

# EIR

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Brazil goes mad, renounces nuclear energy  
Budget quicksand may sink support for Bush

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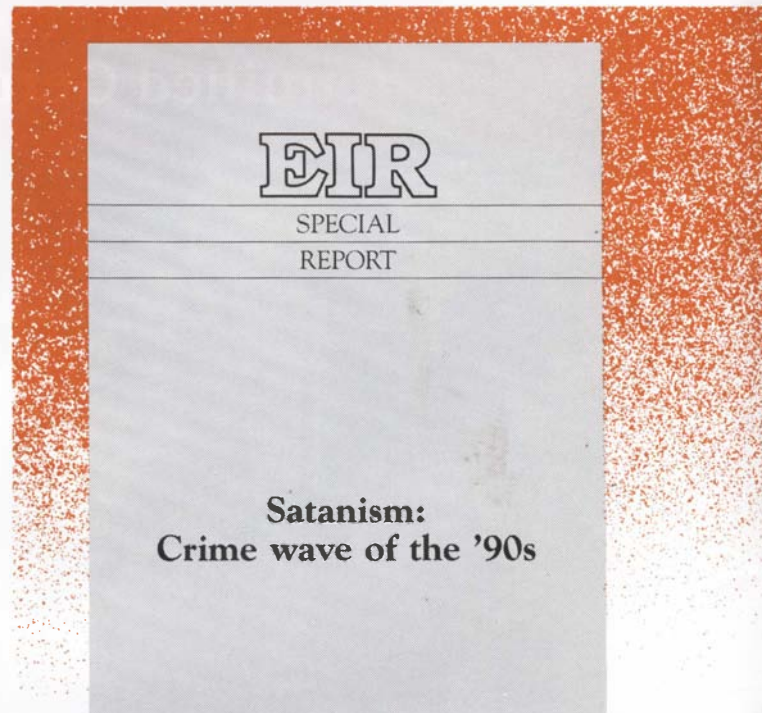
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## From the Editor

The centerpiece of this issue is the speech delivered by videotape by Helga Zepp-LaRouche to the Labor Day weekend conference of the International Caucus of Labor Committees near Washington. Helga, who is the wife of the imprisoned American statesman Lyndon LaRouche, is also one of the foremost leaders of the movement committed to reviving the best of Germany's contributions to the world, in science, economics, and culture, and she is currently heading the electoral slate of the "Patriots for Germany" party in the all-German elections slated for Dec. 3, 1990.

Our *Feature* prefaces her remarks, on unified Germany as the keystone of a worldwide cultural renaissance, with a news article from our West German correspondent Rainer Apel. He reports on the steps which the devastating breakdown of Soviet and Eastern European economies is impelling German leaders to take, in order to stem the tide toward world war.

I would suggest that you turn next to Lyndon LaRouche's analysis, provided exclusively to *EIR*, of the world strategic situation in the wake of the Helsinki meeting between Bush and Gorbachov (p. 44). Pay particular attention to his warning that the real drift of Bush administration policy—under all the hollow rhetoric about "stopping aggression" and so forth—is to steer the world into resource and population wars, toward creating the limitless savagery and mass death evoked by the images of the Thirty Years War in Schiller's *Wallenstein* trilogy of dramas. Only today, this scenario will be played out on a scale an order of magnitude larger than that tragic era in the seventeenth century.

Much of our *Economics* section centers around the strategic resources questions, starting with the U.S. grab for the petroleum assets of Mexico and Venezuela, and continuing with the background report on the economic warfare which drove Saddam Hussein to make his move on Kuwait. There is no actual effort to revive the U.S. oil industry (see p. 9). Brazil's sovereignty is turning into a bad joke as that country, once proud of its nuclear power capability and great hydroelectric projects, is giving up its future as a developed nation, under the cultish President Fernando Collor (p. 12).

See also our *Bonn* and *Agriculture* columns on the special economic challenges faced by a united Germany, coverage which complements the *Feature*.

*Nora Hamerman*

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## Ibero-American oil targeted in U.S. raw materials grab

by Peter Rush

The Bush administration has seized on the pretext of a supposed shortage of oil caused by the Middle East crisis, to push even harder for a long-standing policy goal: the denationalization of the national oil companies of Mexico and Venezuela, Pemex and PDVSA, respectively. More broadly, the goal is the recapture by the U.S. oil multinationals of the oil reserves of *all* countries of Ibero-America, including those of Argentina, Colombia, Peru, and Ecuador, among others.

This is much as then-Secretary of State Henry Kissinger envisaged in 1974 when he proposed a worldwide "Resources Bank" to remove raw materials from the sovereign control of national governments. It is also what participants at the infamous 1982 conference in Vail, Colorado, where Kissinger was a featured speaker, called for as they plotted to force the "privatization" of state sector industries throughout the Third World.

While the demand that the U.S. oil multinationals be allowed to buy up Pemex, in particular, and control Mexico's extremely rich oil fields, has been public since at least the beginning of the Reagan administration in 1981, it has only been with the 1989 accession to the presidency of Mexico of Carlos Salinas de Gortari, who privately agrees with the U.S. position, that the U.S. has had any chance of achieving its goal. The election two years ago of Carlos Andrés Pérez in Venezuela has also made possible the denationalization of PDVSA as well.

However, there is domestic opposition to undoing the nationalization measures, which most people in both countries consider to be central assertions of national sovereignty against foreign domination of their economies. Both Salinas and Pérez have tied their moves to privatize oil and other industries to their overall embrace of the "free market" dog-

ma of the Reagan-Bush administrations. So far, the results of their economic policies have been dismal, with real incomes continuing to fall. The success of their efforts to denationalize oil depends on their ability to make the "free market" policies stick, an increasingly unlikely eventuality as not only their own economies, but also the U.S. economy, head into a deep recession.

### 'Your oil is our oil'

Since the outbreak of the Middle East crisis, the Bush administration has made it clear that it regards the vast oil reserves of Mexico and Venezuela as the strategic reserve of the United States. This view was most clearly presented in a commentary by Norman Bailey, a former National Security Council official whose views are known to coincide with those of the Bush administration, in an article published in the Aug. 19 *Los Angeles Times*. "If opened to full production, the energy supplies of Latin America could become the bulwark of the industrialized world," Bailey and co-author L. Ronald Scheman wrote. They proposed the formation of an "Inter-American Energy Community," which they described as "a natural complement to President Bush's proposals for a broad program of free trade zones, significant reductions in official bilateral debt owed to the U.S. and new mechanisms to encourage investment in Latin America."

However, as reported Sept. 7 in a feature story on Pemex in the weekly magazine *La Jornada*, the same view was presented as long ago as 1980 in a Rand Corp. study by Ronfeldt, Nohring, and Gandara, which stated that "it would be in the interest of the United States that Mexico should have an excess oil production capacity that could be used to rapidly increase exports during any sudden scarcity in the supply of oil." As noted by *La Jornada*, this study was key

in the formulation of the U.S. oil policy toward Mexico.

Since the Iraqi invasion of Kuwait in early August, the U.S. has been strongly pressuring Mexico and Venezuela to increase their oil production to compensate for the supposed world oil shortfall. Since the Middle East producers, especially Saudi Arabia, already have the ability to fill the gap, it was clear from the beginning that the U.S. had an ulterior purpose in making its demands on Mexico and Venezuela.

In fact, the U.S. demands, especially on Mexico, have nothing to do with the present crisis. It is well known that any substantial increase in Mexico's oil production, given current rates of investment, would damage the oil wells. Nonetheless, Mexico initially offered to export an additional 100,000 barrels per day (bpd), allocated from its own consumption. But this was not good enough for the U.S., as manifested Aug. 28 when U.S. Commerce Secretary Robert Mosbacher effectively rejected Mexico's offer, calling the proffered 100,000 bpd "important, but not sufficient . . . it is not much." U.S. pressure is geared toward one goal only: forcing Mexico to permit the U.S. oil multinationals to invest directly in Pemex, even though any foreign investment in primary oil extraction is forbidden by the Mexican Constitution.

### **Brawl in Mexico**

The U.S. pressure has provoked a behind-the-scenes battle inside the Mexican government. *La Jornada* reported Sept. 7, in an article entitled "The Battle for Pemex," that "sources we have consulted maintain that a silent political-bureaucratic battle has broken out concerning the advantage of pushing for the privatization of Pemex. . . . It is possible that this bureaucratic warfare will conclude with the announcement that the tendency to privatize Pemex will be intensified." The same article reported that plans already exist for the splitting up of Pemex into five subsidiaries, and opening up most of them to foreign investment, despite official denials. On May 22, the head of Pemex's petrochemicals division had told *El Economista* that he couldn't rule out "the intervention of the private sector into the strategic areas of the oil industry, such as exploration, exploitation, refining and basic petrochemicals," the presently constitutionally guaranteed preserve of Pemex.

President Salinas de Gortari continues to deny that he favors the privatization of Pemex, most recently in an interview in the Sept. 10 issue of *Business Week*. But this denial is not to be believed. Since the beginning of the Mideast crisis, Salinas has bent over backwards to try to accommodate the demands of the U.S. Just hours after Mosbacher's swipe at Mexico, Salinas called an emergency meeting of his economic cabinet to try to meet Mosbacher's demand for more oil. Out of the meeting emerged an offer to increase Mexican oil exports by 200,000 bpd, although where this oil was to come from was never made clear. According to one report, Mexico intended to "save" the oil by cutting back electricity usage—and hence the consumption of oil used for

power generation—by 15-25%, an astounding reduction of energy use, if it comes about.

Moreover, since 1982, Pemex, which produces an enormous operating surplus from its export of oil, has been bled dry by the Mexican government, which has systematically taxed all of its profits and left it less than one-quarter of the funds for investment that it had before 1982. The Mexican government continues to use the looted revenue to pay interest on Mexico's foreign debt. Since Salinas has no intention of permitting Pemex to retain the several billions of dollars annually it would need to begin expanding production, and given Salinas's mad drive to privatize everything, including most recently highways around Mexico City, there is no doubt that he is orchestrating a move to get the Congress to amend the Constitution at the earliest opportunity to permit the foreign takeover of Pemex.

This likelihood was confirmed by the revelation in an article in *El Financiero* of Sept. 8 that, according to a private report from a company called Petroleum Finance, the Mexican government "has begun internal discussions toward permitting foreign participation in the oil industry," despite the fact that to do so would carry "a substantial political cost."

### **Venezuela lobbies for investment**

From the beginning of the Mideast crisis, Venezuela has offered to increase production by 500,000 bpd. However, Venezuelan President Carlos Andrés Pérez announced that Venezuela was seeking massive foreign investment in the oil industry to be able to double production by the year 2000. Then, on Aug. 30, in an off-the-cuff speech celebrating the 15th anniversary of the creation of PDVSA, Pérez said he would shortly be presenting to the Venezuelan Congress arguments in favor of revising the law which nationalized PDVSA, in order to permit the participation of foreign capital to facilitate new exploration. In the same speech, according to *Diario de Caracas*, Pérez announced the inauguration of the "hemispheric strategic petroleum reserve."

Responding to intense criticism a day later, Pérez "rewrote" his remarks and claimed he hadn't called for changing the nationalization law, but the investment law. His backtracking didn't satisfy the Venezuelan press, which had a field day attacking his intention to denationalize the oil industry which, ironically, he himself nationalized during his first term of office with broad popular support.

And U.S. chargé d'affaires in Venezuela, Kenneth Skoug, immediately jumped on Pérez's affirmation, telling the *Diario de Caracas* that Pérez's decision to change the nationalization law was "necessary and satisfactory." "At this point, Pérez's policy coincides with our own," he said. "I believe it [denationalization] is necessary and good for our countries, because the U.S. has the technology and experience you need." Asked whether denationalization wasn't a step backward, Skoug replied, "No . . . all intelligent persons try to learn from their own mistakes."

# British economic warfare against Iraq triggered invasion of Kuwait

by Scott Thompson

In Sept. 4 testimony before the House Foreign Affairs Committee, Secretary of State James Baker said of the U. S. decision to deploy military forces to the Persian Gulf: "It is . . . about a dictator, who, acting alone and unchallenged, could strangle the global economic order, determining by fiat whether we all enter a recession or even the darkness of a depression." By thus announcing that control of raw materials is considered a *casus belli*, the Bush administration has become a pitiable dupe of the British Establishment. Their spokesmen say openly that the Gulf crisis is the beginning of neo-colonial North-South wars to perpetrate genocide and to grab raw materials.

British financial interests triggered the Iraqi invasion of Kuwait by waging economic warfare against Iraq since the Aug. 20, 1988 end of the Iran-Iraq War. Among those consciously involved in rigging the Persian Gulf crisis are the controllers of British publications such as the London *Financial Times* and *Economist*, those affiliated with Pearson PLC, the Rothschild family, and self-admitted British agent Henry Kissinger. Now, many of them, including Kissinger, are part of the chorus around Prime Minister Margaret Thatcher urging Bush to take immediate military action.

Thus, in an Aug. 19 syndicated column entitled "The game has just begun," Kissinger wrote: "If it should be concluded that sanctions are too uncertain and diplomacy unavailing, the United States will need to consider a surgical and progressive destruction of Iraq's military assets." Kissinger was also the first to state that the reason for the war was to deny Saddam Hussein regional control of oil with "the ability to cause a worldwide economic crisis." The irony is that Dr. K's global influence-peddling firm, Kissinger Associates, Inc., helped structure the economic warfare against Iraq because Saddam Hussein refused to turn over major new oil finds in Iraq to Kissinger's business associates.

## Debt: Iraq's 'Achilles' heel'

After eight years of bloody fighting with Iran, which had been fostered by the British Arab Bureau's propagation of Islamic fundamentalism, Iraq was optimistic about the prospects for postwar development. Iraqi development plans

sought to build a modest base in heavy industry to make itself nearly self-sufficient in food. Priority projects included: 1) dam building and irrigation systems to alleviate Iraq's need to import three-quarters of its food; 2) fertilizer plants; 3) an iron and steel plant, aluminum works, and an auto assembly plant; and 4) oil exploration, a refinery and petrochemical complex, and oil export terminals. But, British financial interests took steps to stop this development.

The Sept. 30, 1989 London *Economist*, controlled by Evelyn de Rothschild, stated in an article entitled "Banking on credit": "Over the next five years it [Iraq] plans to spend \$40 billion in a burst of construction, to make up for time lost during the Gulf war and turn the nation of 16 million people into an industrial power. . . . [But] Iraq's Achilles' heel is a huge and growing foreign debt of more than \$65 billion." In an article entitled "Out of the Gulf's rubble" in the Aug. 20, 1988 issue, the *Economist* added: "About half of this [debt] is owed to Saudi Arabia and Kuwait, which may forget it; perhaps \$10 billion to Russia and Eastern Europe, which will not. Nor will the West's commercial banks, which have lent Iraq \$26 billion."

In that article, the Rothschild interests laid their cards on the table. "Iraq's chances of securing new loans to finance postwar reconstruction are slim," the *Economist* said. Credit would only be forthcoming if Iraq turned over its "oil reserves of 100 billion barrels—second only to Saudi Arabia—and rich deposits of other minerals like sulfur, phosphates and bauxite." This "gold rush" to grab Iraq's raw materials started with the December 1987 announcement by the Iraqi state-owned Oil Exploration Co. that new fields with 30 billion barrels more oil had been found. There were reports that Iraqi oil reserves might eventually equal those of Saudi Arabia at 160 billion barrels. As the *Economist* made clear, Western banks would hold development credits hostage to surrender of these raw materials.

Kuwait and Saudi Arabia, which gave money instead of blood to combat Khomeini's Iran, went along. They too, refused postwar development credits, possibly because of close ties between the \$100 billion-plus Kuwait Investment Office (KIO) and the City of London.



## Denial of credits

On June 6-8, 1989, corporate members of the United States-Iraq Business Forum, led by its chairman Robert Abboud, traveled to Baghdad at the request of Saddam Hussein. They claimed they would answer the Iraqi President's call for U.S. assistance for postwar development. During meetings of the 23-person delegation with Saddam Hussein and other high-level officials, a different picture emerged. The Forum delegation included senior executives from: Amoco Corp., Baker Hughes Inc., Bankers Trust Co., Bell Helicopter Textron, Inc., Caltex Petroleum Corp., Caterpillar, Inc., General Motors Corp., Hunt Oil Co., M.W. Kellogg Co., Mobil Oil Corp., Occidental International Exploration and Production Co., Westinghouse Electric Corp., and Xerox. While the Forum's August 1989 *Bulletin* paid lip service to the delegates' willingness to help "Iraq's ambitious development program," at least some delegates offered the same policy as the *Economist*.

How this happened may be explained by the fact that a special guest on the delegation was Alan Stoga, the senior economist of Kissinger Associates, Inc. Stoga had headed the country-risk department of First National Bank of Chicago, which was then run by Abboud. Abboud himself became president of Armand Hammer's Occidental Petroleum, before his present chairmanship of First City Bancorporation of Texas, which had done business with Iraq. Stoga met Kissinger while he was a consultant to the National Bipartisan Commission on Central America, chaired by Kissinger, in 1983. Guaranteeing repayment of debt to such Kissinger Associates clients as Chase, Citibank, and Midland Bank PLC, had been a major focus of the Kissinger Commission. When he joined Kissinger's firm, Stoga helped these same clients restructure their Third World debt holdings by imposing austerity regimes; these included Kissinger's "debt-for-equity swaps," which sought to guarantee bad loans by grabbing the raw materials of debtor nations.

The Forum proposed a similar idea, as reported in its August 1989 *Bulletin*:

"During the meetings, all of the Iraqi officials emphasized Iraq's desire to strengthen commercial links with the United States and to acquire U.S. technology for Iraq's ambitious development program. . . . The Iraqis emphasized the desirability of expanded U.S. government credit guarantees. . . . The Forum delegation [instead] suggested a restructuring of Iraq's short-term debt to a longer time-frame. . . . In the absence of a restructuring, the [Forum] members asserted, U.S. lending institutions were skeptical of Iraq's ability to meet its heavy near-term prepayment requirements and were therefore reluctant to extend more credit. This lack of credit is the principal constraint on U.S. trade with Iraq . . . [and] on Iraq's economic development."

As part of this restructuring, the account in the *Bulletin* shows the delegation pushed hard for privatizing the Iraqi oil industry. Iraq strongly rebuffed this grab. Since the Iraqi

invasion of Kuwait, a spokesman for Kissinger Associates, Inc. acknowledged that the denial of development credits had been a major trigger of the war. The Forum's spokesman said that Kuwait exacerbated the problem when it kept oil "at \$13 a barrel, which made it difficult for Iraq even to pay existing debt service that Western creditors were clamoring for."

Did Stoga deliberately give the Iraqis bad advice? In an Aug. 22, 1990 article for the *Christian Science Monitor* entitled "Long siege of Iraq would be worst scenario for the West," Stoga echoed Kissinger's call for immediate military

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action. Stoga argues: "If Saddam realizes his ambitions, Iraq would gain effective control of oil prices and, thus, of a world economy which still runs on oil." Stoga, who was a party to economic warfare against Iraq when it refused to turn its own oil over to the "Six Sisters," now adds: "Saddam Hussein is not invulnerable. His economy is a shambles, badly damaged by a decade of mismanagement and war. He has too much debt and too little money. His country imports three-quarters of its food and will be badly squeezed by a blockade." Apparently, Stoga thinks starvation should be the penalty for Third World states that refuse to go along with Anglo-American raw materials grabs.

## The fight in the United States

United States foreign policy has often been hitched to British balance-of-power geopolitics in the Persian Gulf. During the Carter administration, leading Trilateral Commission luminaries like Zbigniew Brzezinski, with his "arc of crisis" policy, had teamed up with Kissingerites like then-NATO commander Gen. Alexander Haig to topple the Shah of Iran. One reason for ushering in the Islamic fundamentalist regime of the Ayatollah Khomeini, was to counter the Shah's rapid industrialization program. This threatened to make Iran a regional superpower, much like that envisioned by Saddam Hussein today. But, early in the first Reagan administration, some saner voices began to counter Brzezinski's "Islamic fundamentalist card."

In September 1982, Iraq did not oppose President Reagan's Arab-Israeli peace initiative and it supported the moderate Arab position at the Fez, Morocco summit for a negotiated Palestinian solution. By 1983-84, the U.S. Department of Agriculture was authorized to start sales of foodstuffs to Iraq that were backed by the Export Credit Guarantee Program of the Commodity Credit Corporation (CCC). In November 1984, President Reagan and visiting Iraqi Deputy Prime Minister Tariq Aziz announced the resumption of full diplomatic relations; Iraq had broken off relations after the 1967 Israeli surprise attack on Arab neighbors. With the U.S. tilt toward Iraq in 1986-87, symbolized by the reflagging of Kuwaiti ships, this CCC program grew to \$1.037 billion for fiscal year 1989. The Export-Import Bank credit insurance program also set up a \$200 million revolving short-term account for financing trade. By 1989, bilateral trade had grown to about \$2.5 billion a year.

Moreover, the Atlanta, Georgia branch of Italy's Banca Nazionale del Lavoro (BNL) set up a credit line for Iraq that was not held hostage to surrender of raw materials. Throughout August-November 1989, a major Anglo-Israeli intelligence operation was run to shut down this credit source and to close off all credit from Western commercial banks to Iraq. Among the wild lies spread by the *Financial Times*, one was that Iraq had used the \$2.5 billion credit from the Atlanta BNL branch to purchase advanced weapons systems. But the June 1990 edition of *Southern Banker* disproves this. It shows that all BNL credits had gone for financing peaceful projects, including: 1) Most credits went toward building the Badush Dam as part of a water management and irrigation program to boost agricultural self-sufficiency; 2) about \$800 million in credits backed by the U.S. Agriculture Department's CCC program went for interim purchases of foodstuffs; and 3) a \$150 million letter of credit was being negotiated to buy Cutlass Ciera cars from General Motors as a first step toward building an assembly plant in Iraq.

In an interview with *EIR*, F. Paul Dickerson, who is the general sales manager of the USDA's Foreign Agriculture Service, acknowledged that some of this BNL credit policy had U.S. government backing. Dickerson added that it was absurd to think there were irregularities since there was a "paper trail for accountability" of the CCC-backed credits from the bank, to private exporters, to shippers, to Iraq. After a year-long grand jury investigation—involving the U.S. Attorney, FBI, IRS, and various securities and banking regulators—into alleged irregularities in the BNL credits, there may be no indictments. David Rubinger of the *Atlanta Business Chronicle* on Aug. 14, 1990 concluded: "American officials of the BNL branch in Atlanta may emerge unscathed from the year-long investigation of BNL's unauthorized loans to Iraq, according to a congressional aide."

Nonetheless, Alan Friedman was assigned by the *Financial Times* to write 50 articles in the fall of 1989, which charged that the credits went to purchase machine tools to

produce weapons systems, such as the medium-range, nuclear-capable Condor II missile with Brazil and Egypt. Friedman told a journalist that the *Financial Times* task force he directed was working with "four or five different intelligence services," including apparently British and Israeli intelligence. Friedman admitted he had been called a "Mossad agent" by the CIA, which corroborates sources in Atlanta who say that the Mossad may have initiated the Banca Nazionale di Lavoro scandal.

As part of his fabrication of a BNL scandal, Friedman draws spurious links to the Space Research Corp. of Canada. The founder of Space Research, Dr. Gerald Bull, who had helped Iraq design artillery weapons for its war with Iran, was assassinated in Brussels on March 22, 1990. Bull's son Michel and others claim this was an Anglo-Israeli intelligence operation. It occurred one week after the Iraqis executed Farzad Bazoft for espionage. Bazoft, who, as his cover, was employed by the London *Observer*, which is under the control of British financier Tiny Rowland, had confessed that he was working for British intelligence to uncover information on Bull. But, Bull's Space Research operations with Iraq were first "fingering" by Alan Friedman in the *Financial Times*.

### 'Mr. X Committee' involved

One of the few sources named by Friedman was Stephen D. Bryen, who was part of the "Mr. X Committee," which controlled Soviet-Israeli spy Jonathan Pollard. Bryen had been the subject of a U.S. Justice Department criminal investigation as a suspected Mossad agent, but he was nonetheless made deputy to Richard Perle for trade security policy in Reagan's Defense Department. Perle himself was a protégé of ex-Trotskyite Albert Wohlstetter, whose *Discriminate Deterrence* Pentagon report advocated future global North-South wars like Panama and the Persian Gulf. In December 1989, Bryen wrote an article for *Moment* magazine that charged: "The U.S. government as well as our allies allowed and abetted the development and stockpiling of a major chemical warfare capability." Bryen tells how he sought to deny Iraq technology, working with the rat pack at the U.S. National Security Council that was then covertly shipping arms to Iran.

Both Friedman's *Financial Times* and the *Economist* are owned by the British firm of Pearson PLC. It was Pearson's Penguin subsidiary that published Salman Rushdie's *Satanic Verses* as a deliberate provocation. Pearson's Camco subsidiary is a major supplier of equipment to the oil industry, and Pearson has held licenses in North Sea oil. This mixture of British intelligence with oil at Pearson goes back to its founder, Lord Cowdray, who tried to steal Mexico's oil at the beginning of the century. Lord Cowdray's heirs continue the tradition. Having waged economic warfare to trigger Iraq's invasion of Kuwait, they are now calling for American youth to shed blood to secure the theft of Persian Gulf oil.

# Oil price hike can't raise U.S. production

by Steve Parsons

When gasoline prices suddenly shot up in August, irate motorists and oil-dependent industries immediately fingered the oil industry for what everyone suspected was a huge rip-off.

There is no doubt that major oil companies like Royal Dutch Shell, British Petroleum, and Exxon have profited from the oil price windfall. These firms have integrated operations that span oil exploration and drilling, to refining and retail marketing. They also have sophisticated financial subsidiaries speculating on the world spot and futures markets. This insulates the majors from volatile price swings, and enables them, largely, to control petroleum prices for everybody else.

But it is another story for independent U.S. oil producers, the small companies and individual entrepreneurs whose existence is determined solely by the shrinking margin of profit they make in producing the crude oil and natural gas that other companies refine.

## The collapse of oil producers

Independent oil producers explore and drill an astounding 85% of the wells in the United States, producing 50% of domestic crude oil and 60% of natural gas. It is a high-risk business. Much of their investment often winds up in "dry holes" that produce little or no oil and gas, and no revenue. For these people, the price of oil and gas must offset not only costs of production, but losses incurred in finding and developing that production.

Without independents, there would be almost no U.S. oil production. With some exceptions, concentrated in larger oilfields, the major oil companies have little interest in investing so much money for so little return, preferring to buy the field or the oil from the independents, and making their profit downstream. Since the 1960s, the majors have increasingly gone abroad to get their oil, at cheaper prices and far less financial risk.

But the U.S. oil-producing industry, and related service and equipment sectors, have collapsed.

Even if the price of oil were to zoom to \$100 a barrel, there could be no "oil patch" boom like those from the price surges in the 1970s. That is because the producers and support industries have been crippled over the last five years, in a depression caused by falling oil and gas prices, compounded by insanely punitive federal tax measures.

Since 1984-85, when the industry's production peaked,

U.S. crude oil production in the lower 48 states has fallen to its lowest level since the early 1950s. Drilling rig utilization has plunged from an all-time high of more than 4,500 in 1981, to only around 1,000 now—just barely above the all-time low. The number of seismic crews—who explore for new fields—is at a record low, falling from approximately 725 in 1981 to an average of about 500 in 1984, to 125 this year.

Worse, "the industry infrastructure has virtually collapsed," said Conley Smith of the Independent Petroleum Association of America to a congressional committee in July. "The number of oil and gas operators of record has fallen from nearly 13,000 . . . in the early 1980s to less than 5,000 by 1989."

## Shortages everywhere

The industry does not have enough trained manpower or equipment to substantially expand drilling, even with the incentive of greater profits from higher oil prices. Charles Mankin, director of the Oklahoma Geological Survey, says that "we have . . . effectively dismantled the exploration industry in this country," and estimates that two-thirds of the crews and skilled manpower have left the oil-producing and equipment industry, creating a labor shortage (see next page).

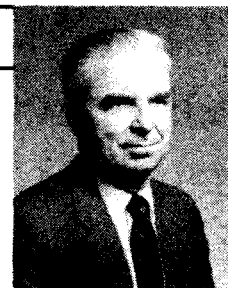
"The capacity of the U.S. oilfield service and equipment industry to accomplish things—big things like building pipelines or small things like manufacturing drill bits—has withered to about 50% of its peak a decade ago," wrote the *Wall Street Journal* in August.

"Scores of companies have vanished; they've gone bankrupt, merged or simply called it quits. The survivors have slashed budgets, cut loose most of the experienced help, and sold off equipment—or let it rust in back lots and bayous.

"Warehouse shelves are nearly empty of the mundane valves, fittings, and connectors that keep rigs running. In a few months, the industry could actually start running out of the super-strength pipe used to turn drill bits. Even ordinary earth-moving equipment and backhoes are in short supply. Repairs of sophisticated monitoring equipment that once took hours now take days. . . . Shortages are part of the daily routine on most rig sites."

Mankin stressed that "the biggest deterrent in reviving the industry is the difficulty in getting investment capital," regardless of the price of oil. The lack of liquidity in the U.S. economy precludes any major increase in capital for productive investment, particularly in oil and gas production, where price volatility can, overnight, turn from profits to disaster.

But even if sufficient capital were magically to become available, there could be no real boom, because most of the major domestic reserves are on public lands—like the Outer Continental Shelf, pristine Alaska, and so-called "wetlands"—which are barred from development by the greenies in our federal government.



# 'We have dismantled the U.S. oil exploration industry'

*Mr. Mankin is the director of the Oklahoma Geological Survey, and professor of geology at the University of Oklahoma. He was interviewed by Steve Parsons on Sept. 5.*

**EIR:** Even if the price of oil goes to \$100 per barrel, U.S. oil producers would have a difficult time gearing up production because of shortages of all kinds of things, including personnel, parts, and equipment, as well as industries to produce the equipment. Would you agree?

**Mankin:** I think that price increases alone are not sufficient to guarantee that we're going to see an increase in exploration and development activity for crude oil and natural gas. We have over a period of time, from the mid-'80s to the present, effectively dismantled the exploration industry in this country. The number of available rigs has declined substantially. There are a lot of mothballed rigs sitting around in various parts of the country that could be rehabilitated, but you can't do that overnight. A lot of them have been cannibalized for other uses; a lot of them would simply require major maintenance to bring them back into operation.

**EIR:** What do you mean by "cannibalized"?

**Mankin:** Well, you pull the cables off and use them for something else, pull other equipment off, like compressors, and sell parts from them. Some of them have been dismantled for special equipment. The end result is that the number of rigs that are capable of drilling holes in the ground is substantially less than during the peak of our drilling activity in the early '80s. No one knows exactly how many less, but based on my professional judgment, I would say we're substantially less than half of what we had at that time, and probably even smaller.

There was, of course, at that time a very heavy emphasis on deep rigs, because in the early '80s, a quirk of legislation called the Natural Gas Policy Act deregulated the price of natural gas below 15,000 feet. This distorted the normal exploration picture by pushing industry to seek the most expensive natural gas that could be found. And the consequence was . . . a disproportionate ratio of deep drilling rigs as opposed to shallow rigs. If you're going to go after crude oil, the primary targets are going to be in . . . the neighborhood of 4-10,000 feet. Big rigs that are capable of going

below 15-20,000 feet are very inefficient, and costly, for that sort of thing. So the shortage is not only in terms of total number of rigs, but in the kind of rigs that might be available, especially if crude oil is the primary target.

Beyond that, of course, toward the downturn, there was a huge quantity of tubular goods that was available, but those have largely disappeared, having been used up not only just in drilling, but in other purposes. As a result, any kind of greatly increased activity today would immediately demonstrate a shortage of tubular goods. The problem is that we don't have the capacity to produce much of those kinds of goods in the United States any more. Most of the industries that were producing tubular goods of various kinds have largely gone out of business, and most of those would have to be imported.

**EIR:** Could you name a few of the big companies that have gone under?

**Mankin:** Lone Star, for example, in East Texas, used to be a major producer of oil well pipe, and they had a particularly effective plant for that purpose. That operation is no longer in existence. Some of the mills down in Alabama did some work in that area, but of course, Birmingham is a steel mill ghost town as far as production of steel products is concerned. You can recite that scenario all over the country. So it's not a question of simply taking existing industries and retooling them back to something they were doing before. The industries, for the most part, no longer exist.

**EIR:** Over what period has this occurred?

**Mankin:** Some of these industries, like the steel industry, started disappearing before the drilling boom. But of course, some of the steel industries, like the specialty steel industries in this country that were fabricating rigs, etc.—those hung on. Even in Oklahoma, we had quite a lot of rig fabrication activity. But those have all disappeared since the oil price declines at the end of 1985.

Of course, you don't go out and drill wells without a whole lot of support services. And the various service industry functions—the logging capabilities, the capabilities for doing cementing of casings, etc.—they do exist, like Haliburton, but they have been downsized substantially, and you

don't just turn those on overnight. You could probably bring back the service industry over a short period of time, but it would take two to three years before you could bring any significant increase back into the industry, because it requires fabrication of equipment, logging units, and training of crews. Crews have all gone elsewhere, out of the industry, and many of them would be difficult to get back a second time. . . .

I would judge that the biggest deterrent, frankly, in this area might be how difficult it would be to get capital to do some of these things. It is important to remember that during the "feeding frenzy" of the petroleum industry in the late '70s and early '80s, this country was in the economic doldrums, and the only bright spot in economic activity in the United States was the exploration for oil and gas. As a result, there was very little competition for capital. . . . But today, there is much greater competition for capital—including keeping the federal government going—and that would make it much more difficult to really gear up some of these activities.

**EIR:** What about the effect of punitive taxes levied on oil producers, especially since the 1986 Tax Reform Act?

**Mankin:** It's pretty clear from looking at the issues, that the tax structure is certainly tilted against any kind of equity in the petroleum industry. On the surface, there seem to be certain tax advantages, but those advantages are capped by Alternative Minimum Tax requirements and so on, so that what appears to be a tax advantage disappears very quickly under an overall tax structure that prevents you from taking advantage of those mechanisms. When you look at the total tax picture, oil producing is not a place where one would jump in enthusiastically with capital, because of the complexity and nature of tax laws that apply. . . .

**EIR:** A key bottleneck is the skill and technical levels of the personnel involved in oil exploration and production. Do you have any ball-park estimates as to what proportion of the crews or skilled manpower have left the industry?

**Mankin:** I'd say about two-thirds. Let's start with exploration: The manpower to physically run a seismic crew and so on is not presently available. You could train them in a relatively short period of time. But collecting data is one thing; interpreting the data is another.

Now, the major companies have for the most part trimmed down and have literally emasculated their domestic operations. They have increasingly gone overseas for oil.

Another big factor is the lack of access to land. Most prospective acreage in the United States is on public land, either in the offshore, in such places like the Arctic National Wildlife Refuge, or in other western public lands. Most of those areas have been removed from exploration entry. Just the issue, for example, of wetlands—no net loss of wetlands. No one knows for sure what that term means, but one of the things it does mean, in a practical sense, is that you don't

go drilling new wells in wetlands areas without a level of difficulty that most companies are unwilling to undertake.

**EIR:** What percentage of potential reserves are in these kinds of land, versus relatively more available land?

**Mankin:** If you take the undiscovered potential in this country, which lies predominantly in the Outer Continental Shelf and public lands, I would guess about two-thirds to three-quarters. In the lower 48 states, the most attractive areas are offshore California, followed by offshore Florida and parts of the southern East Coast. Beyond that, areas off the Arctic slope and wildlife refuge in Alaska. These are all restricted from entry. It wouldn't matter if the price of oil went to \$100 a barrel.

**EIR:** What have been the cumulative effects of low oil prices and punitive taxes?

**Mankin:** Prior to this current price escalation, we've seen a record rate of abandonment of marginal wells in both the United States and Oklahoma in the first six months of this year. We don't have the final figures yet, but my judgment is that we'll see something like 1,600 wells abandoned in the first six months, compared with, say, 2,200 wells all last year. With the higher prices, we'll see a significant decline in abandonments. These marginal wells will continue production, simply because the increase in price has extended their life.

You will not see any significant increase in drilling activity, however, because the uncertainty of price is a sufficient deterrent to a multimillion-dollar investment that will take some time to yield product. If things cool in the Mideast, the price of oil could go down to \$18 a barrel, and investors could be left holding the bag. In the absence of price stability, no one is going to make major investments for new exploration and development activities.

**EIR:** What are the effects of this on state and local revenues?

**Mankin:** It's been devastating. The state of Oklahoma, in the four years of the present governor's term, has had to face \$500 million in tax increases just to stand still. The state went from \$10 billion in the gross value of oil and gas production, to \$6 billion in one year, from 1985 to 1986. We dropped \$4 billion. The state gets a gross production tax of 7% of that. So our revenue dropped \$280 million from that one source in one year, and that in a budget of about \$2 billion, not counting federal funds. That's just over 10% from that one revenue source.

There's another side of this: All of the other tax revenue that was generated by the people who lost jobs as a result of this—some 60,000 workers in the oil and gas area lost jobs in about a year—meant a drop in income and sales and other taxes. Add to this the loss in oilfield service activity, and manufacturing, which in this state is heavily linked to the oil business.

# Brazil goes insane, renounces nuclear energy for alcohol

by Geraldo Lino and Mark Sonnenblick

President Fernando Collor de Mello has renounced Brazil's ambitious nuclear energy program, and with it Brazil's hopes of becoming a technologically advanced nation by the 21st century. The Anglo-American establishment has long sought to prevent Brazil, and any other developing sector nation, from attaining or developing advanced technologies. Now, in an interview with the Toronto *Globe and Mail* released in Brazil Sept. 5, Collor said, "In my head, speaking of the nuclear question is rather like speaking of transport by horse and carriage. It is so untimely that it doesn't make sense."

In another interview with Germany's *Die Welt*, Collor resorted to science fiction to refute arguments, such as those presented in *EIR* Aug. 17, that Brazil needs nuclear power: "In the year 2050, people are going to buy energy diskettes at the stationery store. 'Give me a kilowatt of energy.' You take the paper and stick it in the computer in your house, it does its work and that gives energy. Technology is going that way. Nuclear energy, what for? To make an atom bomb?"

Collor said Brazil should instead seek new energy alternatives such as solar and hydroelectric, which he claimed were less "predatory to the environment." Atomic energy, he insisted, is "a permanent threat to the citizen."

The Brazilian President pronounced the death sentence for the "deal of the century," Brazil's 1975 nuclear energy contract with West Germany's KWU-Siemens. Had that deal been implemented, Brazil would now be manufacturing two top-quality nuclear power stations per year. One of them would help assure Brazil 12% annual electric supply growth; the other would be exported to pay the deutschemark costs of the entire program.

## IMF kills development

Brazil's abrogation of nuclear energy was imposed by the International Monetary Fund (IMF) as a condition for its signing a new debt refinancing agreement with Brazil to replace its seven previous debt "solutions," since 1983, all of which failed to do anything but make the IMF known in Brazil as "inflation, misery, and famine." Since an IMF mission arrived in Brazil in mid-August, Collor officials have repeatedly told the press that an agreement would be signed "within days." The City of London's *Financial Times* has boasted that the IMF would never approve Brazil's financial program until it promised to abandon its nuclear program. The public logic of London and Wall Street is that they refuse

to loan Brazil a penny of "new money" that could go toward financing what they call a \$30 billion nuclear white elephant.

The World Bank, notorious advocate of "appropriate technologies" for the Third World, added to the pressure. At the beginning of August it leaked a special report by its Latin American and Caribbean Division in which it ripped apart Plan 2010, the strategic plan of the state electric company Eletrobrás. The World Bank accuses Eletrobrás of "privileging" expensive energy sources such as atomic energy, instead of cheaper and "more realistic" measures such as thermo-electric plants fueled by imported charcoal, gas from Argentina and Bolivia, and domestic sugar cane pulp. It favors "energy conservation" policies designed by the anti-technology Science and Technology Secretary José Goldemberg. The World Bank also vetoes the development of the 200 gigawatts of hydroelectric potential of the rivers in the Amazon Basin because of "ecological impact."

The bottom line is that Brazil faces electrical shortages of 10-19% in the next few years, which will necessarily restrict growth.

## Inebriated with alcohol fuel

In concert with the World Bank's assault, the sugar cane oligarchy, one of the country's strongest lobbies, staged a comeback. The costly and inefficient use of alcohol as an automotive fuel was on the verge of being phased out in Brazil when the Mideast crisis erupted. A Reuters wire written just before this, reported "Just as the United States and Europe are waking up to the 'green' potential of alternative fuels in cars, the country that pioneered them is abandoning the idea as a failure."

This year, Brazil plans to produce 3.1 billion gallons of alcohol, but that is about 10% short of anticipated demand for the 4 million cars which use it as fuel. Brazil will import 250 million gallons of alcohol, while exporting 45,000 barrels per day of surplus refined gasoline. Widespread alcohol supply shortages caused a panic and plummeting sales of alcohol-powered cars.

The problem with the program is not supply, but the huge seen and unseen costs the Brazilian people have paid for the perverse practice of misusing sugar, a complex carbohydrate which can fuel human beings, by degrading it into fuel for automobiles. Brazil has wasted \$18 billion of its scarce capital on it, including \$6 billion directly from the government

and \$2 billion in heavily subsidized loans to the producers. Still, the alcohol, distilled from sugar cane, cost \$42 a barrel to produce when Brazil was able to import crude oil at about \$15 a barrel and bring new oilfields of its own into production for \$20-25 a barrel.

The state oil company, Petrobrás, paid an average of \$800 million a year to subsidize alcohol to make it competitive with gasoline. That subsidy caused inflation rates of up to 1,000% by forcing high prices for gasoline. It also wasted capital needed to find more oil and build petrochemical complexes.

When Collor was elected in March on a populist platform of "ending all subsidies and privileges," the sugar cane oligarchy to which his family belongs may have felt its boondoggle was over. Its fears were ended Aug. 29 when Collor opened the First International Conference on Energy from Sugar Cane in his home state of Alagoas by stating, "although it is only 4% of the national energy matrix, alcohol has a fundamental strategic role, since it represents the best liquid fuel alternative to petroleum derivatives." He defended the alcohol program as "Brazil's patrimony, a concrete proof of what we are capable of doing."

A renewed federal bailout of the alcohol monstrosity is being arranged in the form of big new subsidies for the sugar barons to burn bagasse (sugar cane pulp after the juice is

pressed out) to generate electricity. Collor huddled Aug. 17 with the Dark Ages faction of his cabinet (including Goldemberg, Energy Secretary Rubens Vaz da Costa, and Environment Minister José Lutzenberger). Goldemberg emerged to claim that electricity could be generated with a capital investment of \$1,000 per installed kilowatt and that the sugar mill owners would make so much selling it to the government at guaranteed prices, they could cut alcohol prices by 30%. He revealed the President's "enthusiasm" for the idea and also the opposition of Infrastructure Minister Ozires Silva, a former president of Petrobrás. Goldemberg said, "the infrastructure people prefer to increase oil prospecting."

Silva confirmed the same day that he felt it would be much better to restore the 50% cut from the oil prospecting budget. He also noted that diesel fuel from petroleum was "used even in the machines, tractors, and harvesters of the sugar and alcohol mills themselves."

There are indications that, following the October congressional elections, the sugar barons and the Dark Ages forces will attempt to oust Ozires Silva, a pragmatic manager willing to sacrifice some state companies, while trying to save a few key ones. The press speculates that he would be replaced as infrastructure minister by the current energy secretary, malthusian Rubens Vaz da Costa, who is earning

## Obituary: The Brazil-German nuclear deal

Brazil ordered its first atomic energy plant from Westinghouse in the 1960s. This power station, sited at Angra dos Reis, south of Rio, had the same defects as many of its model, and only became a full-time energy producer 20 years later.

After the 1973 oil shock hit, Brazil's President Ernesto Geisel realized the country would need large-scale nuclear power to complement its hydroelectric potential. The government first asked the United States, but was turned down by the Gerald Ford administration, whose argument followed Henry Kissinger's thinking that no Third World nation should be allowed access to the secrets of nuclear energy.

Brazil turned to Germany and in 1975, signed for the complete nuclear cycle. KWU-Siemens would sell Brazil the technology for mining, concentrating and enriching its uranium. While the components for the first two power stations were being built in Germany, it would build in

Brazil a state-of-the-art facility for making nuclear plants. Eight power stations were to be in full operation by 1990. The Westinghouse plant is a "black box" whose technology is kept secret. The German deal provided for training thousands of Brazilian engineers and technicians not only in how to operate plants, but how to design, build, and improve them.

Financing was arranged by Jürgen Ponto of Dresdner Bank. Ponto, who felt that social tensions in Brazil, South Africa, and the Mideast could only be solved through rapid development, was assassinated by terrorists in 1977. In that same year, the World Bank's Peter Knight argued in a report that Brazil's "biggest defect" was that its rapid growth had filled it with "excessive optimism that all problems could be solved by growth."

Brazil was hit by the foreign debt crisis in 1982. Two weeks after Brazilian Finance Minister Antônio Delfim Netto held a conclave with bankers at New York's Plaza Hotel, on Dec. 20, 1982, he ordered that no new development projects of any kind be begun and those under construction be completed as slowly as possible. Shortly thereafter, the International Monetary Fund approved an agreement to refinance Brazil's unpayable foreign debts.

Collor's Sept. 5, 1990 proclamation that the German deal "must be rethought" is the final nail in its coffin.

the nickname of "Vazdecta Costa" by pioneering vasectomies of millions of poor Brazilian men. Vaz da Costa sits on the board of directors of the Brazilian Family Welfare organization which directs sterilization programs around the country. He also works closely with the genocidal Club of Rome and is a former World Bank employee. The World Bank agreed Sept. 4 to provide \$100 million for a commission under *his* direction mandated to remodel Brazilian energy policy.

Silva, however, has his protectors among top military leaders and energy experts, according to *Tribuna da Imprensa* journalist Ricardo Bueno Aug. 28. Bueno reminded that Goldemberg, to defend and extend the alcohol program, wanted to import technology from the Soviet Union to produce wood alcohol.

Paulo Richer, a former energy official, noted in *Jornal do Brasil* Aug. 31 that the alcohol program itself consumes 22,000 barrels of diesel fuel per day, 5.5% of national diesel consumption. He calculated that if all the trucks in the canefields used alcohol, they would consume 60% of the total alcohol output. He concluded, "the idea that alcohol gives the country autonomy in the energy field is very dangerous, to say the least. . . . On the contrary, the distortions in Pro-Alcohol [the National Alcohol Program] increase our dependency on petroleum."

Richer also reminded Brazilians that sugar cane for alcohol has evicted food producers from millions of acres of the best agricultural lands since the program started in 1975, with a \$300 million loan from the World Bank. In the town of Sertaozinho, São Paulo state, for example, 60% of the land had been used for food; now 98% is planted in sugar cane. That has increased hunger and malnutrition in Brazil.

### Environmentalists pollute

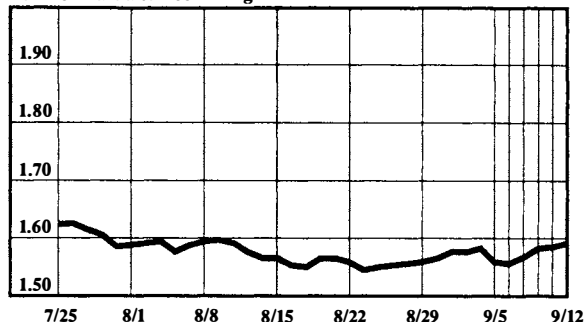
Although the "greenies" say alcohol is less polluting than gasoline, the worst polluters in Brazil are the distilleries. The residues they dump into the rivers of São Paulo state do more to "kill" the rivers by sucking up suspended oxygen than the raw sewage from 14 million people also dumped into them. "Natural, renewable" biomass energy is the most unnatural. Burning bagasse to power the sugar mills and burning wood for charcoal pumps more pollutants and carbon dioxide into the air than all of Brazil's urban industries combined. A larger area of canefields is burned each year just before cutting than Amazon forests.

The expanding cane plantations took over lands farmed by hundreds of thousands of small landowners. Many of them migrated to the Amazon frontier to burn new land, resulting in devastation of rain forests, atmospheric pollution, and deaths of many of the settlers. The "environmentalists" and the World Bank, which are successfully sabotaging non-polluting nuclear and hydroelectric energy while promoting cane and wood alcohol, are thus once again proven responsible for environmental degradation and genocide.

## Currency Rates

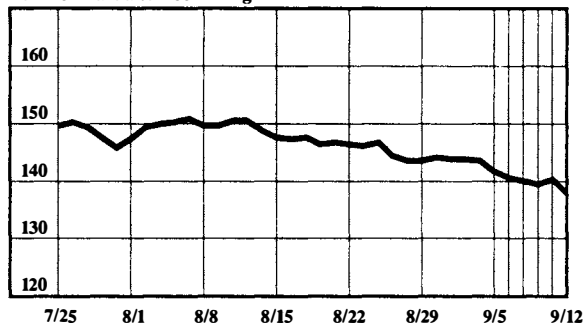
### The dollar in deutschemarks

New York late afternoon fixing



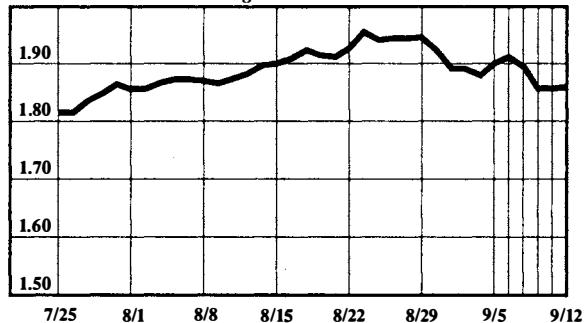
### The dollar in yen

New York late afternoon fixing



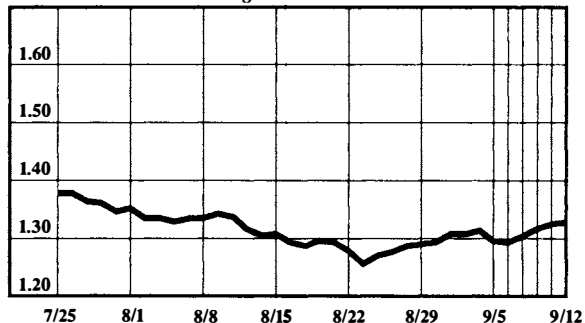
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing





# Bankers want to wipe Peru off the map

by Cynthia R. Rush

The draconian economic shock policy announced by Peruvian President Alberto Fujimori on Aug. 8 will quickly achieve what Citibank chairman John Reed predicted in an interview with Brazil's *Veja* magazine last July, when he threatened any nation that might consider fighting usury. "If you look at a map of the world economy," Reed said, "you'll see that there are countries that have disappeared. . . . Peru and Bolivia will also disappear."

Fujimori's program, backed by the International Monetary Fund (IMF) and the United Nations, is intended to reduce this impoverished nation to African levels of existence, with subhuman living conditions, rampant epidemic disease, and chaos. The only beneficiaries of this policy will be the assassins of the Shining Path and MRTA terrorist groups, who have been able to use popular anger over economic shock policy to launch renewed violence around the country.

On Aug. 25, the Lima daily *La República* reported that the poverty index had doubled in the three-week period following the announced measures, from 7.5 million to 12 million people, out of a total population of 21.8 million. An econometrics firm reported that during August, the cost of living went up 412%, transport by 1,428%, rents 1,035%, and health care 648%. Government services were eliminated. Living standards have been thrown back to below what they were in 1966, when Peru was just starting to industrialize.

Small-business leader Francisco Martinetti noted that the price of shoes has gone from 2-3 million intis to 10-15 million. "Who is going to buy them when the monthly minimum wage is 16 million, and that is only enough for a worker's bus fare and 20 small rolls a day?"

Yet shortly after Fujimori announced his program, the U.S. State Department fired off a telegram stating that "the United States congratulates President Fujimori for having acted courageously to reestablish the stability of the Peruvian economy. . . . We hope that these steps, which bring sacrifices, will . . . once again permit Peru to benefit from integration with the world economic community."

## U.N. oversees genocide

Shortly after Fujimori's election in June, U.N. Secretary General Javier Pérez de Cuéllar pulled together an advisory committee of international bankers which demanded that the

President-elect adopt the IMF's austerity regime. Fujimori at first "rejected" their demands, only to turn around once in office and do exactly what they wanted. Now a number of U.N.-sponsored experts, many of whom have engineered programs for starving African nations, are reportedly in Lima to devise similar programs for Peru's poor; they are proposing that people can survive on a monthly "minimum diet" worth \$20. With such "assistance," U.N. and affiliated international agencies will begin to implement population control policies, by controlling the food supply, not unlike the "iron rice bowl" policies of communist China.

The government's social assistance program intends to provide the poor with 1,010 calories and 26.6 grams of protein per day, not much more than in Hitler's concentration camps. The Aug. 21 edition of *La República* reported economist Manuel Lajo's statements that the government policy of restricting wages "will not only cause an industrial recession, but will produce physical and irreversible damage to a new generation of children that will not have anything to eat." Lajo charged that the current minimum wage of 16 million intis "is a robbery of real buying power. . . . Based on official inflation figures, the minimum wage would need to be 29,700,000 intis."

Rosa Ballon of the Caritas charity warned Aug. 26 of the "explosive incidence" of tuberculosis among young people under the age of 25, weakened by malnutrition. "The sick ask for help, but cannot continue their treatment due to the high costs of medicine," she stated. "We cannot do much." The basic anti-tubercular medicines cost 16 million intis—equal to a month's minimum wage. The Health Ministry has just cut the weekly food ration for the patients of a tuberculosis hospital in Lima.

According to Mrs. Elena María Delgado, second vice president of the Committee of Small Industries, the government's measures have already forced 40% of Peru's industry to shut down, forcing more than 300,000 workers to look for work elsewhere.

Much of Peru's political leadership is clinging to the fantasy that the IMF will actually give the country something, if Fujimori does as he is told. In anticipation of a visit from an IMF delegation, spokesmen from virtually all the political parties issued statements on how important the visit would be for Peru's future. Senator Alberto Borea of the Popular Christian Party blindly remarked that "we hope the IMF will recognize the extraordinary effort we Peruvians are all making to emerge from this crisis, and show its human face."

Human face? Prime Minister Carlos Hurtado Miller told Peru's Congress Aug. 28 that the government will not change the course of its current economic policy, and will undertake no new development projects for the next few years. "We can do nothing else," he whined. Industry Minister Guido Pennano, an advocate of using revenues from the drug trade to finance development, admitted on Sept. 2 that the economic shock "in some cases may have gotten out of hand."

# Poverty and neo-capitalism in the 1990s

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*Professor Dario Composta says that the “perverse wealth” of usury began to make headway with Calvinism. Part I of II.*

*Professor Dario Composta is a theologian at the Urbaniana University in Rome. He lectured at the Cultural Center of Viterbo, Italy, on March 10, 1990, touching upon Pope John Paul II's Encyclical Sollicitudo rei socialis of Dec. 30, 1987, and the Pope's attack on the “structures of sin.” The capitalism of the Renaissance was perverted, Professor Composta charges.*

## 1) Introduction

A study on poverty in the neo-capitalist world might appear paradoxical: In fact, it is maintained that wherever the system of profit and the free market reign supreme in the economy, poverty has vanished and prosperity is within everyone's reach. Since we in Italy and Western Europe live within this system, we are in a position to verify this widespread belief—i.e., to either confirm or deny it.

This twofold possibility which is offered for our consideration cannot be a matter of mere hypothesis, but must be located at the center of our experience: familial, local, regional, and national, or even beyond.

For this verification, we need to start by defining some terminology, especially: What is poverty? and then: What is neo-capitalism? I state from the outset that for purposes of this study, the mere assertion of sociological methods is insufficient, as are mere diagnosis and statistics: We need to penetrate into the labyrinth of the great one-worldist plans which are hanging over us, and, in the end, supply a Christian vision for whatever problems may emerge from our investigation.

## 2) Preliminary notions: poverty

Poverty is a term which resounds in our memory, invoking bitter recollections; or it may stir up present or recent burning experiences.

One could say that in a certain sense, a definition of poverty is useless. Yet, with René Descartes, we may state with some degree of certainty that we possess a clear but confused idea of poverty. *Clear*, because of direct or indirect experience; *confused*, because like all obvious realities, it is

not always easy to find the corresponding technical concept in our minds.

We can start from what sociology has attempted to explore on the matter of misery, poverty, and need. Sociologist R. Rowntree (*Poverty, A Study of Town-Life*, 1901) says there is a primary and a secondary poverty. *Primary* poverty is the condition of life where income is insufficient to procure the vital minimum that assures physical efficiency. *Secondary* poverty would be differentiated from the primary insofar as income could guarantee physical efficiency, but is absorbed by some useful but superfluous expense. Poverty would then be *extreme* when regular employment is lacking, or when work accidents or illness hit the wage-earners.

Some sociologists not only have determined the limits of poverty, but have pointed out the methods for overcoming it. Thus, for example, Bowley (*Livelihood and Poverty*, London 1951) and Lavers (*Poverty and Welfare State*), authors closer to us in time, have stated that the welfare state and the policy of full employment can defeat extreme poverty.

As you see, sociology does not say much beyond our experiences; and its very prescriptions for defeating poverty seem rather utopian. Among other things, sociology does not take into account voluntary poverty and conditions of life which are accepted and desired as the minimum to live on, like certain “hippies” who, even if they are princes, choose a vagabond life.

Let us now turn our considerations to *theology*, which is not only capable of ascertaining (as sociology does), but also of explaining.

Theology, first of all, states that poverty is not a virtue, since it is privation of material goods, but consists of fear for the future and for the present: for the future, insofar as fear in the face of imminent lack of material goods creates a certain inner anxiety; for the present, in that when the minimum to live is lacking, the fear of encroaching mishaps, diseases, breakdown, and death provokes sadness and desperation.

In the second place, theology distinguishes voluntary poverty from that to which one is subjected (which St. Thom-

as Aquinas calls “necessary” in the medieval sense). *Summa contra Gentes*, III,191-195. Voluntary poverty is an act of will with which a believer frees himself or herself of all fears and timidity and entrusts himself or herself to Providence; voluntary poverty therefore is not only a renunciation of superfluous goods, but also the seeking of the minimum to live, for an internal freedom in the face of the demands of bodily necessity (*Summa Theol.* II,II,19,2 ad V um). Voluntary poverty therefore corresponds to the Gospel admonition, “Blessed are the poor in spirit,” and whoever chooses poverty does not directly intend to be stripped of material goods, but rather seeks inner freedom; in fact “to be poor in spirit,” does not mean stupidity at all (which is what the phrase normally expresses in Italian) but—as the Hebrew *aanwim Yahweh*, God’s poor man, suggests—he who fears the Lord and hence empties himself of the foolish ambitions and vain pomp that derive from riches and honors. The renunciation of superfluous temporal things requires an act of the spirit (“poor in spirit”) which only God can bestow upon souls (II,II,19, 12). It is thus possible that the voluntarily poor person (being primarily an inner-directed person) could be a rich man who lives in a sumptuous palace, but detaches himself from luxury and dedicates his goods to charity and philanthropy, or that the voluntarily poor person could also be a worker who, having only the minimum to live on, accepts his condition in happiness and internal freedom, trusting in Providence and earning what he needs to live by working.

It is obvious that according to theology, the greatest evil of poverty is not the lack of material goods for subsistence, but the internal anguish over the uncertainty of tomorrow. In fact, animals, who also live in a state of continual poverty, do not suffer morally on account of their state. They satisfy their elementary needs by instinct, but they do not seek ambition, and they feel no passion for accumulating infinitely or for assuring themselves esteem and honor. Poverty, therefore, is primarily a spiritual state, or the predominance of fear and fright for the future.

As to “necessary” poverty or poverty which one undergoes, St. Thomas Aquinas recommends that those responsible for policy promote income-generating and productive work. In a letter to the Duchess of Brabant (1270), the daughter of the sainted King of France Louis IX, he recommends allowing the Jews to work in farming to get them out of usury and to grant them free access to ownership of land. The reason is obvious: A perverse wealth such as usury is to be condemned just as much as poverty provoked by social injustices. In the *Summa contra Gentes*, he treats at length the question of wealth as a human good which man must earn without tempting God, i. e., with indolence (III,135).

Finally, I wish to recall that the great medieval teacher distrusts both the voluntarily and involuntarily poor in political leadership positions. In short, they are not made to rule (*Summa contra Gentes*, III,134), insofar as they lack magnanimity.

### 3) Imposed misery

Thomist theology, in all its subtlety, was dealing with a civil society still dominated by the spirit of the Gospel: Down to the 17th century, until the advent of Protestantism, the economic condition of the Christian was not that of misery. In other words, during the centuries of the Faith, whenever a Christian fell into serious calamity, which today we call misery, charity intervened with alms, philanthropy, and donations. Misery started to make headway in Europe with Calvinism, which constituted the justification of capitalism. I don’t intend to dwell on this point of troublesome historic analysis, but I think that the thesis of Max Weber, expounded in his famous study *The Spirit of Capitalism*, is by and large true. Amintore Fanfani definitely does not contradict the thesis of the German sociologist when he states that capitalism, born in Florence in the 13-14th centuries, would not have undergone a downward curve if it had been regulated (as it was, until the Reformation), by canon law and by Catholic morality (Cf. Dario Composta, *Lavoro e liberazione*, Rovigo, 1978, p. 34, note 23). Calvinism preached the abolition of the Sacrament of Confession; from this arose the Protestant conscience: Who assures me that I am absolved of my sins? assures me that God forgives me? Calvin replies in his *Institutiones Christianae* that there is one instrument for knowing God’s benevolence: success in business and the honest accumulation of wealth. When these ideas, brought by Knox to Scotland, migrated from thence into New England, then a British colony, Calvinism found the *Lebensraum* for a rapid and tumultuous expansion: Mercantilism was born between England and its American colony, but mercantilism slowly extinguished the Calvinist faith until in England, Adam Smith, dismantling the Calvinist ideology and stripping it of its religious mantle, proposed in his noted essay on the *Wealth of Nations* (1776) the new formula for classical capitalism. This system is the layman’s version of Calvinism: The individual (and he stressed the individual), can and must get rich in any way and by any means, passing above morality and law. An Anglican and Deist such as Smith was bound neither to the Calvinist elect nor to Catholic morality, and much less by canon law, which in previous centuries had safeguarded the first steps of capitalism from degeneration into the immorality and perversity of exploitation. With capitalism begins misery.

I insist on this thesis, because if you compare the economic condition of farmers during the medieval period with the horrible conditions of workers in the first textile factories of England in the 18th century, you have to surrender to the evidence. Around 1450, the daily earnings of rural workers were: 18 liters of grain, 4.5 kilograms of beef, 5.5 liters of wine, (cf. Dario Composta, *Op. cit.* p. 119). Even a numerous family could live in those pre-industrial times in a dignified manner. Not so after the advent of capitalism: Even women and children worked 12 hours a day, without hygiene, in dark, filthy holes. The indignation of Marx was not

sentimentalism, but already in Germany and before Marx, the Bishop of Magonza, Ketteler, had raised a cry of alarm in his essay "The Worker Question," six years before the "Manifesto" by the founder of communism. In short, in Europe there appeared the misery of the majority, juxtaposed to the wealth of the few.

How much industrial progress cost, how many tears and how many victims capitalism immolated on the altar of the golden calf of profit, is already a memory. And anyway, this is not the time and place to retrace the history of the two systems born of Protestantism: capitalism and its reaction, communism. Revolutions, wars, and social upheavals already separate us from those events.

But here a question is imposed on us: If we may admit that capitalism's cruelty was defeated by means of appropriate legislation and economic-social therapies, what can one say of our own era, which has seen in 40 years an impetuous emergence of prosperity and its spread over all social strata? A car for every family, washers, water heaters, household sanitary facilities, luxury clothing, television and radio for everyone, abundant food, a downpour of luxurious goods with deluxe vacations and entertainments which are more and more exquisite and refined!

#### 4) The global objective

May we consider ourselves sated and satisfied, we who live in this era of imposing transformations, without knowing the outcome and much less the origin? But there is a more basic question which regards us directly: Do we live in a time of prosperity or is there poverty around us, too? If by poverty we mean not only insufficiency of material goods for a decent life, but also anguish over the future, we do not hesitate to state that there is poverty. The Holy Father in his Encyclical *Sollicitudo rei socialis* of Dec. 30, 1987, affirms: "Among the specific indications of underdevelopment which strike also the developing countries to a growing extent, there are two which are particularly revealing of a dramatic situation. In the first place there is the housing crisis. Another common index for the overwhelming majority of nations is the phenomenon of unemployment and underemployment" (notes 17-18). Going toward his conclusion, he invokes as a remedy the application of the social doctrine of the Church and, in particular, the preferential option for the poor, taking the frightful world situation into account. In No. 42 he states: "Today then, given the worldwide dimension which the social question has assumed, this preferential love, with the decisions it inspires in us, cannot fail to embrace the immense multitudes of hungry, of beggars, of homeless without medical aid, and above all, without the hope of a better future: We cannot fail to take notice of the existence of these realities. To ignore them would mean to become like the 'rich man' who pretended he did not recognize the beggar Lazarus, lying outside his door" (*Ibid.* n. 42).

Why has our era, which boasts of rapid technological

progress, not been able to attenuate so many evils? In my view, we have to look sharply at the frightening diagnosis of the Pontiff, by trying to understand why, who is causing so many lacerations and sufferings not only in our lands, but in Europe and throughout the world. A first key to interpretation is offered to us by the question which the Holy Father puts so bluntly regarding the two dominant economic systems, neo-capitalism and Marxist collectivism. We can go further. In an allocution, he denounced the iniquity of the Yalta Treaty. Why? Because the U.S.A. and U.S.S.R. have not renounced their lordship over the world; we can even say that the times through which we are living—surely they are guided by Divine Providence, as he himself said in recent days—but perhaps the intentions of the protagonists do not aim at resolving the problems of our time, but if anything, to tighten ever more the noose of hidden domination.

In reading certain quite informed sources, it seems that the time has come in which Moscow and Washington will launch a new period of even tighter and more concerted domination via the hidden powers of finance and politics.

For this diagnosis (as John Paul II states), it is not enough to make a "socio-political" analysis asserting the "short-sightedness and selfishness" of the politicians, or to refer to "wrong strategic calculations or imprudent economic decisions" (*Sollicitudo*, n. 36). No! We need an ethical-religious diagnosis which is able to link the events of our time to the "second tablet of the Ten Commandments" (*Ibid.* n. 36) and hence "to the structures of sin," even beyond ideologies. This expression, "structures of sin" which appears eight times in the Encyclical, tweaked the ears even of the secular press and certain so-called Catholics. I refer to [Italian Republican Party leader] Giorgio La Malfa, [left-wing political scientist] Norberto Bobbio, [Socialist Party-linked publisher] Eugenio Scalfari (*Repubblica*, Feb. 22, 1988), and Giuseppe De Rita who was amazed that the Pontiff denounced neo-capitalism in the same way as communism, when in Italy—in his opinion—poverty has disappeared and the proletariat is but a memory (*Corriere della Sera*, Jan. 2, 1988). This "Catholic" accuses the Pope of teaching populist moralism. Even in France the daily *Le Point* objected to the condemnation of capitalism and defended economic progress in poor regions such as Japan, Korea, and Taiwan. The *Washington Times* and the *New York Times* descended to add a heavy hand to the attack on the Encyclical (cf. D. Composta, "Il senso di una enciclica" in *Palestra del Clero*, 67, 1988, pp. 788-803).

This sudden zeal to defend capitalism reveals that in the Western world there are social evils and "perverse structures," "structures of sin," which generate poverty and misery but which must be hidden. What evils? And what obscure centers of evil? They can only be one-worldist, neo-capitalist potentates whose program, however much it is kept within their "secret conclaves" of their meetings, cannot hide their entire perverse strategy.

## Solving the Soviet housing problem

*The cooperation agreement between German and Soviet construction industries clears way for reunification.*

**T**he bilateral agreement on the Soviet troops that are still stationed in East Germany was at the center of negotiations for the treaty leading to German unification. In a series of highest-level talks between the German and Soviet governments, Chancellor Helmut Kohl gave the go-ahead for a special German fund of DM12 billion that is to cover costs related to the withdrawal of 380,000 Soviet troops to the U.S.S.R. over the next four years.

Approximately one-third of the money will be spent to cover the direct costs of stationing Soviet troops on East German territory and of their transport back to the U.S.S.R., which is to be completed by the end of 1994. The rest will be spent to co-fund a home-building program for officer families returning to the U.S.S.R. from East Germany and the training of Soviet Army officers and soldiers in civilian professions.

What looks like a simple deal of "deutschemarks for the Red Army" is much more. It is a long-term investment in cooperation between, and modernization of, the construction sectors of Germany and the Soviet Union. The crash home-building program for the returning 70-80,000 officer families alone will require investments of DM6-8 billion over the next four years. That investment will help to establish one of the biggest modern complexes in the world for the production of prefabricated construction components; the plant will continue to work on other vital projects after 1994.

At least 6,000 East German construction workers will join the 1,500

already working at projects in the Soviet Union in close cooperation with newly structured Soviet construction firms.

The homes will be built in four regions of the western U.S.S.R. that are still to be defined. But it is already clear that the project involves more than just building houses—including infrastructure such as roads, power stations, department stores, day-care centers, and more—and is leading to traditional city building. The experience accumulated in this four-year crash program can be utilized as an incentive for designing entire new cities, which are needed to replace the run-down cities of the Soviet Union and Eastern Europe. If done the right way, this four-year project of building officers' homes in the U.S.S.R. will demonstrate that new cities can be built within a few years, which is of immediate interest for Third World populations which have no decent housing.

A hint in this direction was given by West German Economics Minister Haussmann, who said in Bonn Sept. 7 that building homes for Soviet officers in the U.S.S.R. is but one aspect of the envisaged long-term German-Soviet cooperation in the construction sector. Having met with a U.S.S.R. government delegation in Bonn the day before, Haussmann said:

"What we are aiming for is more than building just a few, or many turn-key homes in the Soviet Union. What we are aiming for is a basis for long-term cooperation between the construction sectors of both countries. Building homes shall only be one among several areas of cooperation.

... We also think of a closer connection between the development of the infrastructure and construction projects."

It was leaked from Bonn government circles that day that Germany is offering to train Soviet soldiers in Western construction skills, to help them to be able to work efficiently in future construction projects in the U.S.S.R. This is also to achieve a better reintegration of a certain percentage of the 300,000 enlisted men who are to be withdrawn from East Germany over the coming four years (or earlier), into the civilian economy of the Soviet Union.

In another agreement signed Sept. 10 after negotiations with a Soviet delegation in East Berlin, West German Minister of Agriculture Ignaz Kiechle announced the delivery of DM2.5 billion of surplus pork, beef, and other food products to the Soviet Union over the coming weeks into the spring of next year. These will mainly be surpluses from East Germany, the citizens of which are now supplied with higher-quality food products from the West.

The emergency food deliveries include 120,000 tons of cow meat and 20,000 tons of beef, 100,000 tons of pork, 10,000 tons of chicken and goose meat, 60,000 tons of butter, 3,000 tons of full-fat milk powder, 5,000 tons of fish, 60,000 tons of flour, and 100 million eggs. Germany will also deliver 1 billion cigarettes and 500 tons of tobacco.

The U.S.S.R. agreed to pay DM176 million plus another DM824 million from the transfer-ruble account built from trade between East German firms and Soviet import firms. The price difference of DM1.5 billion will be subsidized by the West German government, balancing the approximate production costs of the state-run East German farm cooperatives.

## Will united Germany's farms be free?

*While reunification of Germany proceeds, East German farm leaders warn of a "second expropriation of farmers."*

**T**wo representatives of the newly formed Organization of German Farmers (VDL) from East Germany held a press conference on Aug. 22 in Bonn, along with the Schiller Institute, to warn against the grave agriculture crisis in East Germany, and to denounce the connivance of West German government and farm organization officials in the situation.

In the storm of reaction that followed, the acting head of the West German Farmers Union (DBV) defended his reticence to help East German farm independence by saying, "One must live with reality."

Gerd Winzer, the president of the VDL, told the 30 reporters at the press conference that there is a danger of a "second expropriation of farmers," referring to the dictates 40 years ago by the communist government that coerced all farmers to place their land and property into state-run cooperatives (LPGs). Winzer heads an organization formed in June to speed the process of dismantling the LPGs, and of restoring land to private family farm ownership and operation.

Winzer said that the situation has become more precarious by the day. "The problem," he said, "is simply and solely that the structures must be changed. In this connection, I demand that the West German Farmers Union finally clarify its restraint on the issue of private property."

In particular, there is the problem of the "communist *nomenklatura*," according to Winzer, referring to the clique of individuals and families that continues to exert control in the East

German economy. Earlier this year, this circle formed a farm organization to masquerade as a new option for farm reform.

By the end of September, the West German Farmers Union plans to merge with the East German farm organizations, despite the tainted character of the various groups, and their refusal to dismantle the state collectives. The proposed fusion of the farm groups has been referred to as the "unnamed farm organization."

Winzer told the reporters that the West German Farmers Union is "collaborating with the socialist farm organization and armtwisting us to merge with them. But we will never merge with this red mafia. We clearly state that we will lead our organization as an independent one in a united Germany."

Winzer distanced himself from the much-publicized demonstrations in East Berlin on Aug. 16.

He reported on how the socialist farm organization behind the protests is still getting government funding, and could finance such an action. And he ridiculed the hasty "transformation" of the state collectives into "business communes." He called on members of the collectives to remove their land before group contracts are signed.

In recent months, the agriculture sector in East Germany (until now, all run by state collectives) has been hit by low prices, and by incompetence, greed, or duplicity among the heads of the collectives. The Western cartel companies—Cargill, Toepfer/ADM,

Louis Dreyfus, Continental, and others—are moving to make sweetheart deals with the heads of the collectives, which they view as factory farms ready and waiting to be exploited.

The West German Farmers Union refuses to recognize these dangers.

During the question period at the press conference, Winzer took up the issue head-on. He said that in the "Accommodation Law," the section known as Part 18 must be stricken. This section gives the state farm collectives the sole and lasting right to exploit the soil.

Winzer said that there must not be a fusion of farm groups without dismantling the structure of the collectives. He said that many ask why there could not be a fusion of farm groups, so that they could use the same offices, telephones, and so forth, along with the new "unnamed farm organization." This would mean, he explained, that procedures are being done for tactical reasons, and they do not have real content. He said that what is important to us, is our members. They do not understand, if we work with collaborators of the collectives.

He promised to continue to publish his magazine, *Der deutsche Landwirt*, committed to free, independent farms, and to go to members of the West German Farmers Union and ask them if they know that their organization supports collectivization.

The next morning on German radio, Dr. Born, the acting general secretary of the West German Farmers Union, replied to Winzer in an interview. "The VDL has our full sympathy," he said, "because it takes steps toward privatization. But one must live with reality." Born asserted that the new "unnamed farm organization," including the socialist group in East Germany, will find it "easier" to take power.

## Deposit insurance fund is broke

*Some 35 banks with \$100-million assets will fail this year—and that's the good news, the GAO admits.*

Comptroller General Charles Bowsher, testifying before the Senate Banking Committee Sept. 11, warned that 35 U.S. banks, each with over \$100 million in assets for a combined \$45 billion in assets, will fail in 1990, at a cost to the Federal Deposit Insurance Corp. (FDIC) of \$4-6 billion. Some 15 of these \$100 million-plus banks have already failed this year, he said.

The FDIC's Bank Insurance Fund currently has only \$13.2 billion in funds to cover \$1,886 billion in insured commercial bank deposits, or 70¢ of insurance money for every \$100 in deposits, the lowest margin in the history of the FDIC. FDIC chairman William Seidman has forecast that the fund will drop to \$11 billion this year.

"When you get the fund down as low as it is at present, you have a lot of individual banks that, if they go under, would take the whole fund with them," Bowsher said. "We could lose this fund, just like we lost the [savings and loan] fund," Bowsher added. "We have a lot of situations out there that could wipe the fund out."

In a recent letter to Vice President Dan Quayle and Speaker of the House Thomas Foley (D-Wash.), Bowsher warned, "The fund is too thinly capitalized to deal with the potential for bank failures in the event of a recession. Such an event could exhaust the fund and require a taxpayer bailout."

Were the FDIC to exhaust the Bank Insurance Fund, it is authorized to borrow money from the Treasury to cover its needs, according to a spokesman for the Office of the Comptroller of the Currency.

Bowsher also said that current accounting methods mask the extent of the banks' problems. Under "generally accepted accounting principles" (GAAP), auditors and bank executives can often put off admitting losses until the last moment, preventing regulators from moving quickly to prevent major losses.

"We very much need a more realistic standard of accounting so that we're not just kidding ourselves about the extent of the problem," Bowsher said. "Not since its birth during the Great Depression has the federal system of deposit insurance for commercial banks faced such a period of danger and uncertainty as it does today."

Bowsher said that during the last decade, banks have ventured heavily into new, riskier loan markets, to bolster sagging profits. "While the commercial banking industry's loan portfolio risks have increased, there has been relatively no change in the level of the industry's equity capital, its cushion to absorb losses on loans," he said.

The crisis facing the banking system is indicated by an August 1990 Moody's Investors Services "Industry Outlook" report on nine money-center bank holding companies (BankAmerica Corp., Bankers Trust New York Corp., Chase Manhattan Corp., Chemical Banking Corp., Citicorp, Continental Banking Corp., First Chicago Corp., Manufacturers Hanover Corp., and J.P. Morgan & Co., Inc.).

Moody's cited four major weaknesses at these big banks: "Significant high-risk asset concentrations," including loans to Lesser Developed Countries (LDCs), Commercial Real

Estate (CRE), and Highly Leveraged Transaction (HLT) exposures; "Rising domestic problem loans"; "Disappointing revenue growth due to reduced HLT and CRE deal flow"; and "In some cases, weak reserve and capital positions."

"The money centers should continue to comply with the revised capital guidelines, unless either domestic or LDC reserves have to be boosted substantially—both of which are possible (for certain banks). In light of some of the banks' weak internal-capital generation, some money centers may have difficulty in rebuilding capital rapidly enough to absorb additional provisions while still meeting minimum capital standards," the report stated.

The Moody's report presents a devastating picture of the condition of the nation's biggest banks. At the end of 1989, all of the nine banks had "risk loans"—the sum of their HLT, LDC, and CRE loans—greater than the total of their stockholders equity plus loan loss reserves. Continental's risk loans equaled 395% of its stockholders equity plus loan loss reserves, followed by Chemical at 281%, Chase at 275%, Manufacturers Hanover at 266%, Bankers Trust at 251%, First Chicago at 248%, Citicorp at 244%, BankAmerica at 220%, and finally J.P. Morgan, at a mere 123%.

All but one of the banks also has commercial real estate loans which exceed stockholders equity. According to Moody's, Chemical leads the pack with commercial real estate (CRE loans plus other real estate owned) equal to 264% of common stockholders equity, followed by Chase at 232%, First Chicago at 204%, BankAmerica at 178%, Citicorp at 170%, Continental at 138%, Manufacturers Hanover at 122%, Bankers Trust at 102%, and J.P. Morgan at 21%.

# Business Briefs

## Resources

### Conference hears of global water shortage

"Eighty countries supporting 40% of the world's population already suffer from serious water shortages," a conference of 115 nations called the Global Consultation on Safe Water and Sanitation reported from New Delhi Sept. 10. "Water scarcity is accelerating," conference participants said.

In 1975, there were 19 developing countries already without adequate renewable water sources. By the year 2000, another 10 countries will also not have adequate water sources, and by 2025, there will be 37 severely water-scarce nations, by "optimistic standards." The World Health Organization reported that this year, 1.2 billion people in the Third World are without safe water: 243 million in urban areas and 989 million in rural areas. There are millions more who only receive water sporadically or for a few hours a day, including the middle-class areas of capitals like New Delhi.

More than 1.7 billion people in the Third World have no sanitation facilities, mostly in Africa and South Asia.

## Infrastructure

### New effort to revive Kra Canal

An article appearing in the *Bangkok Post* Sept. 6 indicates that the campaign to build a canal through Thailand's Isthmus of Kra, relieving the heavy congestion in the Straits of Malacca, is not yet dead. The article, authored by a member of the "Kra Canal Project" study group, Maj. Gen. Chaiyo Kra, explained why the Kra Canal is still essential even though the Thai government is rapidly moving ahead with its ambitious alternative Southern Seaboard program.

Says the general, the Kra Canal is the only means to dramatically raise the living standards of the Thai people, about 80% of whom could still be classified as "poor." The author points out that the canal would generate a large

number of new employment opportunities and that the study group "envisages the establishment of large industrial complexes on both sides of the canal that would engage in export-oriented industries to generate foreign exchange earnings."

The general emphasized that if the country pursues its economic development in the right way, this will help bolster the country's strength in other fields.

The study group, he reported, will organize shows of public opinion for the project, especially among the people of southern Thailand, who would be most keenly effected. It will also seek support for the plan from politicians, businessmen, and academics, both in Thailand and in foreign countries, including the U.S., Japan, and the Middle East.

## Trade War

### U.S. targets European aerospace

A new report commissioned by the U.S. Department of Commerce says that Airbus Industrie—the European consortium of French, German, Spanish, and British aerospace companies to develop and build advanced-technology civilian passenger aircraft—will never become profitable. But if European governments continue to subsidize it, Airbus will cost U.S. aircraft manufacturers substantial market share and profits.

The study, completed by Gellman Research Associates of Jenkintown, Pennsylvania, found that Airbus's cumulative debt to European governments will grow from \$13 billion now to \$30 billion by 2008. If Airbus had been forced to borrow the \$13 billion at commercial rates, it would have cost \$26 billion, the study noted.

The United States has been demanding that Airbus borrow funds on the financial markets, rather than receive government funds that may not be paid back. If the Europeans do not comply, the United States has been threatening to register a formal complaint with a special General Agreement on Tariffs and Trade panel, against West German government subsidies that protect Airbus from international cur-

rency fluctuations.

"Are you going to look to an analyst on Wall Street or are you going to talk to a member of the French National Assembly to determine whether a project is commercially viable?" an unnamed senior administration official asked the *Journal of Commerce*.

## Shipping

### U.S. commercial fleet can't handle Gulf call-up

Secretary of Transportation Samuel Skinner is considering asking for a revival of federal government subsidies for U.S. commercial shipping, after observing the poor performance of the industry in the recent call-up to transport material to the Middle East.

According to the secretary, of the 41 ships called up for the recent sealift, 24 that were supposed to be in the highest state of readiness, to be at sea in five days, required an average of nine days because of "crew or equipment problems." Skinner said, however, that the delays did not have much of an impact, because in some cases military equipment was not ready for loading in five days either.

Skinner said that the deployment had already shown the need to maintain "a U.S. flag fleet of some size, with ships that make sense not only for commercial purposes but for defense purposes." The U.S. merchant marine fleet has shrunk from 1,170 ships in 1950 to about 375 today—ranking 13th in the world in the number of ships.

## AIDS

### One in seven autopsied found with infection

"Six months after it began conducting AIDS tests in all autopsies, the New York City Medical Examiner's office has found infection rates as high as 38% in some groups," began an article in the Aug. 30 *New York Times*. "Black men from 41 to 50 years old had the worst



rates, 38%, with black men from 31 to 40 the second highest, 36%. Overall, one in seven autopsies revealed AIDS infection."

The article cites the City's Health Commissioner, Dr. Woodrow Myers, Jr. as believing that although the findings were disturbing, they were not generally surprising, since the deaths did not represent a cross-section of the population. These deaths were violent, drug-related, or potentially crime-related, and often involved people who used illicit drugs. Myers insists on the line that AIDS is transmitted sexually and by contaminated needles and other drug implements, and that therefore, these autopsies didn't reflect a more general problem with the spread of AIDS.

The autopsy policy, however, was initiated by former Mayor Ed Koch, as a way of learning more about the spread of the virus. Under Mayor David Dinkins, that policy has continued, except that spouses and other known sex partners are no longer notified.

## Aerospace

### Laid-off personnel will have no place to go

The aerospace production workers who are projected to be laid off over the next six months will have no place to go, according to the Aerospace Industries Association in Washington. So far, the industry has eliminated workers through early retirement, attrition, or transfer to commercial aircraft production. But in August, the industry revised its earlier projections of layoffs upward from 27,000 to 55,000 personnel, and hiring in the commercial aircraft sector has stopped.

*Aviation Week* reported the week of Sept. 10 that Boeing, though it has a 10-year backlog of commercial aircraft on its order books, is planning to eliminate about 5,600 positions from all business sectors as a cost-cutting measure. Similarly, McDonnell Douglas's Douglas Aircraft is expected to lay off 8,000.

Meanwhile, the Pentagon has announced that McDonnell Douglas has been awarded a hefty contract to produce F-18 jet fighters—for the government of Kuwait. The Pentagon did not say which government of Kuwait

would receive the fighters, nor when it would be in a position to receive them.

## Development

### French adviser calls for Mideast plan

French influential Michel Vauzelle has called for a "vast plan for economic development for all the Mediterranean," including the Middle East region. In a statement reported by the French daily *Libération* and also covered in the Italian daily *Corriere della Sera*, Vauzelle said that what is needed now is a conference on "security and cooperation in the Mediterranean."

Vauzelle insisted that European policy not be a caricature of the main protagonists in the current conflict, but be independent.

Vauzelle is a confidant of French President François Mitterrand and a leading Socialist Party deputy. Earlier this year, he published a blistering attack against those proposing new "balance-of-power" schemes for Europe.

## Labor

### Americans earning less than in 1980

American workers are earning less after inflation than they did a decade ago, according to a study by the Economic Policy Institute reported in the Sept. 4 *New York Times*. The study showed that inflation-adjusted wages for workers dropped nearly 10% in the past decade, resulting in lower standards of living and longer working hours.

The gap between rich and poor also increased. The average net worth of the top 0.05% of families rose 6.7% during the decade, compared to an 8.8% drop by the bottom 90% of families.

The institute noted that changes in federal, state, and local taxes since 1977 have shifted the tax burden more to the middle class, while giving large tax cuts to the richest 1%.

● **NIPPON STEEL** is the latest Japanese steel company to shift out of steel production, following Kobe and Kawasaki. The industrialized world's largest steel producer, Nippon is moving to "diversify," and executives hope to reduce the company's revenue from steel from 80 to 60% by 1995 because they foresee a 10% drop in demand by then.

● **BOSTON BLACK** babies are dying at three times the rate of white babies, according to a recent study, which says that despite the nation's most extensive network of hospitals and health centers, Boston is losing black babies at a rate higher than many Third World nations.

● **TOMATOES** grown from seeds carried by NASA's Long-Duration Exposure Facility won first prize at the Kansas State Fair recently. The LDEF was sent into space for an 18-month tour on April 7, 1984, and was intended to be retrieved by the tragic Jan. 28, 1986 mission of Shuttle Challenger.

● **FEDERAL JUDGE** Dale E. Safels of Topeka, Kansas has ruled that the Office of Thrift Supervision acted in an "arbitrary and capricious manner" when it forced Franklin Savings Association to write off \$176.2 million in futures contracts, and then seized FSA because it could no longer meet capital standards.

● **SHEARSON LEHMAN** Bros. was indicted on 42 counts by an Ohio grand jury along with former Cleveland branch manager Stephen Weinberg and former broker Sheldon Strauss, over losses sustained by clients due to the 1987 stock market crash. Strauss's clients suffered extensive losses because of "heavily margined, speculative and unauthorized investments" made "with the full knowledge of his supervisors at Shearson Lehman," the indictments said.

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## Integrating freight and passenger rail transport

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*Europe, centered around a reunified Germany, now faces the tasks of integrating its passenger rail system, and bringing freight up to speed with maglev. Part III of Ralf Schauerhammer's report.*

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*In our previous installment on the railroad infrastructure required for Lyndon LaRouche's proposed "Productive Triangle," we discussed some of the details of high-speed transport, both rail-bound and non-rail, wheel-less magnetic levitation. We detailed the efforts of Germany, Japan, France, Italy, and Spain to address the problems of high-speed surface transport, including the special problems posed by topographical challenges such as the Alps.*

*Despite the progress that has been made, today's rail network is totally inadequate to handle the economic expansion that will result from the Triangle development program. Only by quadrupling the number of high-speed trains running per hour on some principal arteries, will it be possible to move Europe's expanded production in a timely manner.*

*We conclude our translation of this chapter of the report titled, in English translation, "The Paris-Berlin-Vienna Productive Triangle: A European Economic Miracle as the Motor for the World Economy." The report was produced by EIR Nachrichtenagentur of Wiesbaden, Germany. The chapter from which this series was drawn, was written by Ralf Schauerhammer, and translated by John Chambless.*

An actual integration of Europe will mean that intermediate transportation distances, especially for manufactured products, will increase from national to European distances. With unchanged flexibility of production, that will necessarily demand the acceleration of transportation through improved loading and shunting equipment and through increased trans-

portation speeds. Also, passenger travel within this economic space, which will extend beyond the European Community, will place increased demands on speed and capacities that, with a linear expansion of existing systems, will rapidly run into unsurmountable limits.

But new demands will also arise in smaller contexts. What, for example, will the infrastructural connections within a unified Germany mean? It cannot be merely a matter of reactivating the rail lines and roads that used to exist; rather, new routes will be established that will correspond to the general progress in production that has been introduced since the division. In the 1930s, with the train "The Flying Hamburger," the railroad attained peak speeds of 160 kph on the Berlin-Hamburg route, and covered the 287 kilometer stretch in 2 hours and 18 minutes; today it takes approximately 4 hours. Berlin and Frankfurt am Main used to be closer, when figured in hours traveled by rail, than they are today. From the standpoint of the general progress in productivity within the last half-century, it would be conservative for us to demand from a newly planned transportation system in Germany that it connect the two important cities of Berlin and Hamburg in not more than two hours.

### **Maglev is essential**

The Berlin-Frankfurt connection, which incidentally belonged to the rail lines that Friedrich List proposed as fundamental to a German railway system, should be created today with stops in Leipzig, Erfurt, and Fulda (as the transfer point

for the new ICE high-speed route from Hanover to Würzburg). If we subtract seven minutes for each of the three stops from the two hours travel time, we get a travel time of 99 minutes, which makes necessary, given the distance between Berlin and Frankfurt, an average speed of 450 kph, which thus means peak speeds of 500 kph. Considering economics and safety, that can only be realized with a new magnetic levitation (maglev) technology. The current plan for the ICE system would be therefore half as productive as we would need in a unified Germany. It was planned in a Germany still divided.

An important proposal was made by a group of Bundestag deputies, which boils down to immediately building a maglev connection between Berlin and Bonn through the Ruhr district. This train would connect the two German government centers and the two most densely populated areas in Germany, and would pay for itself in part by saving some of the estimated DM 100 billion costs for the transfer of governmental offices to Berlin.

In light of the fact that, within 10 years the 500-km stretch between Tokyo and Osaka in Japan can be traveled in a maglev train within one hour, while in Europe there are not even serious considerations of how important routes can be rapidly bridged with this technology, it must sound absurd—at least to Japanese ears—when German Chancellor Helmut Kohl again and again states that the next decade will be the decade of Europe, not of Japan. Despite the high-speed trains in various European countries, and despite the increased cooperation to overcome the fact that each nation developed its own rail system to operate within its own borders, this development in Europe will fall behind the Japanese by more than a decade within 10 years, precisely on the point of high-speed transportation.

Transportation by magnetic tracks is quite an old invention. In 1912, the Frenchman Emile Bachelet began with the construction of an experimental model based on electromagnetic principles. Practical applications failed, however, because of the very high energy consumption. Hermann Kemper proved in 1935 that magnetic suspension can be accomplished, with economical power consumption, and received German patent #643316 on Sept. 21, 1935 for a “suspended train with wheel-less cars that moves along iron tracks by means of magnetic fields.” For a long time after that, however, nothing of importance took place.

Only when the West German Ministry of Transportation issued a contract for the “High-Speed Train Study” was research resumed on track-bound rapid transport. In the same year, the Krauss-Maffei firm introduced the first basic model with magnetic support and drive system and linear motors, and, in October 1972, the experimental train Transrapid 02, which worked according to the principle of electromagnetic levitation (EMS). In the same year, a magnetic test sliding carriage from the firm MBB was put into operation.

The principle of electromagnetic levitation, whereby the

supporting magnetic field is induced in the vehicle, was also investigated. In 1973, the Magnetic Levitation Train Project Group, which was supported by the firms AEG-Telefunken, the BBC, and Siemens, began experiments with the Erlanger test carrier EET 01. In 1974, Krauss-Maffei and MBB joined together as the Transrapid-EMS Corporation for electromagnetic rapid transit systems, and began work on the KOMET, an unmanned, magnetically supported and driven experimental compound vehicle that, because the experimental track was so short, had to be accelerated by a steam drive system. Using this foreign drive, the vehicle reached a world record for maglev vehicles the following year (401.3 kph). Likewise, in 1975, the Transrapid-EMS firm began the construction of the Transrapid 04, which in 1977 set a world record for maglev passenger vehicles with linear motors at 253.2 kph.

In 1977, a decision was made for the development of maglev technology that was methodologically wrong and was to have harmful long-term effects on this technology in Europe. With the justification that there was insufficient means of research to pursue two important lines of development simultaneously, the electrodynamic levitation (EDS) line was abandoned. This decision was not only wrong because the wrong system had been chosen—the Japanese magnetic train we referred to was to be constructed on the principle of electrodynamic levitation—but rather because it was not possible to make that sort of decision, given the state of present knowledge, and it made no sense at all from the point of view of a serious, successful research program. To make matters worse, this first technocratic, wrong decision was joined by another to exclude freight transport from further consideration. Thus the development strategy was so narrowed that, from the beginning, it could not be put forward as a serious, qualitatively new alternative to the old wheel-track system (see **Figure 1**).

In the following year, the firms that had previously worked on developing the magnetic train joined in a consortium to establish and operate a major experimental facility in Emsland. Construction of this 31-km experimental track—which was in a figure 8 whose straight center section was 10 km long—was begun in 1979. At the 1979 International Transportation Exhibition in Hamburg, a maglev train—the Transrapid 05—was first publicly used. Over 50,000 people were carried in the 36-ton vehicle, which could, however, reach only 90 kph on the 908-meter track. The test vehicle Transrapid 06 attained a record speed of 412.6 kph on the track at Emsland in 1988, on the straight section that is only 10 km long. It achieved an average acceleration of 0.51 m/sec<sup>2</sup>, and a deceleration from 412 kph to 207 kph of 1.35 m/sec<sup>2</sup>. Two years before, however, the reconstruction of the test vehicle had begun because of positive test results, which led to the prototype Transrapid 07, which by 1989 and 1990 proved the operational readiness of the Transrapid for use. On Dec. 18, 1989, in a distance of only 15 km, Transrapid 07 attained a record speed of 435 kph.

## The European Productive Triangle



## Japan's magnetic-levitation rail program

In Japan, the development of maglev technology began later than in Europe, and even today, specialists assume that Europe has a developmental leap on Japan. That will probably change soon, and Japan will be the first country to build a magnetic railroad for commercial use. In Japan, both magnetic rail systems were developed independently of one another. Japan Airlines concentrated on the principle of magnetic levitation, and the Railroad Research Institute worked on the system of electrodynamic levitation.

Japan Airlines began work in 1974 on development of the High-Speed Surface Transportation (HSST) system, and in 1975 produced the first levitation drive for the vehicle HSST-01, which in 1978 attained a record speed of 307.8 kph. In the same year, drive tests began with a further experimental vehicle, the HSST-02.

Between 1985 and 1987, a levitation carriage developed on this basis and, equipped with 50 seats, carried 1.4 million passengers at three world exhibitions. In 1988, there followed the demonstration of the 24-ton HSST-04, which was equipped with 70 seats, at the Saitama Expo. In the following year, a demonstration was conducted of the HSST-05 on a 515-meter track. In 1991, an HSST line in Las Vegas, Nevada on a 7-km stretch will be introduced for commercial passenger travel. To be installed by the Japanese, it will reach 200 kph even on this relatively short stretch.

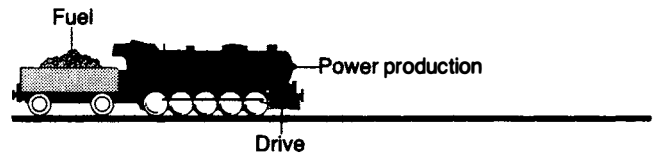
Three systems are planned in Japan for the further devel-

FIGURE 1

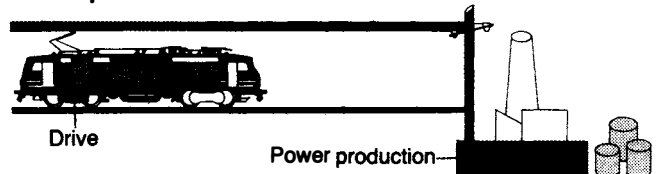
## The efficiency of rail grows as a result of progress in drive technology

a) Range of economical application for coal power, electrical, and maglev

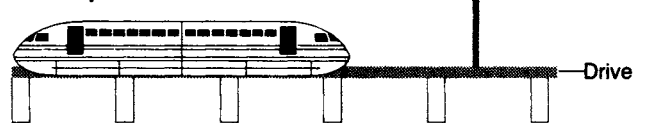
to 150 kph



to 300 kph

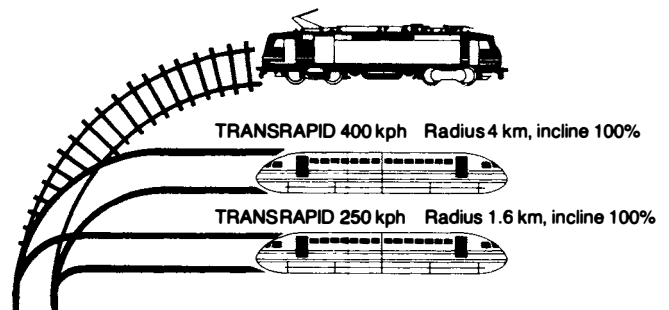


to 500 kph



b) Comparison of radii of curves and inclines of tracks

Newly constructed lines of the German Bundesbahn  
Radius 7.2 km, incline 12.5%



*Magnetic levitation is a logical progression from rail-bound vehicle to the "active rail." Since electrification, the locomotive need not drag around its power supplies, and, with the maglev train, the drive is no longer in the power vehicle. Given the parameters of track siting, the maglev train presents great advantages.*

opment of the electromagnetic levitation system: 1) the HSST-300 rapid transit system for the commuting between cities and airports; 2) the HSST-200 as feeder in the medium-speed range; and 3) the HSST-100, as an intercity transportation for commuters. The introduction of the HSST-100 for Nagoia is being prepared.

The development of electrodynamic levitation (EDS) in Japan was seriously begun only after the decision in West

Germany had been made to drop research in this area. The unmanned test vehicle ML 500 (with an EDS system) reached a speed of 515 kph in December 1979, and, a year later, the MLU 001, a manned vehicle with two or three sections, began drive operation on a 7-km track. When the Japanese Railroad Corporation was dissolved by the government into six corporations, the Railroad Research Institute took over the further development of the EDS system. That year, the MLU 001 reached a velocity of 400.8 kph. The MLU 002 vehicle, which was equipped with superconducting coils, was made operational the same year.

The experimental vehicle MLU 000, which was close to practical operation, reached a maximum speed of 354 kph in December 1988 on the test track in Miyazaki, with an average acceleration of  $2.42 \text{ m/sec}^2$  and an average brake deceleration of  $2.1 \text{ m/sec}^2$ . The effective height of levitation was 110 mm, and is thus greater by a factor of 10 than that which the competing EMS system must maintain.

Planned for the year 2000 is the operation of the electrodynamic levitation train from Tokyo to Osaka (bypassing Kofu and Nagoia). The 500-km route will be covered in one hour. The train will have 12-16 cars, and up to 10 trains per hour are to travel on this route. The planned capacity is 15,000 persons per hour. Compared with the quite efficient Shinkansen route on the wheel-track system, the new route will save 71 million hours of travel time each year.

## Freight transport in Europe

The defenders of rail transport do not seem to be entirely clear themselves as to just what role trains will play in the future of freight transport. Of course, they admit that the railroad "in the past used too many resources in the 1:1 preservation of outmoded structures." Even failures are conceded. But then this same behavior is extrapolated into the future, since it is asserted that "the total market in freight transportation will only grow by a small amount," and moreover, the "financial-political limits" of infrastructure and of political measures "allow the recognition of no additional margin." From the beginning, a framework for planning is used that guarantees that the railroad will succeed in preserving into the next century the same "proven" basic structures that they were able to preserve from the last century to the present. If that context is accepted, the railroad will not achieve operational success and the national economy will not be served.

Long-distance freight traffic via highway is now at its limit. With the population in Europe at its most dense, land for road construction is no longer economical, a fact that led in the last decade to the decrease in construction of highways. The capacity of the road network is increasingly being exhausted. In the last five years, the average density of truck traffic on the highways of West Germany increased by 13%. Meanwhile, trucks travel at following distances of 385 meters between them on the highway. If we also consider auto-

mobile traffic, we see that this amount of traffic can occur only if even the minimum following distance is not observed over broad stretches of the road. The result is accidents, whose cost must really be added to the national cost of transportation. For each kilometer of truck transportation in Germany, 7.5 pfennigs [roughly \$0.01 per mile] should be added to the cost of transportation to account for accidents, which represents 15% of truck transportation.

## Combined transportation

"Freight belongs on the train" is something that is constantly emphasized. But if transportation efficiency is not to be decreased, then that can only happen if the railroad develops in new directions. The first successful step was taken with "combined transportation," which has sharply increased in the last year. In this mode of transportation, whole truck-trailers, semi-trailers, truck tractors, or freight containers are loaded onto special rail cars. When whole truck-trailers are loaded, the tractor of the truck cannot otherwise be used during the entire trip, for which reason this form of combined transportation demands special loading vehicles or cranes in the loading stations.

Currently, 22 trains, "rolling highways," (Figure 2) travel on weekdays between 18 locations in Germany, Switzerland, Austria, Italy, and Yugoslavia with a total of 357 stops (Flensburg, Neumünster, Hamburg, Hanover, Bochum, Cologne, Mainz, Regensburg, Freiburg, Munich, Wels, Rielasingen, Basel, Graz, Lugano, Ljubljana, Milan, and Ala). The utilization of these trains in some cases is only 50%, but reaches up to 80%, however, especially on Alpine routes. Overall, however, utilization of combined-transportation trains is still too low. There are hopes for improvement, since the yearly rate of growth of this form of transportation is between 12.8% and 25.5%. Combined transportation is certainly an appropriate means to work against the overflowing truck traffic on the highways; it can hardly be characterized as the end-all solution, however.

## Cargo 2000

Since 1982, the German national railroad, the Bundesbahn, developed a study under the name "Cargo 2000," for future rail transportation technologies. It was recognized that the question of containers is of decisive importance, and development of a "family of containers" is projected that can optimize sorting. As experience from the beginning of container transportation shows, however, it is extremely important that a container form be determined and adopted as a general standard. At any rate, the importance of containerization for the future has been recognized.

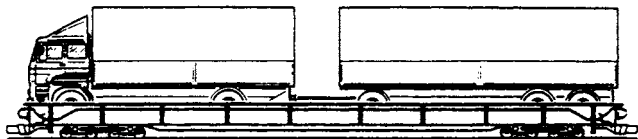
Also, the importance of efficient transfer stations is increasingly moving into center-stage of investigations. An example of a network station as proposed in the Cargo 2000 study, consists of two parallel rail tracks A and B, along which there is sufficient large traffic area present for handling

FIGURE 2

## Piggy-back techniques for truck to rail container transport

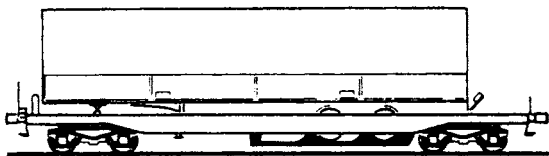
### Piggy-back Technique A, "The Rolling Highway"

The driver drives trucks and semi-trailers in a forward direction over an end ramp onto a special, very low rail car.



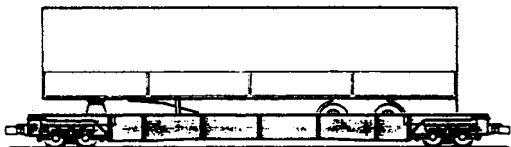
### Piggy-back Technique B

Semi-trailers equipped with grip-rims are lifted onto the rail car by a crane.



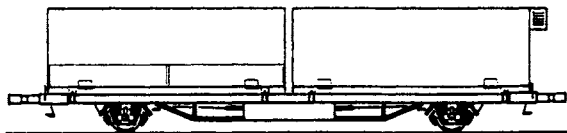
### Piggy-back Technique B

Semi-trailers are backed via end ramp onto a low-floored rail car.



### Piggy-back Technique C

Transfer containers are lifted onto the rail car by a crane.



vehicles. Each of the traffic areas will additionally be traversed by three buffer rails—I, II, III—parallel to A and B. Buffer rail II serves for the transfer between two trains, while Buffer rails I and III handle exchanges with the attached elevated storage magazine. The different loading areas and the elevated storage magazine are connected by conveyor belts that run perpendicular to the direction of the tracks. Additionally, trucks can be loaded from the outer side of the elevated storage magazine.

In France, similar but more far-reaching transfer concepts are being investigated. The stopping time of the train in the network station is to be minimized while, simultaneously, as many cars as possible are loaded and unloaded. Before the train enters the station, the loading vehicles and cranes, using computers, position the freight palettes in such a way that, after unloading freight destined for the present location, they need only be put onto the rail car.

In both cases, shunting in the traditional sense no longer

occurs; rather, the freight train consists of fixed car groups onto which the goods to be transported "climb." The demands of this type of system, which previously existed, of course, only on paper, are considerable.

If the rapidity of highway transportation is to be attained on routes of 300 to 400 km, freight trains must reach 160 kph, and the route so formulated that the freight will remain in network stations for at most one hour. Additionally, a storage facility must exist in the vicinity of every major city to and from which freight can be channeled through the system.

## What are the demands of a high-technology transportation network?

Given the developments that have already taken place on a small scale, we can estimate how a flexible freight transportation system will look for the Europe of the future. It is already possible, using computer-assisted design/computer-assisted manufacturing—or CAD/CAM as it is better known—in the design and construction of rail lines, to store such relevant data for later operation as switches, crossings, the radius of curves, or the rise of inclines. That is the precondition for the train-steering system, the operational system and the safety system—which will replace today's signal system—becoming unified. In planning the rail system of the Thyssen Steel Works plant, for example, that sort of rail-technical planning system (Pro-plan) was used.

On the basis of the electronic data base (EDB) operation of the whole network, a flexible form of schedule will be possible with which it can immediately be determined whether a planned transport that conforms to all safety measures can be carried out within the desired timeframe. Together with the referred transfer technologies, very flexible planning possibilities will be produced.

The total transportation network will then function as a "rolling warehouse," and similar to what had been realized for a long time in large, modern, automated warehouses. With such a system, the location of any freight at any moment can be determined and tracked. Shunting and transfer takes place through the automated scanning of magnetic identification cards on the cars that are written to during loading. The loading system will have information from the central computer on the routing of the train together with its cars, and the loading will be arranged such that freight being offloaded last, will be load first. A further step in the development will allow the optimal route to be set from the different possible routes, according to the utilization of the transportation system at the moment.

At any time, the customer can request, by means of his computer terminal, when and in what time he can ship a given freight from point A to point B at a given rate. On demand, he can even order the transportation at the terminal. The network of the points A, B, and C must be close enough together that truck delivery or pickup can take place in less than 90 minutes. That will work, of course, only if generally

standardized containers are used since, otherwise, transportation on the train, by road, and in the air or by water cannot be integrated.

### Transportation quantities

One thing must not be overlooked. The precondition for all such EDB operations is sufficient "hardware," which, with today's amounts of freight traffic, is already insufficient. Although the railroad has lost in importance compared to other transportation systems, it nonetheless has very little free capacity, since shipments are concentrated along main routes which are currently overloaded in fact. If the expected increase in freight is transferred to rail, then that means a more than doubling in the required transportation capacity within a few years.

Today's rail network is totally insufficient if we take into consideration the economic development to be expected within the Productive Triangle. On the European rail network outlined in this region, high-speed freight trains must travel on each route at 30- to 60-minute intervals. That means that, on some principal routes, the number of trains per hour will be four times what it is today. Only in that way will it be possible to move the expected 250 to 300 million tons of semi-finished and finished goods with a delivery time of 36 hours.

If we calculate the national economic costs that would be incurred for that level of capacity with an effective, rail-bound transport system, it will emerge that overall, the least expensive solution is the apparently greater investments in the coming years for the construction of the high-speed network and the loading stations.

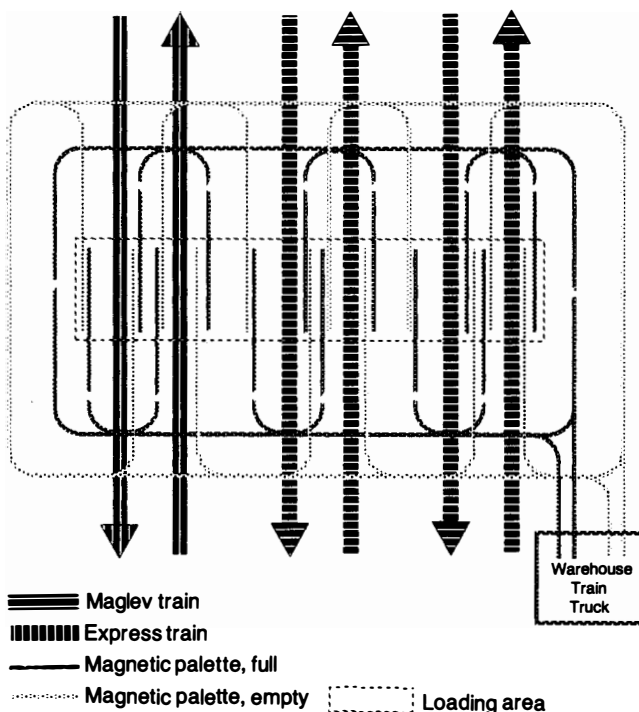
### Modern transfer station with 'magnetic palettes'

An efficient transfer station based for long-haul containerized freight transport will attempt to minimize the layover time of long-distance trains (see Figure 3). What will such a transfer station look like?

As soon as the train arrives, an empty unloading palette will be coupled to the train adjacent on the left of each container that is to be unloaded. These unloading palettes will be magnetically steered and powered, and by means of sensors, will be guided precisely into position. On the right site of the corresponding empty or half-empty, long-haul rail cars are coupled magnetic palettes that carry the containers to be loaded. In this way, the train need not be positioned for the loading and unloading equipment, and no time is lost, because the loading and unloading equipment must be brought to the train. Fundamentally, the total loading process could even take place while the train is moving.

The transfer process thus takes place by merely unfastening the container on the car or on the magnetic palette and moving it to the left the width of one track. On the assumption that this sideways movement occurs at a speed of 1 meter per

FIGURE 3  
'Magnetic palette' transfer station



*Freight traffic on the "Productive Triangle" network will use modern transfer stations operated according to the principle of "magnetic palettes."*

second, the process of loading and unloading of the entire train will take place in approximately 15 seconds.

Connected with this unloading track is a dispersal or concentration track, to which the magnetic palettes with the unloaded containers move or from which chains of magnetic palettes are dispersed for loading, at the intervals necessary for the loading process.

Joined to that will be a sorting area arranged around and above a flat area that essentially consists of two ring-conduits for the magnetic palettes. The empty palettes will travel to one ring-conduit and then flow out counterclockwise at branch points to all tracks. In case palettes are still needed for the next arriving train, a local controller removes the palette automatically from the ring-conduit. The full palettes are carried around on the second ring-conduit in a clockwise direction. They, too, pass the branch points to all tracks. By means of machine-readable identification codes on the containers and the priority allocations of the central computer, the local controller in the transfer station can prepare the local containers quickly for the departing train in the dispersal area of the corresponding track. Otherwise, the container is placed in the warehouse and then sent by the central computer

again to the ring-conduit as soon as the arrival of the corresponding train is announced.

Joined to the warehouse will be different loading docks for trucks, as well as the connection to a freight station to make possible the transition to the normal freight transportation network.

The tracks of the long-distance trains are double track in both directions. It is unimportant for the structure of the transfer station whether the long-distance trains are wheel-on-rail or maglev system trains. Both systems can exist in parallel at a transfer station. The palettes must, in any case, be steered and driven magnetically, since the rapid and safe positioning, as well as the necessarily short switching time and the high motion dynamics of the palette will be attained only in this way.

### Maglev freight transport

Since 1977, no research worth mentioning has been done on the use of maglev trains for freight. Nonetheless, it is obvious that Transrapid, even in the form developed today, is appropriate for any freight that is now sent by air. The capacity of 0.2 tons of payload per vehicle-meter is not sufficient for most freight transport. With a further reduction of the maglev vehicle's air gap, which could possibly lead to a lower speed, the transportation capacity can be increased. A European research program for electromagnetic freight transport, however, should be unconditionally started. This program should start from a realistic statement of the tasks, that within the next 20 years the volume of freight that might be transported in Europe in accordance with the standards that are today only attained by air freight, will increase by 70-80 million tons per year.

At the end of May, the press reported that France had offered East Germany favorable financial terms to build a TGV connection between Berlin and Dresden. [*Train à grande vitesse*, or TGV, is the name of France's national high-speed passenger rail system—ed.] That is a wonderful development. It would be better if this route were immediately extended to Prague, and a TGV connection of Berlin-Hamburg can possibly be made by East Germany before the German Bundesbahn wakes up. It is important to act rapidly to exploit the potential that has been created by political developments. If the officials of some national railroads cannot be awakened from their dreaming of the last century, and they continue to skeptically oppose anything new, then opportunities must be created for those who want to develop new activities. If the principles of physical economy presented in this program are kept in mind as basic ideas, then those activities will also be profitable. Friedrich List and Heinrich Harkort would attempt today to found a new European Rapid Train Corporation with entrepreneurs who are ready for production. Exactly such an initial activation is what we need for the acceleration of individual national programs.

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## Book Review

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# How to sow terror with statistics

by Margaret Sexton

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### **Currents of Death: Power Lines, Computer Terminals, and the Attempt to Cover Up Their Threat to Your Health**

by Paul Brodeur

Simon and Schuster, New York, 1989

333 pages, \$19.95

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The trouble with Paul Brodeur's book, which claims that there is a danger to human life and health from electromagnetic radiation from power lines and computer terminals, alleged to cause cancer, is that it is incompetent. If you are an expert in manipulating statistics, or in the methodology of "risk assessment," you might be able to make some sense out of the mishmash of studies and statistics Brodeur cites.

The key to confusion here is risk assessment. In this form of statistical manipulation, someone somewhere fed animals, such as rats, physiologically unrelated to human beings, huge amounts of toxic substances. Then, an extrapolation is made to determine the risk to humans, often so small as to be parts per billion or parts per trillion. In other words, you'd have to eat a ton of "X" to show signs of toxicity, but a part per billion of "X" is deemed to put the ingester of "X" at risk.

The way Brodeur uses this to stir his pot can be seen in a random example: "The reason why people living in towns adjacent to the PAVE PAWS [phased array] radar are developing cancer at a rate far higher than other people living on Cape Cod . . . may not be found for some time to come. Moreover, because of the Air Force's policy of dumping millions of gallons of aviation fuel and other toxic waste into the sandy aquifer, scientists trying to solve the mystery will have to take many factors into consideration. One such factor . . . will be the question of whether chronic exposure to low-level radiation from PAVE PAWS has acted to promote . . . cancer in people who are already at risk because they have been exposed to cancer-producing chemicals."

Brodeur then goes on to discuss how a protein enzyme found within human lymphocytes is a receptor for cancer-producing phorbol esters, a carcinogenic plant. What does



that have to do with radar? Or aviation fuel contaminating groundwater? Brodeur doesn't say; the reader is supposed to assume all these things are connected.

This book seems aimed at environmentalists seeking to boost their argument that we should go "back to the Pleistocene"; or at those who have a fear of technology, such as that nurtured against nuclear power in the mass media for years. A more recent example is Hollywood actress Meryl Streep's campaign against the growth-regulator used in apples, Alar. That campaign of hysteria has just about destroyed the apple-growing industry. Ms. Streep, when she got on television to bleat about Alar, never said that you would have to eat thousands of apples sprayed with Alar every day in order to risk cancer.

So, Mr. Brodeur, do the public a favor. You don't have to lump together every statistical occurrence of cancer in a given location with every study on electromagnetic fields, and assume they're connected. If you have a hypothesis to prove, why don't you go back and look at the methods of some truly great scientists like Johannes Kepler? He did not have popular support for his theory of the laws governing planetary motion, but he was able to prove it to the satisfaction of the doubters of his day.

Mr. Brodeur, maybe if you improve your method, you can figure out how to sort through your mass of papers and find the truth. And that's what your readers deserve.

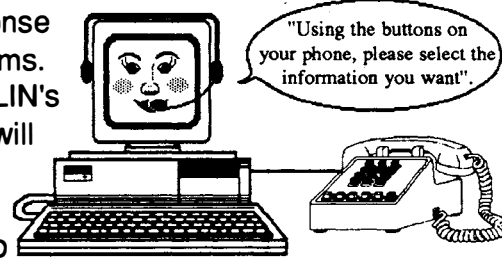
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## Germany's new mission: peace by development

by Rainer Apel

"This is one of the greatest moments in German history, and in the history of Europe," declared the West German Chancellor Helmut Kohl after the signing of the treaty on German unification by the six foreign ministers (four allied powers, two Germanys) in Moscow on Sept. 12. "It is the first time in modern history," Kohl added, "that a people achieved its unity without preceding war or having to go through immense suffering."

It was also a great victory for the American economist and statesman Lyndon LaRouche, who almost two years ago, on Oct. 12, 1988—at a time when few had any inkling of the peaceful revolution to come the following year—laid out the policy content of German reunification: the most rapid economic development of continental Europe, along with a commitment to develop Eastern Europe and the world's underdeveloped countries.

The treaty ended four months of "two plus four" talks on the foreign minister level between the two Germanys, France, Britain, the United States, and the Soviet Union. The short ceremony that set the framework for the signing of the treaty, was attended also by the Soviet President Mikhail Gorbachov, who thereby wanted to demonstrate, again, his role and the Soviet state interest in the rapid unification of Germany.

In yet another diplomatic gesture which underlined not only the restoration of German sovereignty 45 years after the end of the Second World War, but also the new character of German-Soviet relations, Soviet Foreign Minister Eduard Shevardnadze, who, being the host of the talks, signed the treaty first, passed the document directly on to West German Foreign Minister Genscher. This would have been unthinkable in the old postwar framework, in which the other three allied powers would have signed before the Germans.

Shevardnadze furthermore wished the "German nation success and well-being," adding that "this treaty closes the book on the results of the last war."

The treaty consists of eight articles plus two amendments, concerning the following aspects.

- 1) United Germany consists of the two existing German states and Berlin; the



August 1990, Patriots for Germany in Bavaria gather a crowd to discuss the "productive triangle, locomotive of the world economy."

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borders remain as they are, the Oder-Neisse border is Germany's eastern border with Poland. Article 23 of the German constitution is to be modified, to rule out any claim on other territories that are not within these fixed borders.

2) United Germany will gain its full sovereignty with the ratification of the treaty, and will have full freedom to choose military alliances.

3) The Four Powers cease having any rights over Germany, with German sovereignty going into effect.

4) The new Germany is committed to a peaceful policy, will limit its armed forces to 370,000 men, and decides to have no atomic, biological, or chemical weapons.

5) Soviet troops will be stationed on the former East German territory for a transition period of four years, to be concluded at the end of 1994 with the completed withdrawal of all Soviet soldiers.

6) During this four-year transition period, Western allied forces will maintain symbolic contingents in Berlin.

7) No NATO troops will be stationed on former East German territory, only German troops under the command of the unified German government; there will be no NATO exercises in eastern Germany before the end of 1994.

8) This treaty will have to be ratified by the national parliaments of the signatories, before going into effect.

Two amendments added to the eight articles state that a) the expropriations carried out in East Germany under Soviet military rule between 1945 and 1949 will not be reversed, and b) Soviet war memorials in East Germany be protected, and furthermore, the political rise of anti-democratic or neo-Nazi movements be put under a state ban.

Thus, German sovereignty is de facto in effect after Oct. 3, the day when the two German states will merge, as has been previously resolved by the two parliaments. De jure, full sovereignty will go into effect after ratification by the six signatories, which, recalling previous processes of ratification of treaties in the U.S. Senate, for example, may still take some time. It is no secret that also France, and even more so, Great Britain, were reluctant to accept the completion of German unification before the end of this year.

The fewest problems seem to exist on the side of the Soviet Union, which has a genuine interest in rapid consolidation of the united Germany, and which expects that the Germans will help the Soviet economy out of its disastrous decline. The Soviet daily *Izvestia* expressed this Soviet interest in a prominently placed article on Sept. 12, headlined "What Are We Gaining by German Unity?" "We are helping the Germans to get united," *Izvestia* explained, "and in return, are gaining a partner with whom the door to a real, not just a demagogically abstract common house will be opened for us."

"A fifth power, with a stable economy and a high level of democratic practice, is joining the four powers that are bearing responsibility for the fate of the continent. And that is not a small achievement."

The "two plus four" treaty is flanked by a number of bilateral agreements on German-Soviet economic cooperation, some of them already initialed or signed before Sept. 12. All of these will be incorporated into an all-encompassing treaty on future relations between the united, sovereign Germany and the Soviet Union. The economic side of relations

will be signed in a special, 20-year treaty on long-term economic, scientific, and technological cooperation, elements of which have already been negotiated.

### **Leipzig Fair discussions**

The potential of extended German-Soviet cooperation is big, but hardly tapped so far. There is good reason to expect agreements on a much broader scale in key sectors of the economy, also involving other West European countries, and of course the East European nations which are suffering from the same decline of the socialist system that has led to the run-down of the Soviet Union. Western European politicians, used to sign deals on limited areas of East-West cooperation, must learn to think in new terms, in terms of crash development programs within the framework of long-term cooperation plans.

This theme emerged very prominently at the traditional autumn Leipzig Industrial Fair, which happened to take place parallel to the last phase of the "two plus four" talks and other negotiations between Bonn and Moscow.

At an East-West panel, arranged by the Eastern Trades division of the German Industry Associations at the Leipzig Fair Sept. 6, West German Economics Minister Haussmann presented the vision of an all-European economic system from the Atlantic to the Urals. The Soviet Union is in a "decisive phase of economic reforms," said the minister, and East German industry, with its longstanding relations to the Comecon and especially Soviet economy, is becoming a bridgehead for Soviet development. "The advantages of East German business relations to the Comecon mark the entrance of these economies into the European market. . . . European support for the reformed East European countries makes no sense if there is no support for the Soviet Union (and vice versa)."

Otto Wolff von Amerongen, the gray eminence of German-Soviet trade over the past 30-odd years and longtime head of the Eastern Trades division, said at the same panel that the East German industry would take the function of a "transmission belt for Soviet economic development." Echoing the remarkably optimistic mood among the 170 attending representatives of West German, East German, and Soviet industry, Wolff referred to German-Soviet economic relations as "key to all of European relations." These relations are not restricted to joint ventures and production cooperation, he said, but include "long-term future projects in the fields of nuclear energy, agro-research, space, high-speed trains, communications, and computer technologies."

Wolff referred to the vast potential of East German-Soviet relations. About 25% of East German work places depend on trade with the Comecon. "We have to look over the fence and take into account the real potential of the vast economic region of the Soviet Union, that is now confronted mainly with problems of supply. Like no other country, the unified Germany in its attitude toward the Soviet Union, also bears

unique responsibilities for the reconstruction of that country."

East Germany has been "the most important supplier of industrial equipment for the Soviets," said Wolff. "The future Germany will have to develop that potential qualitatively. . . . That is why a unified Germany promises to stick to the East German-Soviet delivery contracts." Wolff announced the designation of special West German advisers to work in the most important industrial centers of the Soviet Union. He also announced extensive job training programs for Red Army soldiers stationed in East Germany. Wolff's proposals were picked up by the state secretary in the East German Economics Ministry, Dube, who advocated the establishment of "academies" in buildings of the Western Group of Soviet Armed Forces to train Red Army soldiers in Western economic methods.

### **Strategic priority: infrastructure**

"Infrastructure is a strategic priority," declared Gerhard Kunz, head of the strategic planning group of Salzgitter AG during a panel on "Cooperation in Machine Building and Plant Construction" at the same panel, addressing an essential aspect of future development.

Kunz proposed a "three-way-enterprise structure"—for example, combinations of West German know-how, East German companies, and Soviet state railway corporations. Referring to massive East German rail car deliveries to the Soviet Union, he also demanded extraordinary efforts to improve the transport and storage capacities there.

Günter Gross, managing director of the East German rail car company Deutsche Waggonbau, which over the last 20 years has delivered 17,000 passenger rail cars and 24,000 freight rail cars to the Soviet Union, predicted two-digit growth rates in East Germany, provided that the East European market is given the necessary infrastructural input.

Responding to these signals from the German side, Andrei Schkrebets, Director-General of the Soviet state rail car industry, said they needed a threefold increase in rail cars: "Transport is of decisive importance for us." Schkrebets also presented plans for the Moscow-Leningrad and Moscow-Kiev/Moscow-Rostov-on-Don railway projects and high-speed train systems that will make 300 km per hour.

In addition, at the government level in Bonn, as well as in firms producing rail equipment and rolling stock in both Germanys, discussions have been going on for some time on projects of crucial importance for German-Soviet trade. One of these is the rail route from Berlin, crossing Polish territory via Poznan and Warsaw to reach the Soviet Union at Brest, the central transit point at the Polish-Soviet border. A crash program for improvements on this route would be of maximum benefit not only for German-Polish-Soviet trade, but also for an accelerated withdrawal of Soviet troops and materiel from East Germany to the U.S.S.R.

# German reunification is the key to a worldwide cultural renaissance

by Helga Zepp-LaRouche, Chairman, Patriots for Germany

*The following address was delivered by Mrs. Zepp-LaRouche, via videotape, to a conference of the International Caucus of Labor Committees in Arlington, Virginia, on Sept. 1.*

I want to speak to you today about the importance of German unity for the coming cultural renaissance.

This conference takes place at a time when we all feel very deeply that we are experiencing the end of an epoch, the change to a new era.

It is very probable, that mankind is now coming to its final moral test. The question which Lyn [LaRouche] has asked so many times, that mankind will be tested, whether we are morally fit to survive.

We are either right now on the road to World War III, and possible worldwide chaos resulting out of this, and unimaginable misery for billions and billions of people; or, we are at the threshold of a new, just, world order, a golden renaissance, and even the dawn of the Age of Reason. Those are possible right now. The outcome depends to a very large extent on us, even if not entirely.

We know which principles led to the destruction of our civilization, because these are the same principles which have always led to the destruction of cultures, nations, and civilizations. And, we also know, because we have studied it in great detail, which principles must be followed if mankind is to come out of this misery; and, how a new golden renaissance can be accomplished.

Understanding the difference between these two different sets of principles, and these completely different concepts of man, of society, and of the state, is the most important, if you want to have a decisive role in determining the outcome of this incredible historical moment.

## Anglo-Americans race to the abyss

While I'm video-recording these remarks for you, the Damocles Sword of a new war in the Gulf is hanging over us.

As of now, I have all indications that the Anglo-American Establishment is committed to have this war, and, totally disregarding what diplomatic efforts are being tried right now, they want to have this war, no matter what.

There are several reasons for this.

Bush knows that the American banking system is collapsing; that the United States, contrary to all the illusions which were peddled in the last period, is in a deep depression; that more and more, people are losing their means of existence; that the United States is facing a social explosion. And, he wants this war to divert attention from both the financial collapse, and the depression inside the United States, and then blame it conveniently on Saddam Hussein, whom the war propaganda has portrayed as the incarnation of evil.

It is very dangerous. We should have learned this from history, that whenever a power is trying to divert from internal problems, from a domestic crisis, by resorting to war against foreign powers, this is always very dangerous. It has never gone well—not once in history.

It's very dangerous if any power does it; but if it's done by a superpower, then this can mean a threat to world peace.

Right now, we know that the history of how it came to this Gulf crisis, was an Anglo-American move against German unification, which they fear for all the wrong reasons, and especially, when it became clear that the new, unified Germany is also going to have an alliance with the Soviet Union, and for their own reasons, the Anglo-Americans, who believe foolishly in geopolitics, fear a strong economic continent, when they would stick to the old financial system of Adam Smith, and therefore would be weak.

Therefore, what we see right now, in the orchestration of the Gulf crisis, and a possible, probable Gulf war, is a new version of the British policy of balance of power—how they have conducted British imperialist policies since 1815, and actually have caused two world wars in this century already to happen.

If this policy becomes dominant, and succeeds, it is more likely than not that it could lead to World War III.

## The miscalculation factor

The way the Anglo-Americans think that this war will happen, has several built-in factors of miscalculation, but I think the most important and most dangerous factor is that they totally disregard, or are seemingly disregarding right now, the Soviet response.

The Anglo-Americans who had been building the condo-

minium with the Soviet Union—up to the point of the East European revolutions, which upset this entire game—believe they still can operate on the basis of this condominium with the Soviets. And the fact that the Soviet Union, in part because it has tremendous financial and economic problems, went along with the Anglo-Americans in the U.N. Security Council, was nourishing this illusion.

The Anglo-Americans also think the Soviet Union is so thoroughly bankrupt and economically weakened, that it can no longer militarily move, and that the United States is the only superpower left, and therefore can do what it pleases.

Well, I'm afraid that that totally misjudges the character of the Soviets.

If there is a major military action in the Gulf, in which it is quite possible that the United States uses modern weapons such as electromagnetic pulse weapons, neutron weapons, and has a huge force of altogether 300,000 soldiers in this region, the big question will be, how will the Soviets react?

What if the conflict does *not* stop with a surgical air strike, but is enlarged? How would the Soviets react down the road?

Well, I think we have an indication, that the Soviets do not look at it as the Americans do. There was just an interview by the evil Henry Kissinger on French television, in which he was totally hyping up the situation, saying, in effect, "We need war as quickly as possible; the sooner it happens, the better. We need a surgical strike immediately." Then on the same program they had the Soviet spokesman Gerasimov, who warned that if you want to have a surgical strike, and you use the scalpel, then this scalpel can quickly turn into a boomerang, and could lead the world to catastrophe.

Now, if the Soviets start warning about "boomerang" and "catastrophe," people had better listen.

### **Where the war could go out of control**

I just want to indicate briefly, other aspects of how this thing could get out of control.

First of all, the Pakistani government crisis, the coup against Benazir Bhutto, was surely part of this war preparation. They have now sent troops to Saudi Arabia. That means that Pakistan is now on the side of Saudi Arabia; and India, which still has some relations to Iraq, is on the side of Iraq. And you know Pakistan and India have, in any case, an unsettled, very dangerous conflict over Kashmir, which could explode quite independently at any time. And they are now tied into the Gulf crisis, too.

Another element is the fact that with the present militarist buildup by the United States, the troops it has to deploy to Saudi Arabia and part of the command, are coming from the Pacific. Now, if the United States is stuck in Saudi Arabia, it very much reduces its flexibility to respond to crises elsewhere, and unfortunately, a lot of people are already talking about the possibility that China may use the situation to do something in Korea.

There is another possible extension and enlargement of

this conflict. Turkey was forced and pressured by the United States to send troops to Saudi Arabia. Now, if there is any attack involving Turkey, then that means that NATO as a whole will be involved, because by treaty, if there's an attack against one NATO country, it will immediately be a matter of NATO as a whole.

These are just some of the factors; you also have the possibility of terrorism escalating, and the use of biological-chemical warfare. There are many, many factors of how this can go out of control. Actually, one can compare the present situation in the Gulf, with the situation in the Balkans immediately prior to World War I. And that is not an exaggeration.

The biggest problem, morally as well as otherwise, is that Bush has no real war aim. He only wants to destroy Iraq, and he will, for sure, not get a victory. The only thing he can accomplish, is destruction. And, what if there is only a surgical air strike? There would be a tremendous vacuum in the region, bringing the entire combination of forces into motion, with an unpredictable outcome, contrary to what people think. Especially, the U.S. depression will not go away. How *can* it go away?

### **The rampage against Christianity**

The problem is that the present Anglo-American Establishment is imitating, in many ways, the behavior of imperial pagan Rome.

It's very clear, if you look at the ramblings of prominent representatives of this Establishment, such as Prince Philip, the evil Ted Turner, and many others, that they want to eliminate Christianity and to replace it with the New Age, which is really the same as the pre-Christian cults, Mother-God, Gaia, super-environmentalist fascism, and so forth.

The problem is, that in many respects they are imitating pagan imperial Rome. They want to establish, and they're fully on the way to establishing, a fascist police state inside the United States, which is hitting many people right now in incredible ways. But also, they obviously think that as the only remaining superpower in the world, they can exert control by military occupation, and can maintain their financially bankrupt system by looting, looting, looting, as did imperial Rome.

Now, as they continue this, they plan to no longer have the East-West conflict, but instead to go for North-South wars, to have wars by the North against the South, with the aim of reducing population.

This can easily lead to Thirty Years War scenarios, like the Wallenstein Thirty Years War scenario in the seventeenth century, which caused tremendous destruction. People should read Friedrich Schiller. I really advise people to read his *History of the Thirty Years War* to get a sense of what we are up against, and what this whole thing is unleashing.

Now this is the danger: Third World War, chaos, hunger, and the end of this civilization as we have known it. That's a possibility.

## Kohl echoes LaRouche Triangle proposal

German Chancellor Helmut Kohl is coming very close to endorsing key aspects of Lyndon LaRouche's "Productive Triangle." Addressing over 30,000 East Germans on Sept. 3 at an election rally in the small town of Heiligenstadt in Thuringia, Kohl said: "We need economic development, and that means new roads and highways, modern railways, and in general a modernization of infrastructure. . . . In order to create many secure jobs, we have to cut overhead costs and shift financial resources into the productive areas; and with the money, labor also has to be shifted into the productive sector. And we have to create a lot of productive jobs, especially for young people who are leaving school."

Kohl reminded people of the economic policy of Ludwig Erhardt, the father of the German "economic miracle" after World War II, and singled out the productive *Mittelstand*—small and medium-sized industrial enterprises—as key for the economic development of East Germany. "I have nothing against big industry," Kohl stated, "but it is the *Mittelstand* which creates jobs and economic wealth."

Pointing to the enormous task facing reunified Germany, Kohl said, "In a few years, Europe will be the biggest economic power on Earth," with obvious consequences for its responsibility to secure world peace. "We must also be concerned about the economic development of the other Eastern European countries, especially Poland, and we cannot afford to lose our solidarity with the Third World."

The chancellor also broke with the Kantian profile of his predecessors Willy Brandt and Helmut Schmidt, reasserting Germany as a bastion against the concerted attack against fundamental Christian values. "I know that we live in a secularized world," Kohl said, "but we should never forget, that it was the Christian image of man which helped us out in very difficult times." Echoing associates of Helga Zepp-LaRouche who have been vigorously campaigning against the disease of cultural pessimism, Kohl stated that "the fall of Christian civilization is only occurring in the libraries. The old continent of Europe is back again."

As for the Anglo-Americans' mad adventure in the Middle East, Kohl stressed that "Europe has a special responsibility to secure world peace, and this also pertains to the present situation in the Middle East. It is important that the superpowers are talking to each other; but we Europeans also have to make a contribution to secure world peace."

### German reunification, the world's lifeline

On the other side, there is a tremendous hope, and a reason for joy. It is centered around German unification.

Let me recall a very joyful day in my life. It was October 12, 1988. Lyn and I boarded a plane to West Berlin, and Lyn wanted to make a segment for his half-hour TV program, which he had as a presidential candidate at that time.

Lyn made in the meantime a very famous speech at the Kempinski Hotel, a very famous hotel in West Berlin, and in an incredibly prophetic way, he said the following (I want to emphasize, this was in 1988). He said that because the Soviet Union was in a very, very dangerous economic breakdown crisis, leading potentially to military actions, he suggested that the West, especially West Germany, should take the burden of Poland away from the Soviet Union, and use Western technologies to have a super-development plan to develop Poland; and that West Germany should include East Germany, (G.D.R.), in this effort, and that in this way, there would be one model of how Western technology could help to transform even the most backward parts of the East bloc.

In return for this, the Soviets would basically have to hold free elections, grant self-determination, and an early German unification; and naturally, under these circum-

stances, Berlin must become the capital of the unified Germany again.

So basically, Lyn said, let's keep peace through economic development. Let's have a war-avoidance policy, through economic development.

Now, if you remember, in October 1988, nobody knew that there would be an East European revolution. As a matter of fact, all Western politicians, one year later, were still totally surprised. Even among our members and associates, very few people—I would say practically nobody—believed that Lyn would touch upon something which was about to occur. They thought it was a nice idea, they liked the idea, but nobody understood how prophetic this proposal was.

Lyn also said at that point, that he would be sure that his proposal for German unification, free elections in Poland, and economic development would be seriously discussed in the capitals of the world. Indeed, that is exactly what happened.

At that time, it sounded only like a dream; nobody believed it would come true. It is also noteworthy for history, that it only took about two days, namely, to October 14, 1988, for Lyn to be indicted: two days later.

And one year later, Lyn's dream became true.

You all remember the big demonstrations in Leipzig, on October 9, 1989, which was very dangerous, because at that time, Honecker still had the Stasi and the troops ready with orders to shoot, and there was an immediate danger that a Tiananmen Square massacre was about to happen.

But then, the courageous people of the G.D.R. who did the peaceful revolution, continued to go into the streets by the hundred thousands. And then, on the very joyful day of November 9, 1989, the Berlin Wall was opened. You all still remember these beautiful pictures when the people were dancing on the wall, and they were hugging each other, and there was a deep, deep joy about what was happening. Then, very quickly, in March 1990, the first free election; and now, coming in one month, on October 3, 1990, the day of German unification—a very joyful day.

### The end of an epoch

Not only will we have a national holiday in Germany to celebrate it—the schools will be closed, everybody will have no work—but the Schiller Institute is right now preparing worldwide celebrations of German unity, so that all the people in the world understand what hope can come from this development, and that they help to join in this joy.

This is an end of an epoch, in many ways. It's the end of the forty-five years of the postwar order. The order associated with Yalta, with the division of Europe, has come to an end. But, it's also the end of a seventy-year epoch, namely, the end of Bolshevism—seventy years since the Bolshevik Revolution. And, I think if you take these two things, the end of the postwar period, and the end of communism, which is dead as an ideology, this is going to have much more profound consequences than most people are willing to really reflect upon. But they are coming, and we have to determine the outcome.

Communism is dead, and it cannot be revived in its present form. But the big question which every thoughtful person should be concerned about, is what will come, and what will fill this vacuum which is now emerging.

Two superpowers are now in collapse. The Soviet Union, it's obvious, can no longer maintain central control, the economy is in shambles, 60 million people are starving, and we see practically the end of the Soviet Union in its present form. But also, the Anglo-American area is in a deep recession, and no matter what they are doing right now, trying to have a war to distract attention from that, it still is the end of the United States as a superpower, because they refuse to change policy.

### What is European civilization?

In this situation, the big question everybody is asking themselves (that is, everybody who's thoughtful) is: Will European Christian civilization assert itself, and become the hegemonic cultural influence in the world; or, will we be destroyed by the effects of the two decaying, dying super-

powers?

The first thing to realize, is what European civilization is. And more, what is Western civilization, which the United States once was the leader of, but decided not to be that anymore?

The most important thing is to understand that all of Western civilization was based on the overturning of pagan imperial Rome. Without that, we would not have what we call Western civilization. There are two models in all of history, which were always in a tremendous fight with each other to gain hegemony. One was the essence of the wise Solon, who created a state which had only one purpose: to develop the creative potential of all individuals, and the state had to serve the individual. The individual had to collaborate to make the state function, but the state was basically there for the individual, as compared to the evil model of Sparta, in which the evil Lycurgus gave laws which meant a total hold of a small oligarchy over a backward, slavish people, who had no rights, who would live a Spartan life; where the parents did not have a right over their children, and usury was the only source of wealth; and they could kill the slaves whenever they wanted—a totally barbaric dictatorship.

Now, all progress in mankind ever since then, has been modeled on new forms in approximation of the city of Athens, and the laws of statecraft associated with that, while all dictatorships ever since then, were consciously modeled on Sparta; and that is the key issue which is at stake today. Just look at the most recent example of such a dictatorial, Spartan state, the G.D.R., where people lived in misery, a Spartan life, and the state was everything, being just a vehicle for a small oligarchical elite to loot the place, at the expense of the people. Naturally, the Soviet Union is such a model as well.

The Roman imperial empire, pagan Rome, was an exact reincarnation of Sparta, and it dominated pretty much of the known world, except some regions which were not connected, such as India and China. But what we call Western European, or the Mediterranean civilization—that entire region was dominated by imperial Rome.

In the tradition of Sparta, life meant nothing, there was slavery. You all know the pictures of how the slaves were killed and treated. The system was based on usury, and total control through the state—and naturally, the emperors.

Christianity: The appearance of Jesus Christ was the watershed in this, because Christ was both fully man and fully God. And, through Christ—who was the *Menschensohn*, the Son of God, but also fully human—each individual from then on, was *capax Dei*, was capable of participating directly in God.

The creative potential of each individual from that moment on, was the divine spark, in which this *capax Dei* was located. And the more this creative potential of each individual was developed, the more this person would be in the image of God.

This also made possible for the first time, the idea of



limitless self-perfection. That was a total contradiction to the cyclical idea of nature which prevailed up to that point, and was associated with the nature gods, such as Gaia and so forth.

Through the person of Christ, and what it meant for each individual human being, a tremendous cultural optimism was introduced. Through Christianity, the emphasis was put on creativity, on the God-likeness of all human beings on this planet, and technological progress was really only possible through this idea of a limitless self-perfection.

### **The Christian threat to oligarchism**

In the beginning, the Christians had a very hard time in imperial Rome. But it spread nevertheless. At the turn of the third century, Christianity was so strong that it threatened to detonate the structure of the Roman Empire, because people no longer respected imperial Rome, but instead listened to the inner voice; they had some higher purpose in life.

The pagans were totally shocked about the threat to the religious political foundation of their empire, which was entirely based on the cults, with which they had previously controlled the superstitious masses, and had kept them in backwardness. They fully understood the interrelation between the masses believing in the cults—the Gaia cults, the terror cults, and similar cults—and their own privileges, since only if people believed in these things, could they run this empire. The cults were therefore the absolute precondition for the existence of the Roman Empire.

At that time, around the turn of the third century, the Emperor Diocletian, who was a real hard-line representative of the old Roman traditions, made an effort to wipe out Christianity, and to reintroduce the cults. In A.D. 250, he made an edict which demanded that every Christian—every citizen, but also every Christian—had to sacrifice to the old cults, thereby demonstrating that they still believed in the old cults and the old gods.

This was done under tough controls, and therefore people could not escape. This put the still relatively young Christian communes under tremendous pressure. And it had very split reactions. Some of the Christians remained strong and resisted, and if they, in the end, refused to make what would be, in modern America, a plea-bargain, then many of them became martyrs. Some used tricks. Some just tried to escape. Some used falsified certificates about the sacrifice. These were called *libelli*. This led to tremendous mistrust, and an atmosphere of accusations among the Christian communes. It led to a heavy debate also of what to do about the weak ones, who had relapsed. They were called *lapsi*. And, for a certain period, it led to a very heavy decimation; but those who remained were all the stronger, and they could resist future pressures.

Eventually—and I only wanted to pick out this one incident—the Roman Empire collapsed, both because the limit of looting had been reached (there was no place left to loot),

and because of the degeneracy of the ruling elite, which was becoming totally unable to recognize dangers threatening the Roman Empire from the outside, but also from within.

### **Charlemagne and the Renaissance**

A next very important point in the development of Western Christian civilization was obviously Charlemagne, who can be correctly called the founder of Christian Europe, in that sense. He not only caused a new renaissance to happen, but he spread Christianity and Christianization. His political program was to combine the ideas of the Greek classics, of Socrates, of Aeschylus, of Homer and Plato, with especially Christianity. This immediately led to a cultural renaissance, a tremendous boost in education. He had schools and monasteries spreading, which educated more and more people; he collected the most brilliant minds of his time in his court. It was a true renaissance.

The only problem was that the language at that time was still Latin, and that naturally excluded many people, who could not learn Latin and therefore could not participate in this knowledge.

Out of this tradition of Charlemagne, some centuries later, came the Italian Renaissance, which I would classify as the next major jump in Christian civilization. Again, the same idea was there: to combine the ideas of the Greek classics in culture, philosophy, and art with the ideas and principles of Christianity. Actually it was the emphasis on the individual in the Italian Renaissance, which marks the beginning of our modern time.

### **Nicolaus of Cusa and the sovereign individual**

Nicolaus of Cusa, even if he was a German, was in heart as much Italian as he was a German. As a matter of fact, he said that the German character will improve a lot if it is mixed with the Italian, and vice-versa. He was surely the most important thinker of this Italian Renaissance. He had a notion of each individual being a microcosm. And this microcosm, being the creative mind of the person, has all the features of the lawfulness of the macrocosm, the macrocosm being the physical universe, or God's creation.

The principle of sovereign creative reason is what makes man in the image of God. The microcosm is this small universe, in which all the laws of the large universe already exist. And he said that each microcosm, each person, must recapitulate in its development the entire development of the macrocosm in a condensed form.

Now, he said this in the fifteenth century, and it is exactly what Lyn in his recent series, *Project A*, has said: namely, that it is our action in our time, which makes valid the entirety of existence before us; that it is we who determine whether the people before us live on; we determine whether the Founding Fathers are still alive or not, but also all other people of all times; which also means the present and creating the condition for the future.

The freedom of the individual for Nicolaus of Cusa was guaranteed solely through the representative republican system, and *not* through some global, one-world system as the Roman Empire had been. The development of the sovereign nation-state is therefore a direct outcome of Nicolaus of Cusa's work, because each individual has rights and, through the republican representative system, he can participate directly, because he has representatives he elects, and these are accountable back to him, as well as to the state. So through this mediation, the individual can act to determine the policy of his state.

This is very important, because individual freedom can only exist through a sovereign nation-state, and no global structure, no one-world government. No supranational institution can guarantee individual freedom, and that is a good enough reason never to have such institutions.

Each such nation also has a sovereign personality, like an individual—Germany, Italy, France, the United States, Mexico, and so forth. This personality is determined by a common history, a common culture, and a common language. This is very important, because this is all an ingredient to individual freedom.

I should also note in this context, for those who may not know it yet, that without Nicolaus of Cusa, probably America would not have been discovered, or not so early, and the American Declaration of Independence would not be the same. It was Nicolaus of Cusa, who, together with the great Italian scientist Toscanelli, wrote and drew the maps which were shortly afterwards used by Christopher Columbus in his discovery of America.

Out of the emphasis on the individual, which Nicolaus of Cusa did in this form for the first time, came the idea of human rights, and later, what was written so beautifully in the Declaration of Independence.

For Nicolaus of Cusa, the *soul*, the individual human soul, was the place where progress in the universe happens. The soul, the place where the creative mind finds its strength, is the place where the sciences are created, Nicolaus says—so much so, that the sciences would not exist if the human soul were not there.

Cusa appreciated each scientific contribution made by the individual soul, as being so valuable for mankind as a whole, that he wanted to put them into an international pool so that the development of all others would not be held back by them having no access to this discovery.

It is obvious that for Cusa, faith and knowledge were also in unity; and there was absolutely no contradiction between faith in God, and knowledge and reason. The laws for creation for him were noble, and so how could they be in contradiction to faith, when faith was given by God?

## The mind of Leibniz

Leibniz, who can be regarded as one of the heirs, or the most important direct heir of Nicolaus of Cusa, picked up on

the same thought. He said that it is the task of man to honor God, through the studies of his creation, by finding out increasingly more about how the laws of the universe, and to basically honor God, by knowing more about science, and to spread the honor of God, by spreading science, and to make that clear to all the people.

He also believed in the unity of faith and reason. He left behind many letters, which I would also emphasize, people should be reading. There was one letter in particular against this Calvinist Bayle, where he basically argued for this unity, which Bayle said was not true, because Bayle believed in predetermination.

Leibniz also believed in the cohesion of the spirit and matter, which, despite God's plan, allows for human freedom and development: There is a plan of God, but there is still room for freedom, and that is because the continuation of the process of creation, occurs through our action when we act as in the image of God.

Leibniz was a universal mind and a great genius. He also developed the concept of physical economy, which was absolutely crucial for any industrial revolution which ever took place. He identified the only source of wealth as the creative powers of reason, the ability of the individual to make technological progress, to apply this technological progress, and therefore, to increase the productivity of labor—in total contrast to the idea of wealth through usury and looting.

Leibniz had another very beautiful idea, which is very modern, and very important for us today. He had a plan that Germany should develop the East of Europe and Russia, and this led to his active collaboration between himself and Peter the Great. That was one of the better periods in Russian history, which we have to take as a model today, if we want to influence Russian development.

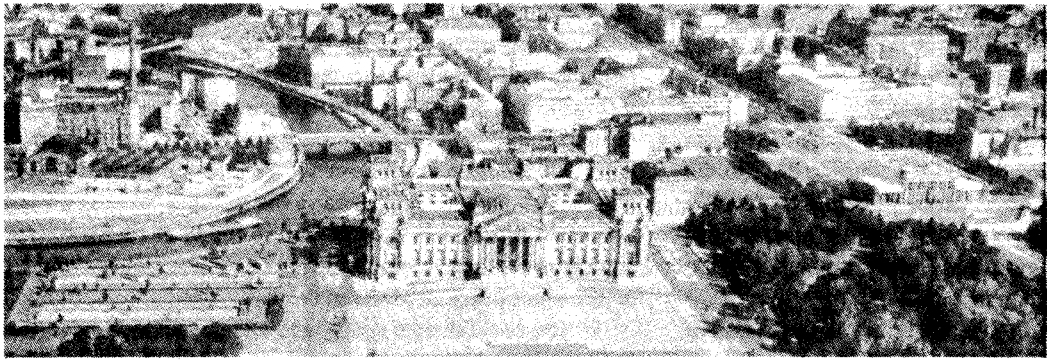
He at the same time proposed that Europe should develop Africa. And, by the same idea, he named all the nations, which are already developed, which could "adopt" less-developed nations and help to develop them.

It was Leibniz's cultural influence which made the German classical period possible.

## Beethoven and Schiller

You all know that the two towering giants of the German classics are Beethoven in music, and Schiller in poetry. The most beautiful work is the Ninth Symphony, where Beethoven composed the "Ode to Joy" by Schiller. And this, as you know, played a very important role in the freedom fights, not only in Tiananmen Square, but also in the G.D.R.

It was Kepler already earlier, who had proven, without any doubt, the cohesion between well-tempering in music, and the laws of the universe at large, the order of the stars, and so forth. But it was Beethoven's music which, in the most beautiful way, celebrated these laws of the universe, in a form unmatched to the present day. Schiller, on the other



German Bundestag Press and Information Center

The restored Reichstag building, seat of the old German parliament, against the backdrop of the eastern part of the former capital Berlin, in the immediate vicinity of the Wall. On the right the Brandenburg Gate, on the left the Spree River.

side, was the person who, in my view, developed the most noble image of man, and he celebrated it in his poetry in such a magnificent fashion, that he would just light up people's hearts and souls, and, in a way of the poet, pull people up playfully, and make them better people.

As you know, Schiller was also the poet of freedom. And he remained so for the past two centuries, and played a very important role in the transformation in Eastern Europe, but especially in East Germany. Nobody was able to combine poetic beauty and philosophical profoundness in a more profound and nice and playful way.

### Liberation wars, then and now

It was the influence of his spirit of freedom, which influenced the Liberation Wars against Napoleon in 1813. At that time, the German population was more educated than at any time before (even more than today, I have to say—but I am determined to change that). The Liberation Wars of 1813 were the first revolution. And they were successful, even in creating a nation-state, unification; except that the British succeeded, together with Metternich, in having the British policy of balance of power, and the Vienna Congress, which was the beginning of a very reactionary period in European history; and that basically undid the efforts of the first German revolution, because all of the other European powers united against Germany. That was the dynamic out of which then eventually, World War I and World War II developed. It is interesting to note that the Liberation Wars were also a protest by the German people against foreign occupation in that moment against Napoleon.

Now, this is an important element, because Schiller—and I fully agree with him—was convinced that each human being has an aspiration for freedom, and is not going to stop fighting for freedom until it's accomplished, and that this is becoming stronger and stronger as time goes by. Obviously, in the G.D.R. it was the fight for freedom of the people, of individual freedom against the occupation of the Soviets, and naturally against corruption.

I believe that the idea of the freedom of the individual is such a powerful force, that unless we totally wipe ourselves out in World War III, or some other catastrophe like that,

the desire for individual freedom, for a meaningful life in freedom and human dignity, is such a powerful force, that it will eventually detonate all dictatorships on this planet.

### Lyndon LaRouche's dreams

Lyn's dream—the dream he developed in the Kempinski Hotel in October 1988, has become true: German unity right now is a fact; nothing will stop that. But Lyn had another dream: the dream that the "Productive Triangle" between Paris, Vienna, and Berlin, will become the cornerstone of a new, just world economic order.

I think it's again a sign of Lyn's genius to come up with such an idea, because this particular *Dreieck* [triangle] contains the most productive capacity in labor force and industry, where the quickest rate of improvement is possible. And if you combine that with the corridors of railway systems and infrastructure reaching into every part of Europe, you quickly have a 500 million-person market, which can become the most productive economic region in the world. If you add the Soviet Union and the Mediterranean, you have a population of 1.5 billion people, who can reach modern-age culture and living standards in a relatively short period of time.

I'm totally convinced that we will make, and we can make, a second German economic miracle—not only in the G.D.R., but also in Czechoslovakia, in Poland, Hungary, and all the other countries which have been prevented from development in the past. It's not only the railway system Lyn has been emphasizing in the *Dreieck* program, but it's the reviving of the economic principles of Leibniz and Friedrich List, namely, to bring the economy into cohesion with the idea of morality and Christianity.

It is obvious that Berlin must become the capital, and we're working very hard so that it will become so, against some petty-minded bureaucrats who may be against it. I want Berlin to become "Leibniz City." First of all, Leibniz worked in Berlin, very productively, in the beautiful Charlottenburg Castle together with Queen Sophie, and very productive things happened there. But now, when we turn Berlin, as the capital of Germany, into Leibniz City, it can become the planning center for a just, new world economic order. I am

in the process of writing a proposal, to make Berlin into a "science city," where also the city's architecture and design would reflect Berlin's new identity, in the same way as when Leibniz proposed that Germany should develop the East, Russia. You could have an architecture in which one-quarter of Berlin represents this idea of Berlin being the door to the East, and there you would have all the planning to develop Eastern Europe and Russia. You would have museums to explain the history, you would have working centers, you have simply a reflection of this new task.

Obviously, another area of the city could reflect the work for Africa, another one for Asia, another one for Latin America, and so forth.

### **The Patriots for Germany election campaign**

You should think about it this way: German unity will be a big gift to civilization as a whole—for Eastern Europe, but also for the Third World. That is what my election campaign, in Germany right now, is all about. I have made three points the main focus of this campaign:

First of all, I will tell the German population the truth—What are the real issues at stake? Paganism versus Christianity, nation-state versus imperial Rome, and many other crucial, underlying issues of our time—because I fear that even the politicians, outside of ourselves, are not doing this, in part because they don't understand it.

Second, I am in this election campaign so that the productive *Dreieck* becomes the locomotive for a just, new world economic order—not only a war-avoidance policy toward Russia, but also to ensure that this beautiful new chance, this historical luck of the hour, is being transformed to be shared plentifully with those who right now have absolutely no hope for survival. It can be done very, very easily.

Third, I want to make sure, through my campaign, and the people who are running with me, that a cultural renaissance is combined with this economic perspective. For Germany, a cultural renaissance not only means a return to basic Christian values. It also means the Weimar classics.

I want to invite you, to come to help me in my campaign—very frequently, and quickly. And then, you should not miss the opportunity to go to look at Weimar, the city of the German classics, where Schiller lived, and Goethe, and Herder, and Wieland, and many others. This is a beautiful city, which still, despite the horrible G.D.R. occupation, expresses the spirit of Weimar classicism. You can still see it there, you can go to the house where Schiller lived, you can look at his working-place, at his desk, where he created these beautiful poems, dramas, and other things.

You can go to the house of Goethe, which is also quite nice; you can go to Goethe's garden-house, you can visit the graves of Schiller and of Goethe. You can study how life was at that time, and it's an experience very much worth having.

### **Inner freedom's victory over tyranny**

German unity will be the hope of the entire world. Why? Because what happened in the G.D.R. and in Eastern Europe, means, in our time, that dictatorships *can* be overturned. How?

The economic crisis destroys the illusion about the system. That was what happened in the Soviet Union; it's what happened in Eastern Europe, and in the G.D.R. Secondly, equally important, or maybe more important, is the emphasis on the inner freedom of the individual.

If you look at who made and led the revolution in the G.D.R., it was mainly led by priests and artists, priests and musicians. Why? Because they resisted the idea of Marxist collectivism—the priests because they have a notion of man as *imago viva Dei*, as the living image of God, and that no state authority can interfere with this inner dignity and freedom. If you have an image of man where you think that you are in the image of God, then naturally, you think of yourself as having potentiality which you are obliged to develop, so that you can better improve the condition of mankind. That is a very clear task for yourself. The musicians had this notion of inner freedom because you cannot be a good musician, and be totally wrong; it is not possible. Schiller said this very clearly: "The tyrant cannot rule in the realm of great art." He can destroy it, but he cannot rule in it.

Today, the most important thing I want to tell you, the people of the United States, is the emphasis on the idea of inner freedom. You must appreciate not what your neighbors say, not what the values of a rotten society around you are, but you must be concentrated on finding out those universal truths which are the laws of the universe. You have to study those, and then you have to conduct your own life in the form of an inner-directedness. The inner truth is what is important. You have to tread the road of self-perfection, because only if you go, and become a better human being, can you contribute to improving this poor mankind of ours.

One of the most important principles of your life, has to be that you want to be a *truth-seeking person*—not a rich person, not a famous person, but a truth-seeking person. Because you have to understand that true freedom is a necessity, and that it is only if you appreciate this inner quality which you have, only if you train it in creativity, in listening to classical art, in science, in thoughts about why are we here, what are the laws of the universe, how can I contribute, and in this way strengthen the sense of *agapē* in you, that you indeed are resistant against pressures from the outside.

You should also reflect on the significance of the role of culture in the peaceful revolution in the G.D.R.

### **The ICLC and the transfinite**

Let me mention another aspect, which I think you should realize. We, as an international association, also have a sovereign personality, like an individual, or like a nation, because we participate philosophically in the higher order that

corresponds to the laws of the universe. It is because of that, that we are capable today of defending both the sovereignty and freedom of the individual, and the sovereignty and freedom of the nation-state.

In this sense, we represent the transfinite, which orders the development of all nations throughout time. This enables us to defend the sovereign nation against the idea of a one-world, Roman Empire in our time.

Because of the general condition of the world, German unity, and the *Dreieck*, must succeed. And we have to make sure that Lyn's new dream becomes true: the *Dreieck* becoming the cornerstone of a new, just world economic order. If one dream came true, why should we not make Lyn's second dream come true as well?

### **Justice for LaRouche!**

The key problem in the United States for me—and for you, if you think about it—is the fact that Lyn is in jail. Lyn's incarceration is a symptom of what's wrong with America today. I would even go so far as to say that the fact that Lyn is in jail, represents one of the key dangers to the existence of civilization, because the fact that you have a beautiful mind, a beautiful soul like Lyn in jail, is a direct reflection of how immoral the American Establishment is. They know how fraudulent all the charges against him were—especially this Judge Bryan, who, we have now found out, is a merchant of death and a key worldwide gun-runner. So who is this Judge Bryan to judge a noble soul like Lyn? Justice will be established.

Lyn is innocent, and Bush is guilty. That is the reality. Who will defend Bush and his sons when his time comes? Bush, by setting up the most vicious police state—in many forms more vicious than that of the Nazis, and more blatant and more arrogant, because the Nazis tried to cover themselves a lot longer than Bush did—is setting up the mechanism which can lead to his own destruction and that of his family.

What if Bush does trigger World War III by his incredible actions in the Gulf? What will people say—provided there is somebody left afterwards to consider this? They will surely say that George Bush was to the Americans what Adolf Hitler was to the Germans.

Now, Lyn spoke about a dream in Berlin. About one month later, he also announced the urgent need to have an international anti-Bolshevik, anti-fascist resistance movement. And again, this was very, very prophetic, because at that time, nobody thought that was the question of the hour. I remember: People did not think that that would become a pressing issue; people looked rather astounded. But it took only half a year, and it started to fully unfold in China, with the Tiananmen Square demonstrations, and then it happened successfully in Eastern Europe.

In this fight against fascism, and against oligarchism, also lies one of the elements of what is happening in the Arab world right now. I believe that the process in motion right

now—with more and more people longing for their freedom, and fighting for it, and risking their lives for it—this process will not come to rest. I think it will go on, until the unjust structures are overturned forever. Either we will bring down upon ourselves our own destruction, because we have tolerated the elites' violation of the laws of the universe; or, we will continue this process of liberation and this freedom fight, until a new, more just world order is established, establishing the dignity of man.

The key for the United States, I believe, is the freeing of Lyn. Why? Because who is Lyn, apart from the fact that he is my most beloved husband, the most beautiful husband anybody can have in this universe—he is the best husband in the universe. But, who is Lyn historically? Lyn brought alive Beethoven in a way which nobody else could. He brought Beethoven to a new and better appreciation. At the same time, he revived Plato, he revived Cusa, he revived Leibniz, he revived all the great thinkers of the past. And he developed so many of the concepts on which the survival of mankind today depends. Even if I like Nicolaus of Cusa a lot, and I like Leibniz a lot, if you compare Lyn to them, you must come to the conclusion that Lyn is better than them.

Lyn is surely the greatest thinker of the twentieth century, and I leave it up to people to think whether he is not more than that. Neither the United States, nor the world, can afford to have a mind like Lyn in jail. So, therefore, we have to get Lyn out. And, I want to tell you: Be hopeful. There is hope that we can turn this world, and make it into a better world.

October 3 will be the day of German unity. Worldwide celebrations will put a spotlight on what depends on the success of this process, and what it means for mankind. So, we will make people aware what is at stake.

In November, there are the American elections. Lyn will run in the 10th District [of Virginia], and I want to ask you to join in the fight, because that may be the decisive battle to trigger a lot in the United States.

In December, there are the German elections, and we will do everything in the meantime to make sure that the people of Germany fully understand what mission Germany has for the world.

It is clear, that the months between now and December will be a period of great dangers, but also of great changes. It is quite possible, and I tend to think, that 1990 will be a period of greater upheavals than 1989. It is the task of our organization, which is the most beautiful organization in the world, and the members in this organization, to wage a fight which will certainly place them in history as extremely crucial. And, it is a beautiful organization we have. It is our task to ensure, in these coming upheavals, that the political order of this world is being brought into greater cohesion with the laws of God's creation. Is that not a joyful task?

I'm confident that if we consider all of these things, and learn the lesson of history, that we will make, and are in the process of making, a cultural renaissance worldwide.

## After Helsinki: the deeper issues behind the 'Iraq crisis'

by Lyndon H. LaRouche, Jr.

*The following is from an analysis released exclusively to EIR on Sept. 10, 1990.*

President George Bush left a Sept. 9 Helsinki press conference with Soviet President Gorbachov wearing something much less attractive than egg all over his face.

George had sought the so-called working meeting on an emergency basis with Gorbachov. He had sought what he should have been forewarned would not occur: that is, to induce Gorbachov to change Russian policy away from existing Russian policy of no financial aid to the United States for the Middle East military operations, and opposition to the U.S. unilateral use of military force putatively in enforcement of U.N.O. sanctions against Iraq.

During the press conference, President Gorbachov made it explicitly and indisputably clear repeatedly, that between the Soviet Union and President Bush, *there was no agreement reached on these issues*. President Gorbachov professed to be going for a political solution, to avoid war at all possible costs in the Middle East.

Now, to understand why Bush's diplomatic defeat was such a catastrophe, we have to understand the true, deeper issues behind what is called the Iraq crisis.

The issue is not really Iraq at all. If we go back to November of 1989, and trace events down to the present, we see that the same British Intelligence which controls the government of Israel, controls a number of Arab governments, and also otherwise coordinates or manipulates other Arab governments, boxed Iraq, step by step, into a situation where, to all

intents and purposes, President Saddam Hussein of Iraq had no choice but to act exactly as he did, in occupying Kuwait.

All of this was nothing but a setup as a pretext for the British furtherance of policy, which was under way fully, since the NATO out-of-area discussions and Malvinas War of 1982.

What has been aimed at for decades, by the relevant faction of British Intelligence, that is, the owners of the notorious Henry Kissinger—since, in fact, 1946 (no later than that)—has been the establishment of an agreement between the Anglo-American powers and Moscow, under which agreement, in effect, the two sets of superpowers establish a one-world empire. Not dissolving or merging the two empires together, but running the world on the basis of agreements which both superpowers come to make together, preferably in the context of the United Nations Security Council.

That has been the policy of the Anglo-American faction involved, since no later than 1946. It was openly expressed by Bertrand Russell in his famous item in the October 1946 issue of the *Bulletin of the Atomic Scientists*, and was underscored more heavily by Leo Szilard and others at the second, Quebec City conference of the Pugwash Conference.

Now that the so-called condominium had been established, that is, in 1989, at the Malta conference, and through other channels, it was deemed possible to proceed with the North-South operations, which have always been, particularly since 1982, the British policy for implementation of a one-world agreement, a condominium agreement.

It was assumed, or the gamble was made, that a weakened Moscow would accede to Anglo-American demands on this account. At the same time, another factor introduced itself, to accelerate the Anglo-American thrust toward what became today's momentary Iraq crisis.

### **The unexpected: Germany reunified**

Unexpectedly and unpleasantly from the Anglo-American standpoint, the world was suddenly faced with reunification of East and West Germany into a single Germany: a Germany which would become obviously, all other things being equal, the leading economic force in the world, and the center of Western continental Europe, as the world's leading economic force. It was also obvious that Russian needs and Eastern European needs would make such a Western Europe, a Germany-centered Western Europe, the dominant factor in shaping the history of the entire Eurasian continent, as well as other parts of the world.

This, the British could not stand. In point of fact, Great Britain went to war twice in this century, World War I and World War II, to *prevent* what they saw as the German economic domination of the Eurasian continent. They were not about to put up with a new threat of this type.

At the same time, it was obvious that the Anglo-American financial and monetary system was moving toward collapse. So, the Anglo-Americans behind this particular move, this Iraqi development, were pushed to accelerate their plans, by the pressure of two oncoming developments. One was the implications of the reunification of Germany, and the second was the more or less simultaneous onrush of financial and monetary collapse of the Anglo-American economies or economic sectors.

So, they rushed in.

The policy for this onrush is called the shifting of the military objectives of the United States and Britain away from the East-West conflict of the Cold War period, to a North-South conflict.

The objective of the North-South conflict is essentially usury, and malthusian population reduction.

In other words, the military purpose of the Anglo-American operations aimed at the southern part of the planet, is both to reduce radically, by famine and disease, the size of populations of people with slightly darker than pink skins, and, at the same time, to secure control of the principal, most crucial raw materials, in southern Asia, Africa, and Ibero-America. That's what the Iraq operation is all about.

The area around Iraq represents about 60% of the nominally proven oil reserves of the world: Whoever controls that area controls, to a large degree, the destiny of the planet's economy.

The United States made clear from the beginning with this deployment, under the urging of British Prime Minister Margaret Thatcher, of course, that it intended to *permanently*

station troops in that region, and that it was shifting troops from Western Europe, principally Germany, into the Middle East, for the long haul: for a long stay—to control, not only the petroleum reserves of that region, but to use Saudi Arabia and so forth, as the jumping-off place for other military deployments, in adjacent Third World regions.

The Iraq provocation was used to create a pretext under which British intelligence could deploy George Bush and American forces into that region, to set this policy into motion. London has not been bashful about stating clearly that the objective of this is to establish NATO out-of-area deployment.

That means: You take the member-nations of NATO, use their military forces under combined Anglo-American command, to dictate, and deploy the forces of continental Europe, Japan, the United States, Britain and so forth, and deploy them for these population reduction—i.e., genocidal and raw materials wars—in various parts of the southern regions of our planet.

That is what Moscow rejected.

### **Why Moscow balked**

Now, we do not assume that Moscow has the noblest of motives for rejecting the Bush policy, and attempting to sabotage it. But, the problem was, for Moscow, that Mr. Bush and Mrs. Thatcher underestimated Soviet power to the point that they thought they could disregard Moscow. Bush and Thatcher prematurely announced that they were going ahead with their military operations, that they no longer regarded Moscow as a superpower, and that in fact, the United States under British direction was going to become the policeman of the world, demanding military support, and financial support for its military operations, from other countries.

That is where Moscow balked. That is where the Soviet military balked, and that is where no Soviet leader, including President Gorbachov, dared not balk, with the KGB and Soviet military snarling and growling in his direction.

So, the Soviet government took the position, on this ground, first of all, that it would not support this kind of U.S. operation. Number two, it would support no military operation, except through a U.N.O. Security Council joint military command, in which Moscow participated in the direction of the military command. That, Bush refused to accept. Therefore, the condominium, for which Bush and his predecessor Reagan, had worked so hard, under Henry Kissinger's direction, and British direction, fell apart at George's feet, during that televised/radio broadcast press conference in Helsinki.

### **U.S. bankruptcy**

There are other issues, which are coming up fast. The United States is bankrupt. Not only is it bankrupt, but we can no longer produce our own physical needs, let alone meet

the physical needs for high technology of other parts of the world. Britain is in pretty much the same state of affairs.

Although there's much talk about Japan's technological potential, in point of fact, the center of the world's economy is Western continental Europe, particularly centered around a now-famous Triangle, Berlin-Vienna-Paris, in which 92 million people, approximately, represent the heart of the world's greatest productive potential. And all of Europe, moving eastward toward the Urals, representing a market of about 500 million people, all centered in a market of about 1.2 billion people, is the core of the world's economy.

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*The military purpose of the Anglo-American operations is both to reduce radically, by famine and disease, the size of populations of people with slightly darker than pink skins, and, at the same time, to secure control of the most crucial raw materials, in southern Asia, Africa, and Ibero-America. That's what the Iraq operation is all about.*

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This is the area from which Russia, or anybody else who needs physical economic development, must turn (with some auxiliary help from Japan), if their economies are to develop, indeed, are to survive.

Therefore, Moscow, whether it likes it or not, has an urgent interest in the success, particularly the economic success, of German reunification—precisely at the time that the Anglo-Americans, including the Bush administration, have repeatedly, through Carla Hills and Robert Mosbacher and others, insisted that the new enemies of the United States include Japan and West Germany, or Germany as a whole now.

So, Moscow finds itself, in a sense, in the position where the economic success and the political success of the German economic program are in the most urgent interest of Moscow—as a matter of fact, a Soviet survival interest. *Without German help, there is no Russia:* not for long, the whole thing will collapse.

Therefore, apart from Moscow's rejection, of being cast aside as a no-longer superpower, and of accepting the United States as the world's single ruler, Moscow also has a vital interest in the success of Western Europe.

What Moscow will tend to do now, is not necessarily for noble reasons, but for practical ones, to attempt to ally itself politically, on issues of cleavage between Western Europe and the Anglo-Americans.

That means that the likelihood of continued subsidies of a bankrupt Anglo-American monetary and financial sector, is coming to an end. This means, that the great financial collapse of 1989-92, is now more or less immediately fully on.

### **Economy-building as a weapon of peace**

It is time to speak of alternatives: alternatives to the condominium policy, alternatives to the evils of malthusianism and usury, which is what the Anglo-Americans represent today. It is time to speak of global economic development. It is a time to end our toleration of the malthusians' attempt to destroy the economies of all the nations of the world and, in the process, kill many people, genocidally, through hunger, or even famine and epidemic disease. It is time to use economic development, as in the Middle East, as a weapon of peace, as a weapon of nation-building, of economy-building: a weapon of peace.

We require for that purpose a change from the kinds of monetary and financial policies, which the United States has moved into, step by step, over the period since the assassination of President John Kennedy.

We must go back to being the United States again: the United States of George Washington, of Alexander Hamilton, of the Careys, of the German-American Friedrich List, the America of President Abraham Lincoln, the America of President James Monroe, and all those other Presidents and leaders such as Henry Clay, who have fought for what used to be called "the American System of Political-Economy," which means national banking, a healthy regulation of interstate commerce, including banking, a healthy regulation of foreign trade, and a policy of protecting prices of valuable, indispensable sections of our economy, such as agriculture, to promote the development and security of prosperous, small entrepreneurial firms, such as high-technology, family-owned farms, or high-technology machine tool shops, and so forth.

The kind of economy, based on high-technology, technologically progressive, small farms and industries, on which the whole of our political and economic strength in the past, the strength of big industry, as well as small, has depended.

If we go back to that policy, the policy upon which this United States was founded, at the same time make those economic and related policies the basis for our international relations, then our foreign policy, and our domestic policy, will come into a more perfect agreement, and the interests of the United States, and of all of its citizens, would be much better served.

Perhaps, therefore, the defeat of President George Bush in his Helsinki conference, is good news after all.



# New Baker plan will carve up the Mideast

by Joseph Brewda

Testifying on Capitol Hill on Sept. 4, U.S. Secretary of State James Baker III reported that the Bush administration has been planning a "new security structure" in the Middle East, in the aftermath of the Persian Gulf crisis. Left unsaid by the secretary, is that the creation of such a new security structure, modeled in some respects on the defunct Central Treaty Organization (CENTO) of 1955, was one of the major reasons that Great Britain and the United States provoked the crisis in the first place.

The new security structure would allow the Anglo-American elites continuing control over the majority of the world's oil, sufficient to check the tendencies of a newly reunited Germany and Japan to break out of their imperial dictates. At the same time, a new version of CENTO would provide a jumping-off point for Anglo-American depopulation wars against former and would-be colonies in Africa and Asia. The same strategy is being pushed through NATO itself,

under the code word "out-of-area deployment."

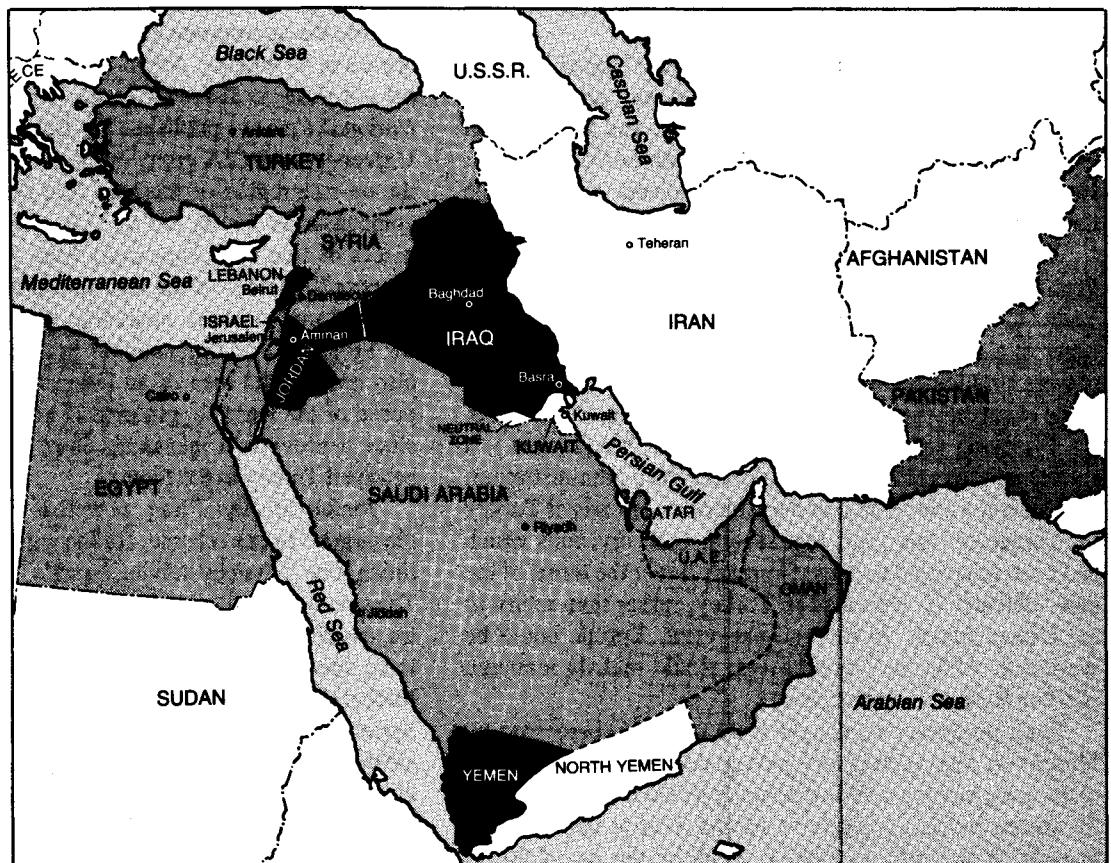
Baker testified that since the administration projected a lengthy stand-off in the area, the United States would have to become involved in a long-term mission in the Persian Gulf. Without specifying details, Baker added that the new security structure would have an "Arab character" and would bear some resemblance to NATO. Like NATO, it would require the long-term presence of U.S. troops. "Certainly we ought to play some role, and therefore there would be . . . some continuing presence there," he stated.

Baker added that even if the United States were successful in forcing Iraq to withdraw from Kuwait through diplomatic or related pressure, some continuing U.S. military presence would be needed to "contain" the "dictator." "Even if you assume that they [the sanctions] work in moving him out of Kuwait, there has to be a clear overall examination of the security structure of the region, the balance of power of the region," he said.

"We'll stay as long as we're needed," Defense Secretary Dick Cheney said that same day. Cheney declared that he wouldn't rule out continuing U.S. troop presence in Saudi Arabia beyond 1992, adding that U.S. troops have been in Korea for 40 years, and have had even a longer commitment in Europe.

Gen. James Gavin, the commander-in-chief of the U.S.

## Baker's geopolitical gameplan for the Mideast



European command, told the London *Financial Times* on Sept. 10 that NATO must consider "out-of-area deployments," such as in the Middle East, referencing the supposed importance of such U.S. bases as that of Diego Garcia in the Indian Ocean, to the security of Europe.

### **An old story**

To those familiar with the recurring effort of the United States to extend NATO into the Middle East, the Bush administration officials' remarks have an eerie ring. Back during the days of the Cold War, the U.S. and Britain sponsored the formation of the so-called Baghdad Pact, also known as CENTO—comprised of Britain, Iran, Pakistan, Turkey, and Iraq—as part of a scheme to "contain" Russian expansionism. The scheme didn't work too well, partly because Saddam Hussein's Ba'athist party overthrew Iraq's British puppet monarchy in 1958, and withdrew Iraq from the pact in 1959. CENTO became a paper organization in the early 1960s, and was quietly buried in the 1970s. However, the Anglo-American policy of continuing to build up the military capacity of Israel showed that, despite a shifting public posture toward Moscow, extending NATO into the region was still a live option.

In the mid-1970s, that policy became popularized as a proposed Middle East Treaty Organization, METO, where Israel would play the central role. The plan was particularly associated with U.S.-Israeli go-between Edgar Bronfman, the Seagram's liquor magnate.

Then, in 1979, Carter administration National Security Advisor Zbigniew Brzezinski spoke of an "arc of crisis" south of the borders of the Soviet Union, and the potential insurgency of Islamic republics in the southern Soviet Union. He proposed that U.S. military deployments in the Middle East orient toward exploiting such possibilities.

While the Malta summit of December 1989 between Presidents Bush and Gorbachov set the terms for a "new Yalta" to divide up the world between the two empires, and usher in a new era of imperial partnership and peace, both powers simultaneously pursued their own fallback options, in the event that the planned "condominium" structure failed.

Typifying such thinking, Gen. James Vaught (ret.), a spokesman for certain elements in the Bush administration, proposed at a conference of the American Friends of Turkey in February of this year, that several U.S. divisions which had been scheduled to leave Germany under the terms of the new "détente" be relocated to Turkey, rather than return to the United States. In this utopian view, Europe could be sacrificed, while the United States would merrily maintain itself on Russia's southern rim.

Such proposals as Vaught's are naturally perceived by Moscow as representing an unacceptable military threat, one of the main reasons that Gorbachov rejected Bush's overtures for shared military operations against Iraq at their summit meeting in Helsinki on Sept. 9. High on the list of Soviet

concerns is the way that Baker's "new security structure" could potentially hamper Soviet military measures against the highly unstable, restive Turkic republics which Brzezinski had proposed assisting only a few years ago.

### **Redrawing the map**

According to the Anglo-Americans' geopolitical scheme, their new partners, or satraps, would be Egypt, the Persian Gulf emirates, the British colony of Oman, the Saudi kingdom, Syria, Israel, and Turkey.

Already, troops from Egypt and Syria are assembling in Saudi Arabia under U.S. military authority. An agreement of the Turkish parliament, after massive U.S. pressure, to grant Turkish President Turgut Özal the authority to station Turkish soldiers outside of Turkish territory, and to allow the stationing of foreign troops on its soil, was also a necessary precondition for this scheme.

The U.S.-sponsored coup against Pakistani Prime Minister Benazir Bhutto on Aug. 6, four days after the Iraqi invasion of Kuwait, was intended to prepare for the eventual incorporation of Pakistan into the new structure. Along with Egypt, Pakistan is intended to provide the bulk of the Anglo-Americans' expendable ground troops. Another feature of the plan will be the granting of U.S. naval and air basing rights on the territory of various of Gulf emirates, also providing for a linkup with U.S. forces in the Indian Ocean.

As part of its effort to secure its presence, and otherwise provide the appropriate award for the participation of native armies in its scheme, Anglo-American planners have dusted off old plans to dismember Iraq. An article in the Sept. 17 *National Review*, published by Bush's long-standing Yale University and CIA crony William Buckley, proposes that the oil-rich region of northern Iraq be seized by Turkey in compensation for its aid to U.S. plans. Similar offers of pieces of Iraq have apparently been made to Iran, another proposed member of the new military alliance, and also to Syria. Some planners, including those based at the Center for Strategic and International Studies in Washington, are also floating the idea of an independent "Kurdistan" composed of the Kurdish minority of northern Iraq—especially since it provides a launching point for destabilization of a betrayed Turkey in the future.

Jordan, an ally of Iraq, as well as Yemen, are also possible targets. In one scheme, Jordan will become a new "Palestinian state," thereby solving Israel's "Palestinian problem." The strategically located Yemen, including its island of Socatra, could be seized and used as a naval and air base. Lebanon is another target: It is slated for Syrian annexation. Gen. Michel Aoun, the embattled President and head of the anti-Syrian forces there, has been aligned with Iraq. Then, there are those in Washington who say that the various emirates and kingdoms of the region are really too corrupt and medieval to meet the new demands of the U.S. deployment, and that the various royal families should take a walk.

# The Persian Gulf crisis and Britain's new imperial order

by Mark Burdman

A careful scan of the British press of late August to mid-September would dispel whatever doubts there may be, that the real motivation behind the Anglo-American war drive in the Gulf is to use the crisis as a pretext for erecting a new global imperial order, modeled in essence on the old British Empire. In the British scheme of things, the “dumb giant” United States is to provide the brawn for this imperialist system, while Britain will supply the “brains”—and the cheerleading sections as the blood of American youth is spilled. The ultimate aim of the neo-imperialist venture is to secure raw materials and other resources for domination by London, and to reduce the non-white populations in the Southern Hemisphere, through wars and other means.

As *EIR* has emphasized in a just-released background report, what is now unfolding in the Gulf is a “splendid little war” of the classic colonial type.

This neo-imperialist advocacy is particularly strong in the papers owned, either wholly or in part, by the Hollinger Corporation. The chief executive of this Canada-based corporation is Conrad Black, a senior figure in such oligarchist institutions as the Bilderberg Group and the Trilateral Commission. Hollinger board members include Lord Carrington, former British Foreign Secretary and NATO Secretary General; former U.S. Secretary of State Henry Kissinger; Peter Bronfman of the family business and financial empire led by Edgar Bronfman; Paul Reichmann of Canada's Olympia & York conglomerate; and other influentials from the Anglo-American-Canadian world of power and finance.

## ‘Some will call it imperialism’

On Aug. 26, senior correspondent Bruce Anderson of the wholly Hollinger-owned *Sunday Telegraph* proclaimed that the Gulf crisis was making it “increasingly clear that . . . there is only one military superpower left, the United States,” and that the U.S. now forms, together with Britain, an “English-language linguistic superpower.” According to Anderson, “the Americans are happy to draw on British expertise, especially as regards the Arabs.”

A backup in the same day's *Sunday Telegraph* quoted a Whitehall source: “We [America and Britain] contribute different things. The Americans have the power and the firepower. We have knowledge of the Gulf, strong economic

links and our contacts in the area which we have been constantly promoting.”

The Anderson piece was followed by an Aug. 27 article by commentator Robert Kilroy-Silk in the London *Daily Express*, a tabloid owned in part by Hollinger. He began with a blanket racist attack on Arab-Muslim culture, claiming that Saddam Hussein's “Nazi” behavior is “only the latest example of the practical application of a religion and culture that places little value on human life, is contemptuous of women and which scorns Western civilization and culture.” Adding insult to injury, he ranted, “Yet virtually everything of value in the Arab world—its medicines, technology, transport, consumer durables and, yes, the armaments and even the suit the dictator donned for his broadcast—is the product of Western, not Arab, civilization. This is one of the reasons why the West should not pack its rucksack and withdraw from the desert once Saddam has been dethroned.”

The West, insisted Kilroy-Silk, must “plan for a long stay” in the Gulf. “Some will castigate an occupation as being neo-colonialism, or imperialism. Let them. The truth is that the West has to look to its own economic interest the way that the Arabs protect theirs. . . . There is the harsh fact that the Western life-style, prosperity, stability and civilization depend on the free flow of Gulf oil—oil that is Western, not Arab. It was discovered, extracted, exploited and developed by the West. . . . It's a rough old world we live in. Someone has to be the top dog, and it had better be us.”

The following week, the *Sunday Telegraph*'s chief editorialist Peregrine Worsthorne proclaimed, “The old slogan ‘better red than dead’ should now read ‘better imperialist than dead.’ ” Under the title, “Imperialists for peace,” Worsthorne insisted that what the world needs now is “a new form of imperialism directed against the countries of the Third World.” He couches this in terms of the necessity of creating a new worldwide “anti-barbarian alliance,” to control the flow of advanced weaponry to “primitive peoples” in the Third World. This would mean a “return to colonialism” (see *Documentation*).

## Back to the Congress of Vienna

One week later, the Sept. 9 *Sunday Telegraph* struck again. Under the title, “The dangerous end of empire,” com-

mentator Geoffrey Wheatcroft stated that regional wars like the current crisis in the Gulf have risen from the decay of imperial systems. He then wrote: "The case for imperialism can be summed up in [the] word stability. As well as holding apart peoples who would otherwise be at one another's throats, great empires are preoccupied with administration and thus inherently pacific." They only fight against each other when they are "approaching their last days."

According to Wheatcroft, it was the French Revolution which unleashed democratic-national passions across Europe, leading to wars and conflicts. "By contrast, from 1815 to 1914 Europe was afflicted with remarkably few wars, and those few were caused by national upheavals—and by the decay of empires. . . . Wise English statesmen of the 19th century favored propping up the Ottoman Empire for as long as possible. . . ."

"After 1945, we might have been more cautious if we had understood the deeper causes of the most terrible of wars, the ultimate legacy of the collapse of the Austro-Hungarian Empire. Instead we—the West European powers—embarked upon the greatest imperial dissolution of all, the 'decoloniza-

tion' of Europe's tropical empires. The consequences can be seen today from the Gulf to Southeast Asia. . . .

"For the former imperial powers, the 45 postwar years have meant unprecedented peace and prosperity. In part, that was just because they had shed the burdens of empire, but partly it resulted from the stability imposed by a new imperial order, American and Russian. Those two imperial superpowers fought nasty little proxy wars, but never went to war with one another."

That Wheatcroft would invoke the 1815-1914 period so fondly, is an echo of Hollinger board member Henry Kissinger's notorious 1950s doctoral thesis, in which he praised the 1815 Congress of Vienna and Austria's Count Metternich and Britain's Foreign Minister Lord Castlereagh as his favored model, and portrayed the 1815-1914 period as a nearly idyllic period of stability and peace. Also noteworthy, is that British Foreign Secretary Douglas Hurd, a key diplomatic manipulator in the Gulf crisis, models himself on Lord Castlereagh.

From a critical standpoint, British liberal writer Anthony Sampson, writing in the London *Independent* Aug. 31, com-

## Worsthorne: 'better imperialist than dead'

*On Sept. 2, London Sunday Telegraph chief editorial writer Peregrine Worsthorne issued a call for creating a new global imperial order, citing the Iraq-Gulf crisis. The editorial was published under the title, "Imperialists for Peace." Worsthorne is a senior figure in the British conservative establishment. He is the adopted son of the late Montagu Norman, former director of the Bank of England, whose imperialist commitments drove him to help install Adolf Hitler in Germany. Excerpts follow:*

. . . Saddam Hussein is by no means unique. The politics of gangsterdom are pretty well endemic in Third World countries. Nor will new examples find much difficulty in getting high-technology weapons. And once they arrive, those arms require little skill from the soldiers using them. That is the paradox. The more advanced the weapons technology, the easier it is for primitive peoples to use it. . . .

So the advanced industrial world is faced by lawless dictators whose military and propaganda machines are of the late 20th century but whose political culture comes from the age of Tamerlane. Europe, thank God, has outgrown such figures. Its societies have become too complex, too linked to each other, for new Hitlers and Stalins

to arise. But the capricious tyrants of the Third World have it in their power to disrupt the world economy and, if they obtain nuclear weapons, to devastate whole areas of the earth for years to come.

So much is obvious. Much less obvious is what should be done about this truly dreadful new problem. On whose shoulders should fall the burden of preventing the barbarians gaining possession of, and using, nuclear weapons? Realistically speaking, the answer has to be the United States and other advanced nations. In the old days, the British Empire faced many Saddam Husseins. A gunboat and a brigade of troops sufficed to deal with them. . . . These local tyrants usually ended their days in exile on a large heap of empty gin bottles. Happy days.

Coping with Saddam Hussein, however, requires several American divisions and a vast assortment of the most advanced weaponry. It is costing the United States alone \$46 million a day. Keeping the U.N.'s Peace is a lot more expensive than keeping the King's Peace once was.

Yet as soon as one says the West as a whole must once again shoulder the white man's burden, most people either shudder with horror or smile indulgently at what they dismiss as the lucubrations of a nostalgic Colonel Blimp. Imperialism in their eyes stands for Western assumptions of racial superiority, for the denial by the West of the backward races' right to self-determination. Holding these views about the iniquity of imperialism in the past, how can high-minded people be expected to see it as a force for good—indeed for human survival—in the future? . . .

mented that the approach to the current Gulf crisis could not be understood outside the context of a new strategy of North versus South wars, the original strategy for which was first developed by Metternich and Castlereagh.

For many Ibero-American and African countries, claimed Sampson, the new geopolitical strategy emerging for the 1990s is "just what they have dreaded: instead of West versus East, it is North versus South. While the South has the natural resources, which they regard as the real wealth of the world, the North has the money and the armies." According to Sampson, "It is a long way from the aspirations of the '70s. Then, in the wake of OPEC's first victory, the radical South proclaimed the New International Economic Order. . . . Today the changing pattern of power evokes a very different memory in the Third World. It harks back to when the 19th-century empire builders began in the first place, when they competed for the world's riches. . . . To put it baldly, it looks very much like neo-colonialism."

But the roots of the policy go much deeper, Sampson asserted. The current "concert of powers" that is coming into play against Saddam Hussein "recalls the great age of

Metternich and Castlereagh after Napoleon, when the Congress of Vienna carved out the shape of Europe and the world powers played their great game of chess—the era about which Henry Kissinger wrote a celebrated book and on which he based much of his later diplomacy."

While such a "concert of powers" seems to have a lot of value in creating a "more peaceful and law-abiding world," Sampson wrote, the problem is that it "depends on maintaining every kind of *status quo*, both internal and external, and ignoring any human complications that interfere with the chess game—particularly human rights. In the early 19th century, when the Turks committed atrocities against the Greeks, both Metternich and Castlereagh pressed the Czar not to interfere with the Turks, to protect the 'consecrated structure' of Europe. The danger of today's new concert—if such it is—will be the same right across the world, but particularly in the Middle East." The Middle East could soon devolve into a mess of "internal revolts, fundamentalist movements or new demagogues," while the world may see "future Saddam Husseins" emerging in response to the rich countries' strategy.

What the world now so desperately needs is a responsible country, or a group of responsible countries, which see it as their most solemn duty to prevent nuclear weapons ever falling into the hands of countries unresponsive to reason. Here we come to the rub. Can the high-minded in the West bring themselves to admit that this can only mean, in practice, Western countries having the right to interfere politically in the affairs of non-Western countries? . . .

All races may be equal. But when it comes to the matter of evolving political systems in whose hands nuclear weapons can be most safely entrusted, some are more equal than others. This does not mean that Britain and America are morally superior; only that they enjoy political systems and cultural values that make it virtually certain that a fanatic never gets his finger on the trigger.

What about Hiroshima? What about the slave trade? . . . Objections are easy to make. None of them, however, begins to invalidate the central truth that the world now needs a new anti-barbarian alliance which will face the dangers arising out of the coincidence of Third World politics and advanced weapons technology. This would have many tasks. It would have to maintain an intervention force which could be transported rapidly around the world. It would have to sponsor severe measures to prevent dealing in weapons of mass destruction, send the dealers to jail and dismantle the networks of illegal arms procurement.

Yes, this will be a new form of imperialism directed against the countries of the Third World. But before those

countries complain, let them examine their own record in dealing with their neighbors. Let them count the instances of chauvinism and aggression against other states over the last four decades. Let them see, too, what type of rulers they have had. If peace-keeping is imperialism, so be it. Let the Third World try what it can do in the way of imposing good international behavior by means of regional organizations. Nigeria and other African countries are trying to do something of the sort in Liberia. Good luck to them. But if this does not work, then the industrialized democracies cannot stand by while the dangerous toys are taken out of the nursery cupboard to be used on the boys next door.

The NATO alliance achieved its objectives. Its effects have been entirely beneficial, bringing peace to Europe and freedom to East European countries. The same could be done to parry the new threat. But everyone must help with troops or with money. For if the work is not done, all will suffer the consequences. I have sought to make this point before in respect of Third World famine, arguing that nothing effective could be done to prevent such human disasters—particularly in Africa—without the advanced countries re-exerting political control—i.e., a return to colonialism. To that humanitarian argument must now be added the new dimension of preventing nuclear catastrophe. The old slogan "better red than dead" should now read "better imperialist than dead." Western hawks and doves, idealists and realists, reactionaries and progressives should all now agree on this. Only a new anti-liberal consensus can avert disaster.

# Palestinians and Lebanese get knife

by Joseph Brewda

One of the least known features of the Bush administration's military adventure in the Middle East is that it is associated with a new effort to destroy the Palestine Liberation Organization, and a related effort to finish off the embattled Lebanese President, Gen. Michel Aoun. The destruction of the PLO and the elimination of Aoun have been long-term objectives of Syria and Israel, two of the most important U.S. allies in the region.

According to information from Lebanon received on Sept. 6, Syrian army forces in Lebanon have now encircled the East Beirut stronghold of Aoun, and are preparing a full-scale assault across the so-called Green Line which divides the Christian section from the Syrian-dominated Muslim section of that divided, civil war-torn city. The Syrians are reportedly preparing a renewed offensive which, if not checked, will probably lead to the forced evacuation of Aoun's forces by the end of the year. The elimination of Aoun will remove the last obstacle to Syrian annexation of Lebanon, and will complete the destruction of its Christian community. The annihilation of the PLO military units in Sidon is another Syrian and Israeli target.

U.S. Secretary of State James Baker arrived in Damascus, Syria on Sept. 12 to give the final go-ahead for the Syrian assault. Within days of the Iraqi occupation of Kuwait, Assistant Secretary of State John Kelly arrived in Damascus to solicit Syrian assistance for a U.S. plan to topple Saddam Hussein. U.S. backing for a renewed operation against Aoun was one of the conditions demanded by the Syrians for that assistance.

## Henry Kissinger's plan of destruction

The destruction of Lebanon began in 1975, when Secretary of State and British agent-of-influence Henry A. Kissinger triggered the Lebanese civil war as a part of a larger scheme to divide up that nation between a "Greater Syria" and a "Greater Israel." The de facto recognition of Syrian sovereignty over Lebanon, following Syria's invasion in 1976, has been a central policy of successive U.S. administrations ever since. That is why the United States has been bitterly opposed to Aoun's effort, beginning in March 1989, to drive the occupying Syrian armies out of his nation, and

reassert Lebanese sovereignty.

It is less well known that Aoun's main military supplier in the region has been the Iraqi government of Saddam Hussein. Iraq has also been a primary opponent of the "Taif agreements" sponsored by the United States and bankrolled by Saudi Arabia, whereby the Aoun government would be replaced by the Syrian puppet regime of Elias Hrawi. Iraqi support for Aoun has been one motive for Bush's hostility toward Saddam Hussein. Now that Iraq's support for Aoun has been cut by the U.S. occupation of the Persian Gulf, little stands in the way of a "final solution" for Aoun.

## Killing off the Palestinians

Meanwhile, the PLO, and the Palestinians generally, are slated to be among the worst losers in the U.S. adventure. PLO leader Yasser Arafat's continuing alliance with Saddam Hussein against Anglo-American imperialism in the region has increased the desire by the Bush administration to get rid of him.

Part of this operation against the Palestinians and the PLO is simply genocide. There are now 350,000 Palestinians in Kuwait and 150,000 in Iraq facing starvation because of the U.S. siege. But that is not all. Under the pretext that the PLO has aligned itself with Iraq, all of the Gulf's sheiks and potentates have ordered the immediate firing of the large Palestinian work force in their nations for "security reasons." This group includes 175,000 Palestinians in Saudi Arabia, 120,000 in the United Arab Emirates, 55,000 in Bahrain, 65,000 in Qatar, and 70,000 in Oman. They will all rapidly become beggars or refugees.

The 2.5 million Palestinians living in Jordan depend heavily upon work in the Gulf states, as well as on trade with Iraq. Hence, those in Jordan, too, are facing starvation. The 2 million Palestinians living in the Occupied Territories have considerable dependence on remittances from those of their relatives working in the Gulf. Egypt is now turning away all Palestinians from air, ground, and seaports even though they have Egyptian travel documents.

Moreover, the Arab financial fund for Palestinians dried up suddenly with the Kuwait crisis. Saudi Arabia, which had provided humanitarian funds for impoverished Palestinians in Israel, has abruptly cut off its support under the pretext of PLO support for Iraq. Saudi Arabia had also provided the PLO with \$6 million a month. This has also been cut, throwing the organization into a crisis.

At the same time, fighting has broken out between PLO military units near Sidon, Lebanon, and the terrorist forces of Abu Nidal. Nidal, who is typically depicted as an Iraqi agent and whose murders have typically also been blamed on the PLO, is a long-term Israeli agent provocateur. There is reason to believe that some new Abu Nidal terrorist atrocity against Israelis, or U.S. forces in Saudi Arabia, would provide the desired pretext for wiping out the PLO and launching war against the Iraqis.

## Gulf crisis stokes new 'hot autumn'

by Webster G. Tarpley

The Western European country likely to suffer the greatest initial economic and political disruption as a result of the Anglo-American Gulf crisis is Italy. One reason is that Italy, although it is the fifth-largest industrial economy of the Western world, has absolutely no nuclear energy on line. The lack of even a single functioning reactor means that Italy's dependence on oil imported from North Africa and the Middle East is virtually total.

This dangerous state of affairs reflects the growth in recent years of the Italian green party, the Verdi, who secured the abandonment of the nuclear option in a 1987 referendum. This spells economic vulnerability, as reflected in the heavy losses of the Milan stock exchange, proportionally the greatest in Western Europe since the current crisis began on Aug. 2. The price of gasoline has already been hiked repeatedly, with corresponding losses for motorists and most of all for Italy's hard-pressed farmers.

The Gulf crisis will accelerate and multiply a crisis that was overdue in any case. During the last decade, Italy has witnessed a vast growth in the power of Venetian finance. Many areas of the economy have been totally cartelized: Raul Gardini's Ferruzzi food conglomerate is seeking to hegemonize this entire sector, eliminating all rivals and especially absorbing the small and medium-sized companies that have historically fought for increased production and exports. Now, some of the monopoly cartels are running into difficulties, such as Gianni Agnelli's Fiat auto firm, which controls virtually all Italian auto production. In a recent interview, Agnelli announced that the auto industry was about to contract. A few days later, Fiat announced that some 35,000 of its workers will be placed in *cassa integrazione*, the equivalent of being laid off while receiving a percentage of their previous pay as a jobless subsidy. This is the most serious layoff at Fiat in more than a decade.

Fiat and other manufacturers will shortly have to begin negotiating a new contract with the metalworkers of the FLM union. A similar contract struggle was a centerpiece of the

fabled Italian "hot autumn" of 1969. Indeed, there is more than a whiff of 1969 in the air. Over the past year and more, the typical anarchysindicalist factory committees have begun to challenge the trade unions in a number of factories. These are the "base committees," last seen in the early 1970s. The big trade union confederation, the CGIL-CISL-UIL, is showing signs of life, too, after more than a decade of disarray. Before the summer break this grouping threatened the employers' association, the Confindustria, with a general strike in defense of what remains of the cost of living escalator for workers and employees.

Italy's inflation puts the cost of living, based on an informal supermarket survey, 30-40% over the level of the Federal Republic of Germany. The threatened general strike thus had every chance of success, and Confindustria, under luxury auto maker Sergio Pininfarina, backed down for the moment.

But inflation is only the beginning of the Italian pattern of deep social unrest.

**Water:** For years there has been a water crisis every summer in the southern Mezzogiorno, but this year has been qualitatively more serious. Around Naples, many large cities have had their water supplies completely interrupted, with nothing but tank trucks parked in downtown squares to provide emergency drinking water.

**Hospitals:** The crisis of the hospitals is also chronic, but now, every Italian who has a relative in a public hospital must fear that the relative will not come out alive—an acute drama in a country where family ties still have their traditional importance.

**Pensions:** The government-funded system is organized under institutions like the INPS, which doles out pensions that are often pitifully small but which can still furnish a margin of survival to the sick and elderly. According to many reports, the INPS is rapidly nearing insolvency, which may soon mean: no checks.

Many Italians see these crises as a failure of government to provide the most basic prerequisites of civilized society. The revolt against the "party-crazy" was expressed in June with the mass boycott of referenda on environmental issues by millions of citizens. The propositions, which aimed at outlawing hunting and at virtually eliminating the use of chemicals in agriculture, failed to become law because the number of voters participating was too low. The Italian Schiller Institute was the first and the most consistent advocate of boycotting the referenda, and its call was soon echoed by organizations of hunters and farmers.

A second index of a crisis of confidence without precedent in the postwar Italian Republic was seen in the early summer regional elections. A formation called Lombard League won about 28% of the votes in the area around Milan, the most developed industrial area in Italy. The League was set up by former 1968 activists on the model of the *Unione Valdostana*, the French-speaking local autonomy group in the northwest Italian Alpine valleys. The League's appeal

was based on northern Italian resentment of the elephantine and ponderous Rome bureaucracy, a traditional gripe of the efficient Milanese. Now, hatred of the political parties themselves has brought this to the boiling point.

The Lombard League theorizes Italy as a federal state made up of perhaps five large self-governing units, with Rome responsible for foreign policy and defense only. This recalls the situation in the peninsula in the 1400s, when the contenders included Venice, Milan, Florence, Naples, and the Papal states, plus assorted smaller centers. This plan would of course wreck the national unity that was the best fruit of the Italian Risorgimento guided by Camillo Benso, Count Cavour. The Lombard League offers this institutional reform only, and has virtually nothing to say about real economics. In seeking to broaden its appeal outside of Lombardy, the backers of the League seem to be contemplating a more openly racist campaign—in the manner of France's Jean-Marie Le Pen—directed against Somalian, Filipino, and other emigrant workers whose numbers are swelling. In any case, the strength of the League at this point reflects a protest vote seeking a vehicle, rather than the particular quality of the message being offered.

The principal Italian parties are in notable disarray. The current government of the indestructible Christian Democrat Giulio Andreotti is supported by the five-member coalition of Christian Democrats (CD), Socialists, Liberals, Republicans, and Social Democrats which has been in vogue through the 1980s, but this government is more succinctly identified in the press as the "CAF group," an acronym for Craxi-Andreotti-Forlani. Bettino Craxi is the boss of the Socialists, and Arnaldo Forlani is now the secretary of the CD. But the CAF's hold on power is now weakened. The main internal reason is the dissatisfaction of the Christian Democratic left wing, many of whom are supporters of the former prime minister and party secretary Ciriaco De Mita. The Andreotti government almost fell some weeks ago when four left-wing CD ministers, quit in a dispute over how many minutes of advertising per hour could be presented. Some observers noted that this crisis came as Italy began its six-month chairmanship of the European Community, when Anglo-American forces hostile to Europe would have every reason to wish to weaken and embarrass the Rome government.

The left CD also finds Craxi's power intolerable, and is inclined to consider a new historical compromise with a reformed Italian Communist Party (PCI) as a possible alternative. De Mita has been proposing a reform of the Italian election law that would institute a winner-take-all system on the model of a U.S. congressional district, to replace the present proportional system. This would tend to wipe out the smaller parties and reinforce Christian Democrats and Communists. Socialist leader Craxi, writing in his party paper *Avanti* under a pseudonym, has issued warnings to De Mita, also under a pseudonym, to cease and desist from this attempt.

Then there is the party which still calls itself the Italian Communist Party, but which has decided to change its name to remove the odious *comunista* and which is often referred to as *la cosa* (the thing). The functionary attempting to direct this transition is Achille Occhetto, the party secretary. Occhetto is attempting to balance between the right wing under the PCI shadow foreign minister, the Anglophile Giorgio Napolitano, and the radical left around the veteran Pietro Ingrao. The Ingrao wing has what amounts to its own daily newspaper, *Il Manifesto*, which is growing in circulation because it is the daily newspaper most clearly opposed to Italian participation in the Anglo-Americans' Gulf war adventure. In the parliamentary debate on sending a military contingent to the Gulf, Occhetto and Napolitano wished the PCI to abstain on an interventionist motion proposed by the Andreotti government and the five-party coalition.

This swindle was designed to highlight the maturity of the Communist Party and its availability to join a government, which is Occhetto's ruling passion. But at the moment of the vote, Occhetto was stunned as Ingrao and his group with upwards of 40 votes voted against the Gulf intervention, which passed anyway. This was the first time in history that the Communists had been unable to keep caucus discipline on a vote in the Italian Chamber of Deputies. There is also a right-of-center opposition in part of Andreotti's base, including the Milan daily *Avvenire*, the organ of the Italian Catholic Bishops, and certain parts of the pro-CD Popular Movement.

The Italian chairmanship of the European Twelve places a special responsibility on the Andreotti-De Michelis government. Italy, like the rest of Europe, can still act to take the diplomatic initiative away from the Anglo-Americans and force the convening of a peace conference for the Gulf and the Middle East. As part of such a conference, the Europeans will be called upon to commit financial and economic resources in large quantities for the reconstruction and development of the Middle East. But those resources can be committed in the form of highly remunerative investments. The only alternative is to do nothing, and then be faced with astronomical and useless military expenditures, and with a catastrophic toll in human lives. Therefore Italy, as one of the European countries with the most to lose, must act.

Ferment and agitation among students, farmers, workers, and other layers are now on the agenda of the new Italian hot autumn. These may soon be joined by draftee soldiers who refuse to lose their lives in the service of Anglo-American warmongering.

The Schiller Institute is arguing that the country must go back to the strategy of Enrico Mattei, who built Italy's first nuclear reactors and who also sought mutually beneficial oil-for-technology arrangements with North Africa and the Middle East. Giuseppe Filippini of the Schiller Institute has drawn up a program for modernizing Italian energy policy with extensive reliance on the nuclear option, which the Gulf crisis is now placing on everybody's agenda.



# Korean dialogue: a big step forward

by Lydia Cherry

Spokesman for North and South Korea expressed satisfaction following two days of talks between the countries' prime ministers—the highest-level discussions since Korea was divided. A spokesman for the North was quoted in wire reports Sept. 7: "The fact that such broad matters have been discussed is meaningful." A spokesman for the South concurred: "Of course, we reached no agreements that would stir up the nation. But because the eyes of the people were upon us, both sides approached the talks with a sincerity unlike anything seen in the past."

Seoul had presented comprehensive steps to give support to North Korea's decrepit economy through joint ventures and financial assistance. The North Koreans, however, rejected the South's offer, saying that economic deals had to take a back seat to drastic military cutbacks in South Korea and the sending of all U.S. troops home. But the two sides did agree that 1) Seoul would temporarily shelve its plan to join the United Nations separately, and the North Koreans would present a detailed proposal for sharing a U.N. seat; 2) both sides would urge their Red Cross societies to resume talks on the reunification of divided families; and 3) they would meet again in October in the North Korean capital of Pyongyang.

## Efforts toward reunification

That the dialogue has proceeded this far is greatly to Seoul's credit, because of President Noh Tae Woo's innovative "Northern policy" to reunify the peninsula. There are also strong clues that one of the reasons the talks took place (many South Koreans doubted they would, even as the North Korean delegation crossed the border) is that both the Soviet Union and Communist China twisted North Korea's arm. Both powers have something to gain from economic hooks up to Seoul.

Dmitri Petrov, senior researcher at the Far East Institute of the Soviet Academy of Sciences, told a Seoul seminar Aug. 30, that Moscow hopes South and North Korea solve their disputes through dialogue. "We have done our utmost in that direction," he added.

During late summer, information repeatedly surfaced that Moscow was calling for North Korea to make payment for both oil and military equipment in cash or other hard currencies. "We have received the information that the Soviet Union has asked North Korea to pay for crude oil and other Soviet goods in dollars and other hard currencies from next

Jan. 1," the South Korean daily *Hanguk Ilbo* reported Aug. 29. Another Seoul daily, *Choson Ilbo*, on Aug. 23 quoted claims by Prof. Pang Chan-yong of the Institute for Sino-Soviet Studies at Hanyang University, who had met with Soviet officials in Moscow. Pang said that although previously the supply of conventional weapons was carried out as assistance, he was told that Pyongyang had been informed that Moscow can now only supply those weapons which can be bought. Pang claimed that one high-level Soviet official remarked: "If reunification on the Korean Peninsula is achieved under the initiative of South Korea, as West Germany played the role of initiator in reunifying East and West Germany, that would not interfere with the Soviet Union's national interests."

According to the Sept. 5 *Journal of Commerce*, "The Chinese prodded North Korea that its refusal to talk with the South was a luxury it no longer could afford." China's support for Seoul-Pyongyang talks, sources say, is based on the notion that whatever entity this new Korea turns out to be, can, if necessary, be subverted later on. For now, China is preoccupied with its domestic crisis, for which it is getting strong support from Japan—another major player in the region supporting Korean reunification. And China needs South Korean technology.

Early this summer, high-ranking Chinese officials, including Deng Zhifang, the son of senior leader Deng Xiaoping, were in Seoul as guests of South Korea's Samsung Corp., to discuss joint ventures in computers and communications, industries which in China are in the early stages of development. Though officially denied, there were reports that the younger Deng also had high-level talks with South Korean government officials.

If Seoul's traditional enemies are supporting its reunification efforts, who opposes them? Only its traditional friends, the United States, in alliance with Great Britain. Just as West German Chancellor Helmut Kohl and Mikhail Gorbachov dumped International Monetary Fund "free-market" policies, the talks between South Korea and the Soviet Union are focused on economic cooperation projects to gear up both countries, and drag along North Korea. As *Choson Ilbo* reported June 11: "Regarding the 14 major state-sponsored science and technology programs currently being pushed by the U.S.S.R. as national policy tasks, it has been found that except for the Mars exploration program, 13 other programs have many things in common with our government-sponsored research programs, and that therefore, mutually complementary cooperation in science and technology is possible."

Korean reunification would mark the final demise of the U.S. "China card," the policy devised by Henry Kissinger to contain the power of Japan in the region. An enlarged Korea under the hegemony of South Korea would mean an expanded role for Japan, and its "Great Projects" approach in the region.

# Power-sharing deal struck in Cambodia

by Linda de Hoyos

Amid much international fanfare, the four factions of Cambodia's 10-year conflict announced from Jakarta, Indonesia that they had agreed on a power-sharing formula for the creation of a Supreme National Council that would rule Cambodia until national elections are held to determine a new unified Cambodia government. The Supreme National Council, it has been agreed, will be composed of 12 members—six from the Hun Sen government of Phnom Penh and six from the Cambodian resistance coalition, with two representatives from the Khmer Rouge, Son Sann, and Sihanouk factions of the coalition. Prince Sihanouk is to chair the council as a 13th member. Decisions are to be reached by "consensus," not by majority rule.

The Council formula represented a victory for the Hun Sen government, which had rejected earlier arrangements by which each faction would have equal representation. This would have given Phnom Penh only 25% of the power-sharing. It would appear that the agreement was forced with the backing of the People's Republic of China.

The agreement—which featured the leaders of four factions standing hand in hand at Jakarta for the world's press photographers—is based on a proposal agreed to by the five members of the United Nations Security Council Aug. 28.

According to this agreement:

- A ceasefire is arranged between the Phnom Penh government and the resistance coalition that includes the Beijing-backed Khmer Rouge;

- A "Supreme National Council" composed of the three resistance factions and the Vietnamese-backed Hun Sen government takes nominal control of the government;

- Actual government control is placed in the hands of U.N. officials who would supervise five key ministries during a "transition period" of unspecified length;

- The U.N. officials would verify the ceasefire, supervise elections, and ensure that all Vietnamese forces have left Cambodia. The Vietnamese pulled their forces out of Cambodia last September.

## Khmer Rouge on the march

The problem with these arrangements and with the results of the Jakarta meeting, is that there is as yet no date set for the ceasefire to take place. In the meantime, the Khmer Rouge is using its time to steadily make its way to Phnom Penh. To give an idea of the domination of the Khmer Rouge within the resistance coalition on the ground, the CIA reported in August that the Khmer Rouge receives approximately \$100

million in aid from China per year, in contrast to the \$20 million from the United States and \$10 million from Singapore received by the non-communist coalition members, as AFP reported.

The Khmer Rouge is now on the verge of taking the small but strategic town on Highway 12, Stong, which connects the major western parts of the country (still being held by the Phnom Penh government) with the rest of Cambodia. The Khmer Rouge strategy is to take the northern provincial capital of Kompong Thom and Kompong Speu to the south. Heated battles have been taking place throughout September in Stong, 50 kilometers north of Kompong Thom, which Phnom Penh claims it still holds. In the southeast, in August, the Khmer Rouge reported it had seized the port of Kampot, 40 kilometers from the Vietnam border, thereby opening up a new supply line in the eastern section of the country.

The Khmer Rouge is now concentrating its forces for attacks on rural towns and district capitals, leaving terror in its wake. Attack parties are now up to 600-800-strong, according to a report in the Aug. 16 *New York Times*. When the government musters a counterattack, the Khmer Rouge then retreats into the mountains. In areas north of Phnom Penh, press reports indicate, the Khmer Rouge is seeding rice fields with mines, burning villages, and seizing cattle and rice. Thousands of Cambodians are being forced to flee their homes.

*'From the prison in which the politician's career expires, the influence of the statesman is raised toward the summits of his life's providential course. Since Solon, the Socratic method has become the mark of the great Western statesman. Without the reemergence of that leadership, our imperiled civilization will not survive this century's waning years.'*

—Lyndon H. LaRouche, Jr.

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# Japan walks a tightrope

by Linda de Hoyos

Attacks on Japan for its alleged failure to contribute to the multinational effort against Iraq in the Gulf crisis reached a fever pitch in the first week of September in the United States. Japan had promised \$1 billion to pay for the U.S. occupation in Saudi Arabia, and will ship hundreds of four-wheel-drive vehicles, generators, and housing units to the Gulf.

But, in talks with Japanese Prime Minister Yoshio Kaifu in Tokyo Sept. 5, Henry Kissinger, evidently acting as an unofficial U.S. emissary, insisted that the \$1 billion is not enough and that Japan—contrary to its U.S.-approved Constitution which bans military deployments outside of Japan's defense perimeters—must provide more than mere financial aid.

Kissinger's pronouncements echoed the threatening tones emanating from U.S. ambassador to Japan Michael Armacost, who declared Aug. 29, according to Kyodo news service: "We'd like a contribution [from Japan] that is worthy of a country that is one of the biggest countries in the world, one of the most prosperous countries in the world, a country that has the biggest stake in the oil resources in that region, and a country that has professed to be interested in leadership in the United Nations," referring to Japan's bid to become a permanent member of the U.N. Security Council. He then made reference to the U.S. shift to an enemy posture toward Japan: "After an issue like this comes up, it tends to define for all Americans who their friends are."

The intent of such a tone has not been lost on Japan's officialdom. In reporting Japan's effort on Sept. 4, Japanese foreign ministry official Yukio Okamoto declared that American distrust of Japanese efforts and motivations in the Gulf crisis constituted the "gravest threat" in relations between the two countries in many years. Past confrontations on trade and other such matters were "mere pseudo-crises" compared to what is happening between Tokyo and Washington today.

## Enter Shevardnadze

Against this backdrop, Soviet Foreign Minister Eduard Shevardnadze arrived in Tokyo in the first week of September for talks geared to pave the way for a visit of Soviet President Mikhail Gorbachov in April.

Marking a turning point in Japan-Soviet relations, the visit was notable for a joint statement by Shevardnadze and

his Japanese counterpart Taro Nakayama on the Gulf crisis. The communiqué condemned the Iraqi invasion of Kuwait and called for the release of foreign hostages. However, its joint issuing would tend to indicate that Japan favors the Soviet posture on the crisis—including Gorbachov's rejection of U.S. unilateral military action against Iraq—to the far harsher stance coming from Washington.

The importance accorded Shevardnadze's visit was also evidenced by Shevardnadze's audience before Emperor Akihito at the Imperial Palace, the first visit of its kind since 1976, when then Soviet Foreign Minister Andrei Gromyko met with Emperor Hirohito. Shevardnadze invited the emperor to Moscow.

The Japanese, however, stuck to their guns on all points of negotiation with Moscow. Nakayama rejected suggestions that Japan drop its security treaty with the United States and join a comprehensive security arrangement for the Far East—a security system Moscow has been pushing in the region to no avail. However, the two countries agreed to set up a working-level diplomatic forum to discuss Asian security concerns, according to the *Washington Post*.

And Tokyo held fast on demanding that the Soviet Union return four northern islands seized from Japan at the end of World War II, if Moscow wants to see any substantial investment in Soviet economic development. However, for the first time, Shevardnadze said that the Soviet Union is willing to negotiate this thorny issue, indicating that Moscow would like to construct a package by April.

In the meantime, Japan will dispatch economic specialists to Moscow in September to assist in restructuring the Soviet economy, reported the Sept. 10 *Journal of Commerce*. This visit will offer the Soviets a clear alternative to the Adam Smith "flea market" coming from London and Washington. The Soviets will be briefed on how Tokyo's postwar Economic Stabilization Board managed to rebuild the Japanese economy in the late 1940s and 1950s, and presumably the methods of the American System and Friedrich List that permitted Japan's dirigist development to become one of the most productive economies in the world. The Japanese mission will consist mostly of senior managers of major corporations, who will visit Soviet petrochemical, chemical, and heavy industry plants to determine what should be done to revive the economy. Shevardnadze told Nakayama that the Soviet Union hopes that the two countries can cooperate in developing oil and natural gas fields in various Soviet regions.

Another group of Japanese financial specialists will travel to Moscow in September to help the Soviets overhaul their banking system and set up a modern commodities exchange. The Japanese have also invited Shevardnadze to send managers of Soviet enterprises to Japan to study the latest Japanese management practices. Also invited to Japan was a group of Soviet technicians who will study production technology and quality-control methods.

# Colombia's drug war dead and buried

by Andrea Olivieri

U.S. refusal to materially back Colombia's decade-long war against the cocaine cartels has led to a predictable outcome: That war has now been formally called off. In its place, Colombians are being offered a U.S.-modeled "war on crime," complete with the same plea-bargaining arrangements that have turned the U.S. justice system into a mockery.

On Sept. 5, in a major policy address to the nation, President César Gaviria Trujillo unveiled a new legislative decree intended to implement his thesis that there is a distinction between narco-terrorism and drug trafficking. The decree offers drug traffickers the option of trial by Colombian courts and reduction of sentence, in exchange for surrender to and cooperation with the authorities. The decree, Gaviria argued, is intended to "smash and eradicate terrorism as quickly as possible"—by eliminating the threat of extradition to the United States, the single most effective weapon heretofore employed in the war against the cartels. The war against drug trafficking, to Gaviria's way of thinking, is best left to the international arena.

Observers have noted that Gaviria's primary impulse in sponsoring the decree is to protect the ravaged Colombian state from further erosion by uncontrolled narco-terrorism. Anti-narcotics experts in Colombia fear, however, that the decree will only confirm to the cartels that "terrorism pays." If rampant narco-terrorism won us this much, the traffickers may reason, selective terrorism may wrest still further concessions.

Fabio Ochoa, the arrogant patriarch of the Ochoa cocaine-trafficking clan, has already told an interviewer from the Caracol radio chain in Colombia that the decree was "a step in the right direction," but that it needed to "ripen a little." He said his sons aren't fools, and would never surrender without guarantees.

## Armed Forces the sticking point

It has been widely admitted, including by the Colombian government itself, that the cartel chieftains would never accept the government's plea-bargaining offer, as presently constituted. However, there is every likelihood that the traffickers will play the government for a sucker, engaging it in endless negotiations while rebuilding the vast logistical and infrastructure networks that have been severely damaged by joint police-military anti-narcotics operations in past months.

The role of the Colombian Armed Forces will likely be the number one item in any such negotiations. The argument that a winding-down of Colombia's war on drugs makes the Armed Forces expendable has long been promoted by advocates of drug legalization both inside Colombia and in the United States. It is no accident that the pro-legalization Inter-American Dialogue has made a crusade out of its argument that Ibero-America's militaries are "political," "corrupt," and "over-extended," and should be dismantled.

It can thus be expected that the Colombian Armed Forces, which have taken the point in every successful operation against the cartels, will come under intensified attack both from the traffickers and their political allies. In parallel with the Gaviria government's decision to "demilitarize" such cartel strongholds as Medellín, the "dirty war" charges of the human rights lobbies have already begun to escalate. Also, reduction of the military forces is at the top of the agenda of such "reformed" narco-terrorists as the M-19 (now part of the Gaviria government), and pro-drug opposition forces are pushing for "military reform" to be taken up at an upcoming Constituent Assembly.

## Empty promises

President Gaviria's unmistakable election mandate was to prosecute—and win—the war on drugs begun by his predecessor, Virgilio Barco. He has abandoned that war. To be fair, Gaviria was left with little choice in the matter. As he himself declared during his pre-inauguration visit to Washington, D.C. earlier this year, Colombia has spent over \$1 billion and sacrificed thousands of lives to fight a "unilateral war" against an international enemy, the drug trade. Without resources from abroad, in the form of war matériel, trade concessions, and financial backing, the indebted Ibero-American nation is incapable of waging indefinite war against the cartels without endangering its very existence.

The Bush administration sent Gaviria home with empty promises and empty pockets, just as it had done to Barco. On Oct. 20, 1989, in the heat of the Barco-ordered offensive against the Medellín Cartel, the *Washington Times* was already citing U.S. officials admitting that Barco's successor was "more likely to strike some sort of deal with the drug traffickers rather than continue to make the necessary sacrifices."

Although a U.S. contingency plan for such an eventuality had yet to be formulated, said the article, "Some sources said the U.S. would accept Colombian proposals for plea bargaining in specific cases or partial amnesties, if these furthered the goal of stopping the shipments of drugs to the U.S. . . ."

A U.S. contingency plan, it now appears, has existed for some time, and President Gaviria has been sold a strategy coherent with Bush's own so-called "war on drugs"—namely, cutting the flow of cocaine by 50% over the next 10 years. Or, was it cutting it by 10% over the next 50 years?

## Bush's occupation creates new Sodom

*Panama now rivals Peyton Place with tales of incest, buggery, and theft, while drug trafficking flourishes.*

**T**he American military occupation of Panama has not ended. You may remember that back in February, George Bush said he was pulling out the troops he had sent to invade Panama. He lied.

Instead, the American GIs in Panama have taken up a new avocation: robbing banks. At least, these were the charges attributed to Leslie Loaiza, chief of Panama's secret police, the PTJ, and aired by Panama's Channel 2 TV on Aug. 23. The report said that soldiers in the American Army were behind a wave of bank robberies now plaguing Panama. Reportedly, the secret police chief said that the U.S. military Southern Command based in Panama, had set up a special unit to rob banks. According to the reports, Loaiza said his agents discovered the operation when they caught several American soldiers involved in the robberies, but were forced to release them on orders of the U.S. occupation forces.

Two days later, the Panamanian press confirmed that the PTJ had indeed detained three American GIs in connection with a bank robbery. Unlike the televised report, the press reported that the U.S. military was collaborating with the investigations. A Southern Command spokesman, Col. Bruce Bell, was quoted as saying that the soldiers, whose names were not released, could be subjected to a court martial if the charges were proven true.

Armed robberies, particularly bank robberies, were virtually unknown in Panama before the Dec. 20, 1989 invasion. So far this year there have been 23 bank robberies. On Aug.

30, yet another robbery took place, this one at one of the branches of Exterior Bank in Panama City, which was robbed by three armed men who got away with \$400,000.

Some wags suggested that Bush ordered the soldiers to start robbing banks as a way of shutting down Panama's drug money offshore banking center.

But others were blaming the poor cops of the whistle-and-nightstick constabulary set up by the U.S. occupation to replace the former Panama Defense Forces (PDF) led by Gen. Manuel Noriega. Panama's Second Vice President, Guillermo "Billy" Ford, a banker, complained in a speech to the Chamber of Commerce on Aug. 21, that the police were behaving like "faggots" and that they "should stand tall, like real men" in the face of criminal activity.

Not much chance of that. On Sept. 5, the police force got its third chief in as many weeks when the puppet government fired Lt. Col. Fernando Quezada after he accused banker Roberto "Bobby" Eisenmann of committing incest. Quezada made the accusation after *La Prensa*, Eisenmann's newspaper, reported information, which it said was obtained from "U.S. intelligence," that the chief of police had personally used drugs and had once accepted a \$25,000 bribe.

"I deeply regret that you have to do this 'lobbying' to prevent the information in those boxes from coming to light," said Quezada in his open letter to Eisenmann, an agent of Project Democracy, the drug-running gang that brought you Ollie North's Iran-Contra follies. The ousted chief of police was

referring to the 15,000 boxes of materials removed from Noriega's PDF intelligence files after the U.S. invasion, which, he said, contain the information about Eisenmann's alleged incest. "The Bible condemns incest. Genesis (19:31-38) tells us about Lot's relations with his oldest daughter," said Quezada in his letter, published on the front page of Eisenmann's own *La Prensa* on Sept. 5.

Quezada's predecessor as chief of police, Col. Eduardo Herrera, was fired Aug. 22 while on a trip to Miami. Herrera is an admitted CIA agent who is at the center of an international scandal involving a shipment of Israeli weapons found earlier this year at a ranch owned by Colombian drug kingpin Gonzalo Rodríguez Gacha, the late chief of the Medellín cocaine cartel. He was fired the same day that the daily *El Siglo* leaked the contents of a report from the U.S. Drug Enforcement Administration (DEA) which also tied Rodríguez Gacha to the man Bush installed as the President of Panama, Guillermo "Porky" Endara.

According to the DEA report, in 1989 Endara's Banco Interoceanico, also known as Interbanco of Panama, laundered millions of drug dollars for Rodríguez Gacha. Endara has remained on the board of the drug money-laundering bank, even after Bush installed him as President of Panama and despite the fact that earlier this year, it was revealed that the same bank had previously been caught laundering drug funds by U.S. law enforcement agents working undercover. "It was shocking to learn that our Republic's current President, Guillermo Endara," was an officer of the bank, "just as Attorney General Rogelio Cruz was an officer of First Interamericas Bank, owned by Gilberto Rodríguez Orejuela," the Cali Cocaine Cartel kingpin, said *El Siglo* on Aug. 22.

# International Intelligence

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## French judge has proof of Syria's terrorist role

New French findings on Syrian involvement in international terrorism could "embarrass the Americans," at a time when Syria is participating in the multinational force in Saudi Arabia, according to the *Times* of London on Sept. 4.

French investigating judge Jean-Louis Bruguière has compiled proof that Syrian President Hafez al-Assad, working through the PFLP-General Command group of Ahmed Jibril, and Libya's Col. Muammar Qaddafi, working through his assets in the Congo, were responsible for the Sept. 19, 1989 blowing up of a UTA DC-10 jet flying out of N'djamena, Chad. In the plane crash, the wife of the American ambassador to Chad was killed.

The report had been suppressed up to now, to avoid hurting French-Syrian and French-Libyan relations. The publication of Bruguière's findings now would "also embarrass the Americans, because Syria has sent a 2,000-strong force to Saudi Arabia," wrote the *Times*. U.S. Secretary of State James Baker visited the Syrian capital on Sept. 13, for meetings with top officials.

Bruguière is a member of the Central Service for the Anti-Terrorist Struggle (SCLAT). He recently briefed French President François Mitterrand, Interior Minister Pierre Joxe, and the heads of France's DGSE and DST intelligence bureaus about his discoveries.

The French evaluation is that Syria committed the atrocity against the UTA jet out of anger for France's support, at that time, for the forces of Lebanon's Gen. Michel Aoun against Syria.

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## Lafontaine demands an 'ecologist state'

The Social Democrats want to turn united Germany into an "ecologist state," the party's chancellor candidate, Oskar Lafon-

taine, announced in a campaign speech at the beginning of September. He endorsed several radical ecologist measures:

- an energy tax on all consumption in private households, public services, and industry, which would lead to a rise of energy prices by 50%;

- a penalty tax on pollution or wasting of energy caused by industry (measured according to draconian standards);

- an end to centralized energy policies and state funding of nuclear power; no new atomic power plants, no continuation of fast breeder development or other forms of nuclear technology;

- emphasis on ecologist issues in all industrial and farming projects; job-creation programs in this context;

- deep cuts in the defense budget by a minimum DM5 billion annually beginning in 1991, with the aim of curbing high-technology research and development with "dual-use" characteristics that could be applied in civilian and military programs alike.

The German Railway Workers Union attacked Lafontaine's proposals as "only emptying the purses of the small income-earners."

The Social Democrats' theme was seconded by Lothar Späth, the vice chairman of the Christian Democratic Union (Chancellor Kohl's party), who wants a united German economic policy that "gives equal preference to employment and ecology."

Like Lafontaine, Späth endorses new ecology taxes that are "high enough to prevent the wasteful and damaging use of natural conditions of life" on the part of industry.

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## Italian magazine: Gulf crisis was preplanned

The Italian magazine *Europeo* has charged that the United States manipulated Iraq's Saddam Hussein to create a crisis in the Gulf, in the same way that Henry Kissinger manipulated Mideast policies during the 1970s.

In an article signed by Giusi Ferre, published in the first week of September, *Europeo* reports statements by Gene Wheaton,

former adviser for security and the war against drugs at the U.S. embassy in Iran, during the Shah's regime: "The royal family of Kuwait will not be able to use its funds, because there will be another government. Thus, the capital will remain in the Swiss banks, in David Rockefeller's Chase Manhattan Bank, and in the British banks of the Rothschilds. Exactly like what happened with the Shah."

Wheaton, who is now at the University of Southern California in Orange County, charged that the United States already had plans in the early 1970s to redraw the map of the Middle East. "I was in Teheran on May 30, 1972, when Richard Nixon and Henry Kissinger visited the Shah, upon his return from Moscow. On that occasion they agreed upon the following: a 400% increase in the price of oil, the surplus of the income to go to purchase weapons for military programs, and be deposited in banks like Chase. Whether the '73 war was preprogrammed or not, the result was what they wanted."

Another military expert quoted by *Europeo* charges that the Bush administration sent false intelligence to Saddam Hussein in order to push him into an attack. The reports convinced him that nobody would intervene if he conquered Kuwait. *Europeo* reports that now, neither the Kuwaiti royal family nor the Saudi dynasty has any real power, and they will never recover it, since the United States is in Saudi Arabia to stay.

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## Will Israel annex West Bank for water?

Israeli Minister of Water Resources Rafael Eytan announced on Aug. 20 that the Shamir government is preparing political and legal arguments citing Israel's water needs as an overriding factor to retain possession of the Occupied Territories.

The Palestinian news agency Wafa reported that Eytan said that 50-60% of Israeli drinking water comes from the West Bank, and that the region's three-year drought has exacerbated the situation, making West Bank water more critical.

for annexation comes amid an Israeli government debate on whether to desalinate sea water to provide for future water needs.

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### ***Philippines democracy 'in danger of collapse'***

"The realization that constitutional democracy in the Philippines is in grave danger of collapse has plunged political and business leaders into a desperate search for a formula within the civil political process to avert such a disaster, and military intervention," the *Manila Chronicle* wrote on Aug. 30.

"Cabinet members and congressional leaders are groping for a solution. Outside the government circles, business leaders were meeting in small groups yesterday in search of a formula within the constitutional system. Publishers of Manila newspapers are meeting today to examine what the media could do to reverse the momentum of the breakdown. . . .

"Against the mood of gloom, it was clear yesterday that the Aquino government was on the ropes. No initiatives were forthcoming. There were only signs of exhaustion. The palace is unable to calm the growing anxiety, sparked by last's week's wave of terror bombings and the ever increasing prospects of unrest fueled by an economy that has slowed down. President Aquino, whose authority was being swiftly eroded, could not even comment on suggestions that she call a meeting of the National Security Council."

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### ***Liberation theologians set uprising in Ecuador***

Liberation theologians linked to the Peru's Shining Path terrorists are organizing an Indian uprising in Ecuador, a spokesman for the Ecuadorian Federation of Cattlemen, Jaime Nebot, warned in a Sept. 4 press conference. He charged that Spanish and Colombian priests who work with Shining

Path, with the backing of some Ecuadorian bishops, are instigating the uprising. Nebot called upon the government to take measures to stop the uprising, before the country becomes a "social hecatomb."

Terrorists are organizing for an Indian uprising against the 1992 commemoration of the 500th anniversary of the discovery of the Americas, the Armed Forces of Ecuador warned in a recent classified report, the news agency ANSA reported on Sept. 5. Indicating the regional scope of the plans, representatives of Indian communities in 20 countries met for a week in Quito, Ecuador two months ago. They announced that they were placing themselves "on a war footing" to stop any celebration of the 500th anniversary.

As *EIR* reported in its Aug. 31, 1990 issue, the Anglo-American Establishment has thrown its support behind Shining Path and other radical "Indian" organizations, in this 1992 uprising strategy. The summer 1990 issue of the *Wilson Quarterly*, published by the Washington, D.C.-based Woodrow Wilson Center, declares that the continent will soon be transformed into a battlefield between the races, and suggests that the anniversary of the discovery of the Americas be celebrated as "the 500th year of Indian resistance" against Spanish culture.

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### ***Terror threat to Germany's leaders***

The Red Army Faction terrorists are threatening to assassinate political leaders, industrialists, and bankers in the united Germany, anti-terrorism authorities in West Germany declared in a new report. The story was confirmed on the basis of documentation seized in a police raid on the Hamburg Hafenstrasse district in mid-May.

According to the coded documents which police experts have been able to decipher only recently, Chancellor Kohl is on the terrorist hit list, along with Foreign Minister Hans-Dietrich Genscher and prominent industry representatives like Edzard Reuter of Daimler-Benz Corp.

## *Briefly*

● **AIDS WARFARE** against Africa? The director of the Ugandan state-run blood bank in Nakazero near the capital of Kampala, Prof. John Watson Williams, said in an interview with the government-run daily *New Vision*, that his staff found that two-thirds of the 17,000 blood samples Uganda has received from abroad since May were infected with the AIDS virus.

● **BURMA'S** military rulers on Sept. 8 arrested six opposition leaders, whose party won a resounding victory in general elections held last May. The charges brought against these leaders include spying. The arrests extinguished any hopes that the military rulers, who seized power through a coup in September 1988, would hand over power to the democratically elected party.

● **BETTINO CRAXI**, the Italian Socialist leader, said that "development is the new name for peace," in a television interview on Sept. 5. The phrase is a quote from Pope Paul VI's famous 1967 encyclical *Populorum Progressio*. Craxi stressed that a solution to the Mideast crisis must include economic development. He proposed that 90% of the foreign debt of the 41 least developed countries be canceled.

● **ARIEL SHARON**, the Israeli "hawk" who is currently serving as housing minister, visited the Soviet Union Sept. 6-14. Radio Moscow reports that he was there at the invitation of the Moscow City Council, to work out a deal whereby a Moscow construction firm will help build homes for Soviet Jewish emigrés going to Israel, in exchange for Israel's providing fruits and vegetables directly to the city of Moscow.

● **TERRORISTS** bombed two high-voltage towers in northern Italy on Sept. 11. The towers carried the power lines that transport electricity coming into Italy from the French Superphénix fast breeder reactor at Creys Malville.

# Bush's support may sink in budgetary quicksand

by Steve Parsons and Kathleen Klenetsky

If George Bush thought that his military flight forward into the Arabian peninsula would somehow rescue him from the political fallout of the crumbling U.S. economy, he'd better think again. Behind the polls pronouncing massive popular support for the President's adventure, growing discontent and anger over the state of the domestic economy threatens to blow that support to smithereens.

In the four short weeks since the President committed U.S. forces to the Gulf, the economy has entered a new phase of collapse, making it now well-nigh impossible for the Bush administration to try to gloss over the fact that the American economy is in a deep depression.

Just days after Bush's supposedly "triumphal" meeting with Gorbachov, the reality of the collapse began to burst through the layers of coverup and jingoism. First, the ballyhooed economic summit with congressional leaders over that same weekend did not produce the deficit reduction agreement so eagerly sought by Bush for his address to Congress on Sept. 11. Instead, Bush—using the requirements for the Mideast mobilization as inducement—had to demand that Congress present such an agreement by Sept. 28, or the nation would undergo devastating cuts next month through Gramm-Rudman sequestration strictures.

## Holding the sky up

That same day, Bush's nostrums were juxtaposed with grim congressional testimony delivered by Comptroller General Charles Bowsher before the Senate Banking Committee. Bowsher unveiled a Government Accounting Office report warning of major bank failures and the woeful inadequacy of Federal Deposit Insurance Corp. protection (see *Banking*, p. 21).

The study confirms previous estimates that the FDIC's Bank Insurance Fund will lose another \$2 billion this year. The *Washington Post* said the report "stunned members of Congress, who already are wrestling with the economic and political consequences of the massive cleanup of the nation's savings and loan industry." "If the sky is not falling, it's shaky," said Sen. Richard Shelby (D-Ala.). "We better get ready to hold the sky up." Committee Chairman Don Riegle (D-Mich.) asked if "it is conceivable we may have unrecognized losses out there that may exceed what is in the fund?" to which Bowsher replied, "That is a fair statement."

The GAO also reports that in 1988-89, some 22 banks, including the recently closed National Bank of Washington, went bust either without ever appearing on the federal government's list of troubled banks, while others appeared for only one quarter before they bellied-up. Bowsher said that the Bank of New England was not even on the list when its staggering financial problems came to light early this year.

On Sept. 12, two more bombshells greeted Bush's vision of a "New World Order." Congressional Budget Office Director Robert D. Reischauer told the Senate Banking Committee that up to 700 banks could fail in the next three years, wiping out the FDIC and costing the government \$5-6 billion a year.

According to the CBO, the FDIC now has only \$13.2 billion in its insurance fund, or only 70¢ for every \$100 in deposits, the lowest level since its creation. Banks currently pay only 12¢ for every \$100 of insured deposits, with the rate capped at 32.5¢. House Banking Committee Chairman Frank Annunzio (D-Ill.) has introduced a bill that would require banks to pay \$1 for each \$100 in deposits, which would raise \$25 billion for the increasingly shaky FDIC.



But as Reischauer noted, such a boost could put many banks over the edge, thus eating up both the increased funds and the banking system at the same time! In any event, he added, a recession will certainly bankrupt the FDIC, as would the failure of one very large bank. "We're skating on thin ice, but our pants are still dry," he said.

Complementing Reischauer's remarks that same day was another GAO report that blows apart the budget summit charade. The GAO now estimates that the Fiscal Year 1991 federal budget deficit will be \$372 billion, if the Social Security trust funds are not used to bridge the gap. That is nearly four times greater than the \$100 billion deficit projected by the Bush administration in January, and almost twice as large as what it will now admit to.

Moreover, the GAO report stated that the current goal of cutting \$500 billion over the next five years is "only a first step," and that \$1 trillion in cuts are needed in the next six years if the economy is to be spared from the government's crowding out of other borrowers in the credit markets.

Besides noting that the interest payments on the national debt have increased more than any other federal budget item program—skyrocketing 222% from 1980 to 1989—the GAO report denounces the fraud of the Gramm-Rudman-Hollings deficit reduction language: "Five years of technical compliance with the law have resulted not in meaningful deficit reduction, but rather in a whole new generation of off-budget and other misleading budget reporting practices that hide the true magnitude of the problem."

### **State and local budgets crises**

The political volcanic eruption augured by the federal budget and banking collapse is already evident in a cascade of state and local financial crises. The National Conference of State Legislators reports that revenues in 30 states are below expectations, citing such cases as Virginia's \$1.4 billion gap, and Maryland and Florida taking in \$150 million and \$500 million, respectively, less than what was projected. A tax revolt is shaking Massachusetts, New Jersey, and other states, with eight placing revenue-limiting measures on their November ballots.

Butte County, California threatens to become the first county in American history to go bankrupt, with 17 others in the state, plus counties in at least three other states, reportedly on the brink. "The gradual fiscal collapse of county government, given its present fiscal structure, is inevitable," warns the County Supervisors Association of California.

In Massachusetts, the collapse of the once-touted "miracle" economy has virtually doomed the Democratic gubernatorial nominee this fall, in a state where registered Democratic voters outnumber Republicans by more than three to one. The state is facing another \$150 million in immediate cuts, on top of hundreds of millions in recent cutbacks and new taxes. Because the state has not been able to make expected transfer payments to them, five towns and cities have already

been put into de facto receivership, with their local governments now under the thumb of non-elected "financial control boards," based on the infamous 1975 New York model.

Philadelphia is facing insolvency this fall, even though it has raised taxes to nearly the highest level of any city in the nation. Its credit rating is on a par with junk bonds, and no bank will lend it a nickel. And in the battleground of New York and other urban areas, where drugs, crime, poverty, and cuts in government services have created a situation bordering on anarchy, political incumbency is increasingly something one might wish on his enemies.

### **Murder through austerity**

As of this writing, it appears that the budget summiteers will agree on cuts in the order of \$50 billion. This is, of course, far short of what Gramm-Rudman demands; but to avoid the chaos of automatic budget cuts, it is likely they will rewrite the sacred Gramm-Rudman rules—for the third time in five years.

As for the budget cuts themselves, the major consensus agreement among the budget negotiators is to sanction the murder of senior citizens. According to a report in the *Washington Post*, under the budget compromise now emerging, half of all non-defense budget cuts will come out of Medicare. Some \$28 billion in payments to providers will be slashed over the next five years, \$27.1 billion "saved" by jacking up premiums according to beneficiaries' incomes, and \$17.2 billion gained by forcing the elderly to pay more for medical treatment.

This kind of meat-cleaver brutality in the midst of the titanic collapse has even Bush supporters warning of doom. The consensus of eight Washington, D.C. political analysts, who recently met to review the political health of the Bush presidency, is that the President is "riding high" in the polls now. But if the economy worsens or there is a military stalemate in the Persian Gulf adventure, Bush is in trouble. "If the focus comes back to the economy, and if there is a tax increase, which I expect, and if we have a recession . . . he is going to be in much more difficult straits," said Paul Weyrich, president of the Free Congress Foundation. Analyst Kevin Phillips warned of a possible "October Surprise" by the White House in an effort "to pull off [a military victory] in the middle of October intended to influence the November elections."

Geopolitical strategist Edward Luttwak bitterly commented that the U.S. is in effect a Third World nation, with no ability to sustain the obligations of a major power. In a *Washington Post* guest commentary Sept. 9, he wrote, "Until now, it was only Third World ministers that would go on the road asking for donations as we are now doing. But that is perfectly appropriate, because the United States has itself been sliding into Third World conditions—although in truth nowhere else is the typical Third World trait of massive public and private insolvency more in evidence."

# Muhammad campaign rocks Dem machine

by Debra Hanania Freeman

In an incredible display of arrogance, the Prince George's County, Maryland Democratic Party machine claimed victory for incumbent Congressman Steny Hoyer in the primary election on Sept. 11, reporting that Hoyer had won 79% of the vote compared to 21% conceded to Dr. Abdul Alim Muhammad, despite widespread charges of vote fraud.

In one of the few races to spark voters' interest in an otherwise dull election year, Abdul Alim Muhammad mounted the stiffest challenge that Hoyer, the fourth-ranking House Democrat, has faced in his long career as a fixture in the state's Democratic Party machine. Hoyer, who repeatedly refused to debate Muhammad, had claimed that he did not feel threatened by his opponent. However, for the first time in nine years, Hoyer was forced to spend a significant portion of his \$400,000 war chest to run an aggressive radio and television campaign.

Dr. Muhammad, a surgeon and the national spokesman for Minister Louis Farrakhan's Nation of Islam, forged a broad coalition of popular support with the largest volunteer force in Maryland history. The weekend before the election, the candidate was accompanied by well-known Chicago Congressman Gus Savage and some 250 volunteers, in a campaign blitz that distributed over 300,000 pieces of literature in 48 hours.

## Vital issues raised

Prince George's County is the nation's largest black suburban community. It is also said to be the most affluent. But the district has been hard hit by the Bush administration's flea-market economic policies, and is posting the highest rates of unemployment in county history. So, it came as no surprise when Dr. Muhammad, a first-time candidate, received the warm reception he did among voters.

He reached out to the county's majority black population, focusing on their political and economic disenfranchisement. He stressed issues such as affordable housing, education, and drug and crime prevention. He was also the only candidate who addressed the issue of the AIDS epidemic that is sweeping the nation.

Muhammad enlarged the campaign discussion beyond domestic issues. He had traveled to Panama shortly before

the illegal U.S. invasion and had accused the Bush administration of genocide in the murder of thousands of innocent civilians. He has also been an outspoken critic of the administration's current Middle East adventure, stressing that the only way to win peace in that region is through a policy of economic and especially infrastructure development.

## Widespread vote fraud

When the polls opened, the local Democratic Party machine was shocked to find pollwatchers from Muhammad's campaign at virtually every precinct. Many remarked that they had not opened polls in the presence of pollwatchers since 1962. Although many of the pollwatchers had never participated in an election before, they were well trained in ballot security procedures and armed with copies of Maryland's Election Code.

But, the Democratic Party machine, notorious for Election Day dirty tricks and vote stealing, was undaunted. Throughout the day, a team of high-powered civil rights attorneys was swamped with calls from the field documenting the party apparatus's blatant disregard for the law. In precinct after precinct, Muhammad pollwatchers were not permitted to inspect machines before the polls opened, as is customarily allowed. In some precincts, they were barred from the premises. Where watchers were permitted inspection, there were widespread reports of defective machines, broken seals, and machines with votes recorded on them prior to the polls' opening.



*Dr. Abdul Alim Muhammad, at the podium following a speech to a conference of the International Caucus of Labor Committees on Sept. 2.*

Stuart Lewis

## Four primaries show LaRouche Dems' backing

The Sept. 11 primaries in Maryland, New York, Minnesota, and Wisconsin provided further evidence that the LaRouche wing of the Democratic Party is expanding its influence among American voters. Faced with an expanding depression at home, and a Vietnam-like war deployment abroad, Americans are responding to the LaRouche candidates' calls for industrial and agricultural expansion, support for LaRouche's Productive Triangle program for a unified Germany, and an end to the Mideast war.

In Maryland, where cargo tonnage passing through the Port of Baltimore is down 14% compared to 1989, and the number of bankruptcies filed in June shows a 50% increase over June last year, congressional candidate Cornelius Morgan polled 38% in the 2nd C.D. "Neil" Morgan was well-known for his attacks on the anti-human policies of the Anti-Defamation League, and his stand against the "Jap-Bashing" of Republican incumbent Helen Delich Bentley. Morgan repeatedly stated that "the U.S. should ally itself with Germany and Japan, rather than making them our enemies." Six LaRouche Democrats running for the Maryland House of Delegates received votes in the

20-25% range, and Pat Albright, running for State Democratic Central Committee on the Eastern Shore, won her seat.

In New York State, LaRouche Democrat Keith Perez received 34% of the vote in the 29th C.D., which includes part of the City of Rochester. Breaking through the appalling lack of policy discussion in the media, best characterized as "whatever you do not speak about, does not exist," Perez called himself an Old Democrat, "believing like LaRouche or John F. Kennedy that industrial and agricultural progress is the backbone, the very source of existence of this nation." The district Democratic machine reacted by challenging Perez's ballot status, thus delaying his campaign, and when that failed, fielding another candidate with the avowed purpose of stopping Perez, who was denounced as "not a real Democrat."

In Minnesota, where Governor Rudy Perpich's "New Age" speculation policies have produced glittering but empty office buildings and condos along the Minneapolis waterfront while Mississippi River trade declines, LaRouche Democrat Gary Legare polled 26% in the 2nd C.D. primary, and three LaRouche candidates for state representative received 21-23% of the vote. In Wisconsin, LaRouche Democrat Peter Taylor received 20% in the 5th C.D. against incumbent Jim Moody, one of those who had complained about the strength of the LaRouche movement on the floor of Congress.

The pattern continued throughout the day, with reports of election judges tampering with the backs of machines, accompanying voters into the voting booths, and, in several cases, instructing certain voters to vote on as many as three or four machines. When pollwatchers challenged improper procedures, they were ousted by the judges.

At the end of the day, in almost every precinct, pollwatchers were not permitted to view vote totals on the machines. In a significant percentage of precincts, the number of votes the machines recorded exceeded the judges' own records of the numbers who had actually voted.

The irregularities were so widespread, that it is impossible to ascertain who actually won the election. However, political observers agree that it is absurd to credit Abdul Alim Muhammad, a tremendously popular challenger who campaigned aggressively, with a mere 21%, especially since statistically, almost anyone who opposes an incumbent in a two-way race is virtually assured 20% of the vote. One political veteran said, "Sure, it would have been more credible to give Muhammad 40%, but the machine is sending him a message. They don't care if the theft is blatant. They're trying to demoralize his supporters and black voters in general. They're saying, 'You'll never upset the machine.'"

If the mood at Dr. Muhammad's campaign headquarters on election night was any barometer, that message didn't get through. Several hundred campaign workers waited until midnight to hear from their candidate and, despite the fact that most had been on their feet for 20 hours, they were exuberant.

When Dr. Muhammad and his family arrived, they were accompanied by Congressman Savage, who reminded the crowd that he had run five times before he finally took his congressional seat. Dr. Muhammad, who made clear that he was not ready to concede to Steny Hoyer, read a message of congratulations from Minister Louis Farrakhan, who noted that as the first member of the Nation of Islam to seek a congressional seat, Muhammad's campaign had opened a new era. He said, "You didn't just open the door, you knocked it down! Now, we are going to walk through it!"

Attorneys for the campaign are still compiling evidence of irregularities, and further legal action is expected. Whatever happens in that regard, however, one thing is clear: Abdul Alim Muhammad brought hundreds, and probably thousands of citizens into the electoral process in an active way for the first time in their lives and, as a result, politics in Prince George's County will never be the same.

## The congressman from ADM and AIPAC

by Kathleen Klenetsky

In early August, during a congressional debate on campaign financing, Rep. Richard "Little Dicky" Durbin (D-Ill.) rose on the floor of the House of Representatives and delivered a vituperative attack on political prisoner Lyndon H. LaRouche and the candidates' movement associated with his ideas. Nearly beside himself with rage, Durbin slandered LaRouche and his associates as "extremists" who were guilty of "racism" and "anti-Semitism."

Ranting about the growth of the LaRouche movement, especially since two LaRouche Democrats had won statewide primaries in Illinois back in 1986, Durbin insisted that LaRouche's constitutional right to "speak out and participate in our political process" had to be curbed.

In putting on this display—only one of several public smears which Durbin has leveled against the LaRouche movement in the last several years—the Illinois congressman was simply doing the bidding of the group of special interests which bought him his congressional seat—and which also happen to have figured significantly in the "Get LaRouche" campaign.

Among the most important of Durbin's "owners" are Archer Daniels Midland (ADM), the powerful grain cartel company, as well as the so-called Zionist lobby, particularly the American-Israel Public Affairs Committee (AIPAC).

### The alcoholic congressman

ADM, which is headquartered in Durbin's district, has plied Durbin's successive congressional campaigns with funds, as has ADM's owner, the Andreas family. This is the same Andreas family which finances the Anti-Defamation League (ADL—the American Dope Lobby), and whose patriarch, Dwayne Andreas, is one of Moscow's favorite businessmen.

The investment has paid off handsomely. Durbin has used his office to promote ADM-backed legislation that would require that all gasoline in the United States be blended with ethanol—a grain product over which the company has established a monopoly. He has also fought to ban ethanol imports into the United States, because these would break ADM's monopoly.

The link between Durbin's championing of ADM's pet legislation, and the hefty financial contributions which he

has received from the company and its owners, is so obvious, that even the 1990 edition of *The Almanac of American Politics* was forced to comment on it. Durbin's ethanol initiatives "are positions that help Andreas and ADM," says the *Almanac*.

### Filthy lucre

Dwayne Andreas's close ties to the ADL point to another clue to the question of who runs Dicky Durbin. Durbin was first elected to Congress in 1982 through an illegal conspiracy orchestrated by AIPAC, the registered lobbyist for the Israeli government under the foreign agents registration law.

Durbin ran against incumbent Paul Findley, a liberal Republican whose efforts at promoting a more even-handed U.S. policy in the Mideast earned him the enmity of the pro-Zionist lobby. Durbin ran a "dirty tricks" campaign against Findley, in which the latter was portrayed as a traitor to Israel and the Jewish race.

AIPAC was pivotal in Durbin's election. The organization is legally prohibited from giving financial contributions to political candidates, because it is not registered as a political action committee (PAC) or party. But according to several investigations, including one conducted by the *Wall Street Journal*, AIPAC circumvents these inconvenient legal technicalities by orchestrating the operations of the 90-plus pro-Israel PACs which have sprouted up in the past decade. This gives it a mammoth capacity to intervene in elections, which it uses to the hilt.

AIPAC's fronts poured over \$100,000 into Durbin's campaign coffers, enabling him to narrowly defeat Findley. AIPAC executive director Thomas A. Dine claimed credit for Findley's defeat, saying his forces had brought 150 students from the University of Illinois to "pound the pavements and knock on doors." Dine boasted that "this is a case where the Jewish lobby made a difference." He later estimated that \$685,000 of the \$750,000 raised by Durbin came from Jews.

Findley has written a book documenting AIPAC's power, and has also filed several complaints with the Federal Election Commission charging that AIPAC has had "illegal relations" with its network of PACs in funneling money to such candidates as Sen. Tom Harkin (D-Iowa).

But the dirty little tale of who funds Dicky Durbin doesn't end there. He has taken money from Michael Milken, the convicted junk bond king, and from several of his cronies at Drexel, Burnham.

Durbin has also received contributions from the company PAC of Seagram's—owned by the notorious dope money-linked Bronfman family, which is also big in ADL-AIPAC circles, and which has been active in anti-LaRouche operations.

The next time Durbin demands that someone else be deprived of their constitutional rights because of the political "threat" they represent, ask yourself what special interest he's mouthing off for this time.

# 'Cannibal' is would-be governor of Virginia

LaRouche for Justice, the campaign committee of Lyndon LaRouche's campaign for the U.S. Congress from Virginia's 10th District, has issued a mass-circulation leaflet exposing the barbarity of one of the state's most prominent Democratic politicians, Attorney General Mary Sue Terry, who is already campaigning actively to become the state's governor in the 1993 election.

The leaflet makes no bones about what LaRouche and his friends think of Miss Terry. Illustrated with a caricature of the attorney general's hatchet-like features, adorned with human bones in her coiffure, the leaflet has the title, "Mary Sue Terry Is a Racist Cannibal." A slogan at the bottom reads, "Mary Sue Terry may install an extra stove in her kitchen in case the electric chair is overbooked."

The leaflet targets not only Terry, but the growing perception among economically desperate Americans that capital punishment is somehow a solution to the social degeneration of the country. "America is the *only* Western nation which still imposes the death penalty; every other Western country considers it barbaric. And, of all the states in the United States, Virginia leads in the number of people it kills," reports the campaign leaflet. "Since colonial times, Virginia has officially executed more than 1,300 people, and 247 have been fried—the highest number of any state in the nation—since the electric chair was introduced in 1908 to make executions more 'humane.' "

It continues, "But for Mary Sue Terry, the numbers aren't high enough. The same state government of Virginia which is carrying out a vendetta to shut down the political movement associated with 10th District Independent Democrat congressional candidate Lyndon H. LaRouche, and to throw his associates in prison with 'overkill' sentences, is, measured by the standard of the death penalty, the most barbaric state government in the Western world."

## Terry puts budget before human life

Mary Sue Terry flaunts the state's judicial efficiency in carrying out executions. In her 1989 biannual report, she bragged that the U.S. Supreme Court "upheld Virginia's position that a death row prisoner has no constitutional right to court-appointed counsel to pursue legal challenges to his

conviction after his direct appeals have been completed." But LaRouche for Justice charges that the real motive is that Virginia doesn't have any money in its coffers and "Mary Sue Terry doesn't want to pay to keep people alive."

The European Parliament, which last year initially refused to return an American to Virginia to face murder charges that might have brought the death penalty, "regards Virginia's attorney general as a virtual cannibal," the leaflet reveals.

A feature article in the weekly *New Federalist*, published on Aug. 24 of this year, reported that Terry was put into office by the circle of elite financiers, prominently including the R.J. Reynolds tobacco interests, who were instrumental in sterilizing hundreds of minorities and allegedly mentally retarded children—for reasons of "race purification"—in the 1940s and 1950s. "The Reynolds family, which finances sterilization, abortion, and euthanasia projects around the world today, has been the patron and political sponsor of Mary Sue Terry's family in Patrick County, Virginia, since her political career began," charges the leaflet.

## Virginia's barbaric record

Of the 50 inmates now on death row in Virginia, 30% are mentally retarded and approximately 70% are borderline retarded. Many have tested IQ's in the range of 60. This fact reminds one of the Nazi policy of gassing those whom they considered "useless eaters." Two of the inmates on death row are probably innocent of the crime they were charged with and proven not to have been at the scene of the crime.

A recent study, comparing the race of the victim and the perpetrator, demonstrates that if the victim is white and the defendant is black, the death penalty rate is four times higher than any other combination. Virginia's death row inmates—as part of the national pattern—are overwhelmingly black men convicted of violent crimes against white women.

Virginia has the lowest rate in the nation of preventing actual executions through legal appeal. In Virginia only 6% of the death sentences are later overturned on appeal, as compared to 44% in South Carolina and 100% in New Jersey. Since Virginia courts demand "contemporaneous objections" for an appeal to be heard, when a lawyer fails to issue instantaneous objections at trial, no matter what the error, the condemned can never come back and raise it on appeal.

"Terry's bloodthirst against capital criminals matches her zeal in carrying out vendettas against the political movement associated with LaRouche," the leaflet concludes.

Indeed, the same report from the Attorney General that boasts of the state's record in executions, includes the following: "We took the initiative again to spearhead the criminal investigation of fundraising groups associated with the Lyndon LaRouche organization." Under Terry's regime, political associates of LaRouche have been framed up and given prison sentences of up to 77 years, on phony charges of "securities fraud."

## Seidman tries to lessen thrift costs

In a growing economic nightmare for federal regulatory institutions as the decline in real estate values throws more thrift institutions into the red, Federal Deposit Insurance Corp. chairman L. William Seidman, in testimony before the Senate Banking Committee on Sept. 10, suggested that it might be cheaper to let the thrifts continue operating under close government supervision "until the real estate market improves."

The FDIC chairman is trying to steer a course between the Scylla of allowing the ailing thrifts to continue functioning and the Charybdis of selling their assets and flooding the faltering real estate market with additional worthless real estate. "The more we can avoid forcing more real estate into the public sector at this time, the better off we would be," he said.

Congressmen are uneasy about the direction things are taking. "The drop in real estate prices has added a whole new dimension to this problem," said Sen. Donald Riegle (D-Mich.), chairman of the Senate Banking Committee. "The severity of the losses is going beyond what anybody had imagined."

Timothy Ryan, director of the Office of Thrift Supervision, admitted to *EIR* that this is a process "which we have no control over whatsoever." However, there is concern that allowing the thrifts to remain open would erode the tougher capital requirements imposed by the S&L cleanup law, which was designed to resolve the crisis.

In the midst of the hearings, another shock wave swept the Congress as the General Accounting Office announced on Sept. 11 that the FDIC

was "in precarious condition" (see article, page 21).

Senator Riegle said that the weak economy, falling real estate prices, the collapse of the junk bond market, and sliding stock prices compound the FDIC's problems. "Taken together, there is a picture of great economic and fiscal stress," said Riegle.

## DeConcini: Strong-arm allies on Gulf venture

In an amendment to a spending bill for the Postal Service, Treasury Department, and other government agencies passed by the Senate on Sept. 10, the Senate approved a resolution submitted by Sen. Dennis DeConcini (D-Ariz.) calling on the President to take "the diplomatic initiative to encourage other nations to share the international financial burden of the defense of Saudi Arabia" and to ensure that those allies who are not involved militarily in the Gulf action assume "an appropriate financial share of the collective defense commensurate with their national means."

The resolution is an attempt to get the Germans, the Japanese, and the French, to foot a greater portion of the bill for the Anglo-American Gulf venture.

In a vicious attack against the West Germans and the Japanese, DeConcini noted that, although both nations are prohibited by their Constitutions to send troops abroad, "these constraints do not mean that these countries cannot contribute in substantial ways to the international effort." DeConcini made a particular swipe at the Japanese. "Japan had difficulty even sending 800 four-wheel-drive vehicles for troop transport use

in Saudi Arabia because its merchant marine was hesitant about sending a ship into the region. It took nearly a week for the vehicles to be shipped." "There does not seem to be this same hesitation, however, when four-wheel-drive vehicles are sent to U.S. ports for sale in this country. . . . Other countries must also sacrifice."

## Budget negotiations muddle along

Changing venue for the budget summit did not seem to help much in creating a consensus between the White House and the Congress as to how they will proceed to whittle some \$50 billion out of the federal budget. Negotiators continued their discussions in closed-door talks on Sunday Nov. 9, in a converted bar at Andrews Air Force Base.

According to congressional and administration aides, progress toward a deficit-reduction compromise has been excruciatingly slow. Democrats have been calling for increasing the top nominal income tax rate to 35% from the current 28%, and for an additional 10% surcharge on taxpayers earning more than \$500,000 a year.

Republicans insist that no income tax increases are acceptable, and want draconian cuts in domestic programs and indirect taxes to reduce the budget deficit. The two sides have inched closer on certain issues, but remain billions of dollars apart on how deeply to cut the defense budget and on the nature and size of the cuts in domestic spending.

During their meeting at Andrews, they were approaching a consensus to slash spending on federal benefit programs, such as Medicare and govern-

ment employee pensions, by between \$10-11 billion.

Energy taxes are an option which both sides seem to be considering, despite the tremendous increases in the price of oil and gasoline caused by the Gulf crisis. The Democrats want a new tax on luxury goods of 10% of the purchase price in excess of \$25,000 for autos, \$1,000 for electronics, \$5,000 for jewelry and \$500 for furs. They also want to double the federal tax on beer and wine over five years.

President Bush used the occasion of his speech to the joint session of Congress on Sept. 11, in which he hyped his Gulf deployment, to threaten the Congress that they must come to an agreement soon or he would use his luster as the Rough Rider of the Arabian sands to bludgeon them into an agreement. Bush proposed that the negotiators come to an agreement on a five-year, \$500 billion deficit-reduction package.

If no agreement is reached by Oct. 1, barring any legislative action changing the Gramm-Rudman budget deficit law, across-the-board spending cuts mandated by Gramm-Rudman would be automatically triggered, taking the decisions out of everybody's hands. But Washington observers believe that some kind of an agreement will be reached to prevent that from happening.

## **Gonzalez will call for troops to come home**

In an interview published on Sept. 9 in the *San Antonio Express News*, Rep. Henry B. Gonzalez (D-Tex.) said that he is preparing a resolution calling for President Bush to pull the troops out

of Saudi Arabia. Sending troops and military equipment to Saudi Arabia are "acts of war," he said. "Why is he making war when Congress has not declared war?"

Gonzalez blasted Speaker of the House Thomas Foley (D-Wash.) and Senate Majority Leader George Mitchell (D-Me.) for "abandonment of duty as the loyal opposition" for their strong support of the President. "Does anyone think I want my constituents to die for Exxon oil?"

When asked about former Attorney General Ramsey Clark's call, published in the Aug. 24 *Los Angeles Times* for immediate withdrawal of troops, Gonzalez said he agrees with Clark and will "do something about it by introducing a resolution calling on the President to pull the troops out of Saudi Arabia."

The interview ended with a question about whether he would consider introducing a resolution for Bush's impeachment. Gonzalez responded: "I am thinking about it. First I want to see what happens to my resolution to pull the troops out."

## **Traxler: U.S. should not be 'cop of the world'**

The United States should not have sent troops to the Middle East, and should stop playing "cop of the world," says Rep. Bob Traxler (D-Mich.), according to a report that appeared in the *Flint Journal* on Sept. 10.

"I don't think it's in our best interest," he said, during the Michigan Democratic Party's convention in Flint. "We ought not to be the cop of the world."

"But I also will do everything I

can to bring them home," he said, especially when Congress is called on to vote on the conflict.

"Clearly the reason we are there is because of international oil. A barrel of oil is not worth an American life."

Faced with a staggering budget deficit, the United States should stay out of regional conflicts, Traxler said.

"I don't want us to be bled economically white to be the cop of the world," he said. "We can no longer afford it."

He said he is aware his anti-military position is not popular, but said he doesn't think he is alone. "There are many people who are questioning our reasons for being in the Middle East," he said.

## **Popular support for Gulf policy is waning**

The aura of unity which first greeted the show of American force in the Gulf is beginning to be replaced by concern and opposition to the debacle. Despite polls showing that the majority of Americans support the Bush administration's deployment of troops to Saudi Arabia, there are plenty of indications emerging that this support could evaporate overnight.

Rep. Les AuCoin (D-Ore.) reported that in his Portland district, calls to his office have been running 36 to 1 against military involvement, since the third week in August.

Sen. Tom Daschle (D-S.D.), co-chairman of the Senate Democratic Policy Committee, said his home state of South Dakota was sending him "a lot of mixed signals. The farther you get from the initial response, the greater the uncertainty about the reason for our being there."

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# National News

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## U.S. privatizes weather forecasting

The U.S. Department of Commerce, which runs the National Weather Service, will be contracting with private firms to provide weather data to the public—for a charge. The move, billed as a step to save money, will end up costing lives.

After receiving forecast data free for over a century, farmers, small contractors, and others unable to pay for the service, will be left out in the cold.

A similar policy of the Reagan and Bush administrations wrecked the Landsat Earth remote sensing system, which has been nearly privatized out of existence. In 1983, the Reagan administration tried unsuccessfully to relieve the federal government of any responsibility for the weather satellites. The space assets will still be owned and operated by the government, but there will be a charge for some of the data and forecasts.

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## Baptist convention says no combat in Mideast

Some 10,000 delegates of the 7.8 million member National Baptist Convention, U.S.A. meeting in Los Angeles, California unanimously passed a resolution Sept. 8 urging the U.S. government to keep U.S. troops out of combat in the Persian Gulf.

Rev. T.J. Jemison attacked Bush's Mideast adventure during the welcoming ceremony. "We are not fighting over any principle or ideal. Our fighting right now is over oil. We're jeopardizing our fine young men and women over oil in the Persian Gulf. . . . It's unfortunate America would become involved the way it has," Reverend Jemison said.

In a joint letter, Rev. Paul H. Sherry, president of the 1.6 million member United Church of Christ, and Rev. John O. Humbert, president of the 1.1 million member Christian Church (Disciples of Christ), also urged restraint. "We believe that restraint by the U.S. and other nations . . . is essential.

. . . The U.S. and other nations should look increasingly to the United Nations for an appropriate response" and "are concerned that the continuing buildup of an already massive military presence . . . will hamper these efforts and exacerbate tensions," they said.

The UCC's Office for Church in Society, the denomination's social-action arm, released a statement Aug. 16 that said, "Further buildup of an already massive U.S. military presence . . . should be halted" and called on the U.S. to "take seriously the long-term struggles and aspirations of Arab peoples."

The American Friends Service Committee called on Sept. 4 for an end of the U.S. buildup.

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## Judge finds government misconduct in drug case

A Los Angeles federal judge dismissed the "payola" case against music promoter Joseph Isgro and two others, on grounds that federal prosecutors withheld exculpatory evidence from the defense.

Judge Ideman dismissed the charges "with prejudice," and "tongue-lashed the prosecutors for 'intentionally' withholding evidence because 'they feared [its] devastating effect' on their case," the Sept. 5 *Wall Street Journal* reported.

Isgro, who was hired by record companies to convince radio stations to play their records, had been charged with 57 counts of racketeering, failing to report to the Internal Revenue Service certain cash payments, and other charges. The case against Isgro, who was also charged with giving cocaine to radio station employees, was puffed up as the largest payola case in 30 years.

The government's key witness was Dennis DiRicco, a former IRS agent convicted of tax conspiracy and obstruction of justice in 1989. After his conviction, DiRicco agreed to cooperate with the prosecution in other cases in exchange for other drug charges being dropped. DiRicco's testimony in his own case contradicted his statement to the grand jury that indicted Isgro in no fewer than 74 instances. According to one of the defense lawyers, prosecutor Wil-

liam Lynch, dispatched by the Department of Justice from Washington to handle the case, accidentally let slip a remark in the judge's chambers indicating that he was aware of DiRicco's testimony.

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## Arnold and Porter firm backs environmentalists

Arnold and Porter, the leading law firm of the Eastern Establishment, has announced it is launching a fundraising drive in collaboration with the Environmental Federation of America, to bring in hundreds of millions of dollars in funding for environmental causes.

The press release announcing the undertaking stated that the effort would attempt "to reach beyond traditional direct mail donors and foundation grants" and would be "an aggressive campaign to raise money through workplace giving programs. The initiative, a direct challenge to United Way's near monopoly on workplace giving, has already raised millions of dollars through federal employees. Now, with the participation of Tandem Computers and the law firm of Arnold and Porter, EFA is expanding its 'One Fund for the Environment' into the private sector."

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## Virginia judge covers up for ADL

Roanoke, Virginia Circuit Court Judge Clifford R. Weckstein again refused in a Sept. 7 hearing to remove himself from hearing a case concerning associates of Lyndon LaRouche, despite overwhelming evidence that he is biased by his involvement with the Anti-Defamation League of B'nai B'rith (ADL).

Attorneys for Anita Gallagher, Paul Gallagher, and Laurence Hecht, who are accused of "securities fraud" and are scheduled to go on trial before Weckstein in November, demanded that Weckstein recuse himself because he engaged in *ex parte* communications with the ADL and allowed himself to be bribed by a promise of ADL support for his nomination to the Virginia Supreme Court.



## Briefly

● **DISMISSAL OF CHARGES** against former CIA agent Joseph Fernandez in the Iran-Contra scandal was upheld by a federal court in Richmond, Virginia Sept. 6. The government had refused to allow documents considered crucial by the defense to be released publicly, which led to the dismissal.

● **RICHARD SECORD**, the retired Air Force general in the Iran-Contra scandal, testified in the tax evasion case against former CIA agent Thomas Clines that Clines shared in Iran-Contra arms sale profits, but that records of the weapons deals were "cooked" after the scandal became public, the Sept. 6 *Washington Times* reported.

● **SEN. MOYNIHAN (D-N.Y.)** compared the U.S. to the Roman Empire. "There's no way we'll be out [of the Gulf] in a year's time. Listen, we've been in Korea since 1950. We've been on the Rhine for almost half a century. That's the stuff of Roman legions," he told the Sept. 8 *Financial Times* of London.

● **THE WHITE HOUSE** has backed away from a total "free market" international competition for satellite launchers. The National Space Council announced Sept. 7 that satellites owned by the U.S.—NASA and the Department of Defense—will be launched only on U.S. vehicles.

● **JOSEPH SOBRAN**, a founder of the Committee to Avert a Mideast Holocaust and a senior editor of *National Review*, said those calling for use of nuclear weapons against Iraq are urging "mass murder." "They don't like to think of it that way, but that's what it is: a deliberate killing of countless innocent people," he said in the Sept. 11 *Washington Times*.

● **SHARON PRATT DIXON**, in an upset, won the Washington, D.C. Democratic mayoral primary on Sept. 11, taking an overwhelming majority of the white vote.

As was revealed during the court hearings in the case of LaRouche associate Richard Welsh in May, the ADL, which has expressed enmity against LaRouche and his political movement for years, has had an interest in prosecutions of LaRouche associates in several state and federal courts.

Don Randolph, a California attorney representing Paul Gallagher, argued that Weckstein's involvement with the ADL was outrageous and outside the bounds of legality and the canons of judicial ethics. Randolph said that if Weckstein refused to step down from the case, he should order an evidentiary hearing before another judge in which he, Weckstein, would be the first witness.

Randolph argued that only if Weckstein testified under oath and was cross-examined, would the defendants ever be able to know the truth about the ADL's efforts to rig their trial. Randolph said that in addition to Weckstein, he wanted Murray Janus, an ADL national commissioner and friend of Weckstein, Janus's partner John Lichtenstein, and ADL regional director Ira Gissen—all of whom corresponded with Weckstein concerning the LaRouche associates' cases—to testify.

Gerry Zerkin, attorney for Laurence Hecht, argued that the appearance of bias was overwhelming. He said that when Weckstein was contacted by the ADL, he should have immediately contacted law enforcement to investigate and prosecute the ADL for obstruction of justice. Instead, Weckstein engaged in a continued correspondence with individuals who were directly involved in the prosecution of the cases before him.

Weckstein denied an evidentiary hearing, and before denying the motion to recuse, he asked the prosecutor, Assistant Attorney General John Russell, if he was prepared to defend Weckstein's decision before the Court of Appeals. Russell said he was.

### Carpenters union hit with civil RICO suit

The U.S. Attorney for the Southern District of New York has filed a civil Racketeering Influenced and Corrupt Organizations

(RICO) suit against the New York City District Council of Carpenters, union officers, and six members of the Genovese crime family.

The suit alleges that the union and crime figures systematically extorted payoffs from contractors in exchange for agreements to maintain labor peace and to allow certain violations of the contract. The suit also alleges that the union intimidated members who challenged this state of affairs.

The Justice Department asks the court to appoint an independent trustee to run the union, which represents over 30,000 members and is the largest of New York City's building trades unions. The DoJ said it may file criminal charges.

### New call for immediate freeing of LaRouche

"The time has come for a renewed international effort of intervention for the immediate freeing of Lyndon H. LaRouche from prison," Warren Hamerman declared in a Sept. 10 statement.

"LaRouche has served more than one and a half years in prison. This is far too long, for someone who is thoroughly innocent . . . and incarcerated because of a political vendetta," Hamerman said.

Hamerman said the LaRouche case proves two things which should be known around the world: that the court system in the U.S. is corrupt, and that there is corruption in the person of President George Bush, who is sitting on evidence which would prove LaRouche's innocence.

Hamerman said that Bush is personally involved in the LaRouche case in suppressing exculpatory evidence, and that when George Bush was Vice President, Oliver North, John Poindexter, and others, tried to fabricate false evidence against LaRouche in consultation with Bush's personal attorney, C. Boyden Gray.

"The issue was that Lyndon LaRouche was highly critical of the drug-running of the Nicaraguan 'Contra' forces," he said, which Bush and others were backing. The suppression of the fact of this drug-running, was a political motive to frame up LaRouche.

## Editorial

### *Freedom must be victorious*

October 3 is a day for all the world to celebrate. The official reunification of Germany after a 45-year period of occupation, is a cause for all republican opponents of tyranny to celebrate, not only because it redresses past injustices, but because of the hope which the new Germany offers for the rest of us.

We all remember those moving images from Nov. 9, 1989 when people fell into each other's arms and wept tears of joy as the Berlin Wall was opened. As the pictures of people dancing in the street were seen around the world, it was understood everywhere that people in the German Democratic Republic had fought and won a victory for freedom for people the world over.

Less than one year later, on Oct. 3, 1990, German reunification will be completed and will be celebrated with a great popular festival all over Germany. Henceforth, Oct. 3 will be a national holiday for Germans. But it is not just Germans who have reason to rejoice; the whole world should celebrate this day. German reunification symbolizes in a twofold way, the end of an era and the hope-filled beginning of a new one.

On the one hand, the postwar order, characterized by the division of Europe sealed at Yalta, has come to an end; and on the other hand, it marks the end of the period since the Bolshevik Revolution of 1917 because communism as an ideology has failed. The ideas of national sovereignty and of the sovereignty of the individual have proven to be stronger. West German Chancellor Konrad Adenauer spoke correctly when he predicted that the economic power of the West would turn out to be a magnet for the East.

Today, no one need harbor any fear of the strength of the German economy. On the contrary, at a moment when the Soviet Union is in a catastrophic economic crisis, the potential of the German economy for the development of Eastern Europe and the Soviet Union represents the major guarantee of peace. The German economy, as the linchpin of a great European economic zone of 500 million people, must become the locomotive for the world economy and thus give the impulse

throughout the world, wherever there is still underdevelopment, to removing poverty and need, above all in the developing nations.

Despite the considerable difficulties in the economic situation in the East, an optimistic attitude of change has gripped many people in Germany, and the best of them are determined that the prospect of developing all of Europe economically be linked with a cultural renaissance and with a revival of the values of Christian Europe. This is one of history's great hours, when we can lay the cornerstone of a new and more human era.

Particularly now, when we face the awful possibility of a Third World War, which may be precipitated by the blundering aggression of a George Bush who has turned the American government into an appendage of the British Foreign Office with his attempt to seize the world's major oil reserves on behalf of Anglo-American interests, it is important to realize that there can be a powerful force for good in the world.

Germans have reason to be happy, but this joy is not their exclusive possession. The potential of a reunified Germany involves the noble responsibility to actively apply the good which has fallen to one's share, for the benefit of mankind as a whole. On this great day, Germany will be unified in freedom, but that also entails the responsibility that the struggle for the freedom of all people on this planet must be carried forward, until everyone can live in full human dignity. As long as there is a single person who remains enslaved, a single person who is not free, then there is no true freedom. "To win reason's freedom, means to establish justice for all peoples; that's true for all eternal time," wrote Friedrich Schiller in his poem fragment, *Deutsche Grösse (German Greatness)*, and that pledge is still valid.

It could not be more appropriate on Oct. 3, than that the celebration of Germany's day of joy become the occasion of international festivals, concerts, speeches, and parades. Mankind does not often have a reason to rejoice, but Oct. 3 is a day when the cause of humanity takes a great stride forward.

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# **A TOTAL WAR STRATEGY AGAINST PEKING**

**by Gen. Teng Chieh**

**"All we need do is to understand how to make the most of our strengths to attack the enemy's weaknesses. Then we can snatch victory out of the jaws of defeat. The Chinese Communist Party is extremely weak, just like a paper tiger—one poke and you could pierce it through. All the masses on the mainland are opposed to communism."**

*—Gen. Teng Chieh*

This amazing little book by one of the top leaders of Taiwan's Kuomintang party, published by Chinese Flag Monthly in December 1988, charted the course for the Chinese students' revolution that erupted just a few months later. Preface by Lyndon H. LaRouche, Jr.

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