods.

It can be said in the government's favor that it did not try to steal the election or commit outright fraud, as I and many of my fellow citizens and indeed the U.S. government feared might happen. If the electoral process turned out to be clean, it was not, however, fair. The dictatorship had a series of advantages—and used them to the hilt.

In a country where 45 percent of the population is extremely poor, the control of the state and its system of subsidies—for housing, for unemployment, for health—allowed unelected municipal authorities to exercise tremendous pressure on the people they should have been serving. The government's monopoly of television for all these years gave it a captive audience that it could brainwash at will. Workers and peasants were warned, by industrialists and landowners, that there could be reprisals if Pinochet lost.

But, above all, the general played on the fear factor. Chile is a land where the officials who are supposed to protect you from violence are the very ones persecuting you. When torture has become commonplace, when people have disappeared without a trace into the night, when thousands have been exiled, when journalists are regularly jailed, when protesting kids are picked up and beaten in massive raids, citizens were right to feel intimidated and uncertain when the same armed forces responsible for these atrocities threatened darkness and death if the "No" to Pinochet vote won. Even if, during the month before the plebiscite, exiles were allowed home, a couple of rallies were permitted in out-of-the-way places and the opposition was granted 15 minutes a day of television time to state its case, that could hardly compensate for 15 years of unrelenting oppression.

With so much power in his hands, Pinochet was sure he could not lose the election. A de facto president and an international pariah, he craved legitimacy and, I suspect, respectability. The last time he had left Chile, eight years ago, when he had been on his way to the Philippines, none other than Ferdinand Marcos had cancelled Pinochet's state visit when the Chilean general was in mid-flight.

Pinochet gambled that the opposition would be unable to register all its people, that we would be unable to unite and cease our squabbling, that we would fail to organize enough poll-watchers to guarantee that the results could be independently and objectively verified. He gambled—and he lost. The Chilean people dug deep into the democratic tradition that had made us the pride of Latin America for so many decades and, with courage and determination, found the way to come out from the shadows and the silence.

> *"The Chilean people . . . found the way to come out from the shadows and the silence."*

Unfortunately, the general has not really heard the message. If he were a man of honor, he would call free elections and resign immediately. Or if he had a drop of democratic blood in his veins, he would designate a cabinet that could act as a bridge to the victorious opposition and that could negotiate a peaceful transition to a truly free future. Instead, he has reappointed the same group of hard-liners and insisted that he will reign until March of 1990. He will also, apparently, continue as commander in chief of the army for another five years. He will be able to appoint one-third of the senate and, until the day he dies, sit on the watchdog National Security Council, which in effect, has veto power over what the elected representatives of the people might decide.

All of these privileges have been bestowed upon the defeated general by the constitution he rammed down Chilean throats in 1980. That constitution, which also established the permanent political exclusion of the vast sectors of our country that belong to the left, was imposed fraudulently, according to the Catholic Church and international observers and organizations.

The conditions that allowed the Chilean people to beat Pinochet and control the plebiscite in 1988 were absent in 1980. As there were no voter rolls, Pinochet supporters then were able to vote as many times as they wished. The ballots were transparent, so anybody—and that anybody was armed and nearby—could see the voter's choice. There were no poll watchers and therefore no way of establishing whether the government was rigging the results. Ballot boxes were stuffed. The opposition was not ceded even one minute on television, and we had no newspapers and barely some harassed radio stations and semi-legal magazines. And I, for one, deny any validity to a constitution that was sanctioned while I was in forced exile and, like so many other Chileans, denied entry to my own land.

Toward the end of their reigns, dictators tend to isolate themselves from reality. They become so entranced with their omnipotence, so in love with their own reflection seen in every mirror, that they lose all sense of reality. This is what happened to Gen. Pinochet when he thought he could intimidate enough people and buy others to give him the electoral edge he needed for eight more years in power. And it is this same blindness which governs him now.

He does not understand the depth of the popular repudiation he has suffered. He does not understand that most of his own supporters are ready for reconciliation and will have a legitimate space in a democratic system. But above all he does not understand that on Oct. 5, we reconquered our dignity as a sovereign nation after years of humiliation and terror, and that we will not stop until we have reconquered our land and the right to be totally free.

The writer, a novelist, divides his time between Duke University and his native Chile.

William Raspberry

A Blooming Miracle

Forget what your father said about free lunches. The old man never met Norman Manasa, whose one-man establishment is offering an all-purpose smorgasbord that nourishes, uplifts, educates and heals. And if this banquet isn't precisely free, its cost-benefit ratio would warm the heart of Ebenezer Scrooge.

The Manasa miracle, the Washington Education Project that started in 1969 as a scheme by which college students could earn academic credit for teaching nonreaders to read, has now developed into a full-scale tutorial project operating in 12 different colleges and universities. (New York University, St. John's University's Queens and Staten Island campuses in New York; Boston College, Bunker Hill Community College, Endicott College, Suffolk University and Wheelock College in Boston; Columbia College in Chicago; Mississippi State University, and Monmouth (N.J.) College)

At one end, it provides undergraduates with practical experience and college credit for tutoring underachieving youngsters in public schools. Students who take the semester-long course—usually as an elective in education or the social sciences—agree to tutor a minimum of six hours a week, attend weekly seminars with a faculty supervisor, submit a written report every three weeks, keep a private journal and submit a final report at the end of the semester.

At the other end, hard-pressed teachers get free tutorial help for students who need it most, and the low-performing students may find themselves nudged back into the academic mainstream.

All the tutoring is done under the direct supervision of a classroom teacher, with each undergraduate being responsible for two pupils. Since the undergraduates are not paid, the program has no capital costs.

Start-up costs are paid from a $25,000 grant from the Washington Education Project under contract with each individual college to provide payment for faculty supervisors.

Any college, including community colleges, can apply for a grant and is free to choose the agency in which the tutoring takes place—an elementary school, public recreation center, homeless shelter, unemployment office or jail.

Does it work in practice as well as in theory? Manasa has no doubt. He offers as evidence an evaluation from Columbia College of Chicago, whose tutors spent lasts semester at Manierre Elementary School, hard by the notorious Cabrini-Green public housing project.

According to Carolyn Driver-McGee, the teacher-supervisor, the second-grade youngsters assigned to the program because of their low test scores, improved a year or more in reading and math after just one semester's participation. The reason? The tutors are able to provide what most public school teachers cannot: one-on-one time with individual students.

So far, the money for the project has been raised by Manasa, mostly from corporate gifts and sponsorships. That may be starting to change. The recently enacted Omnibus Trade Bill contains a provision for a "Literacy Corps" modeled, according to Sen. Edward Kennedy, who introduced it, after the Manasa project. The education appropriations bill, signed last month, includes $5 million for the corps—enough to enable 200 colleges to field a total of 33,000 undergraduates for nearly 2 million hours of tutoring, according to Manasa.

The new money comes at precisely the time when a lot of us are looking for ways to involve successful men and women in lifting the sights and changing the attitudes of children of the growing underclass.

Tutoring for credit strikes me as an excellent, low-cost, time-efficient way of enlisting college students in the campaign—if only the colleges and universities would take advantage of the opportunity.

It is particularly an opportunity for black college students, who may themselves be only a break or two removed from the underclass.

It isn't enough. There's plenty to be done, both by government and by successful professionals who are worried about the deterioration in values that has more college-age black men in jail than in college and that has made homicide the leading cause of death among young black men.

But the Manasa approach, if it catches on, could mark the most important start in 20 years on a problem that confounded the experts and made pessimists of us all.

Jim Hoagland

A Chance To Free Some Hostages

PARIS—That flurry of reports about secret U.S. contacts with Iran sent Ronald Reagan, George Bush and Michael Dukakis into defensive crouches and summoned up pious statements from all three about not negotiating with terrorists. Understandable as practical politics, those reactions miss the point of a changed situation in Iran that gives Washington a chance to win the freedom of at least some of the hostages without paying an unacceptable price.

If the Reagan administration is truly not in contact with Iran about the nine American hostages still held in Lebanon, it should be. The White House should not let the embarrassing echoes of the Iran/contra affair, and concern about its impact on the campaign, prevent a serious exploration of the strong signals from Tehran about resolving the hostage problem by Nov. 8.

Behind this week's reports and denials of secret talks lies a dramatic scaling down of Tehran's conditions for agreement on an improved relationship with Washington. That relationship remains the key to release of the hostages held by Lebanese Shiite groups under Iranian control.

The reduced conditions have been relayed to U.S. intelligence officers by a European intermediary within the past week. They no longer include a demand for the delivery of arms originally paid for by the shah and impounded by the United States after the 1979 revolution. The remaining conditions are: a final settlement of financial claims between the two countries, reestablishing diplomatic relations and a U.S. condemnation of Iraq for using poison gas against Iran.

The European intermediary's sense that Hashemi Rafsanjani, the powerful speaker of the parliament, wants to get Iran out of the hostage business is confirmed by a Middle Eastern official in regular contact with the Iranian leadership. Tehran wants to settle the hostage problem by the time President Reagan's successor is chosen. The Iranians say their experiences with Jimmy Carter lead them to fear a Democratic administration coming into office. They reportedly feel the Democrats would lack political room to maneuver and improve relations with Iran.

The determined-but-unpersuasive effort here in the French capital by Iranian dissident leader Abolhassan Bani-Sadr to link George Bush to alleged contacts with Tehran is also an important clue. Bani-Sadr has to hope that U.S.-Iranian relations will continue to be antagonistic if the Iranian opposition is ever to have a chance of gaining important American support. His effort to smear Bush betrays concern about tensions lessening if the Republicans stay in power.

Bani-Sadr's attempts to undermine Bush come as reports circulate here that the Reagan administration has ceased providing covert financial support for Iranian exile groups. While it may have been taken for budgetary reasons, such a step would be seen by Iran as a positive gesture and give the dissidents a major grievance against Bush.

The release in Beirut last week of Mithileshwar Singh, an Indian professor who is a U.S. resident, repeated the pattern established in the protracted but successful negotiations France conducted with Iranian officials to free 10 French hostages in Lebanon. The lesser known, and therefore politically less valuable, hostages were released first as signals of intent. The last three French hostages were released just before France's May 8 presidential election.

Polls showed that the release had little impact on voting and provided no help for Jacques Chirac, the unsuccessful candidate the Iranians sought to aid. Moreover, Michel Rocard, who succeeded Chirac as prime minister, found there was no written record of Chirac's negotiators having promised the Iranians anything in return for the release of the last three hostages, beyond restoring diplomatic relations. (The Chirac government also agreed separately to pay off a decade-old one-billion-dollar loan that France acknowledged owing Iran.)

> *"Tehran wants to settle the hostage problem by the time President Reagan's successor is chosen."*

The French experience suggests there is now relatively little risk of compromising U.S. foreign-policy objectives in getting Iranian help to secure the release of the Americans and the other hostages in Lebanon. It is repulsive to have to make any kind of deal with men who traffic in human lives so crudely. But if it can bring freedom to Terry Anderson and the others, it is worth one more try.