

# EIR

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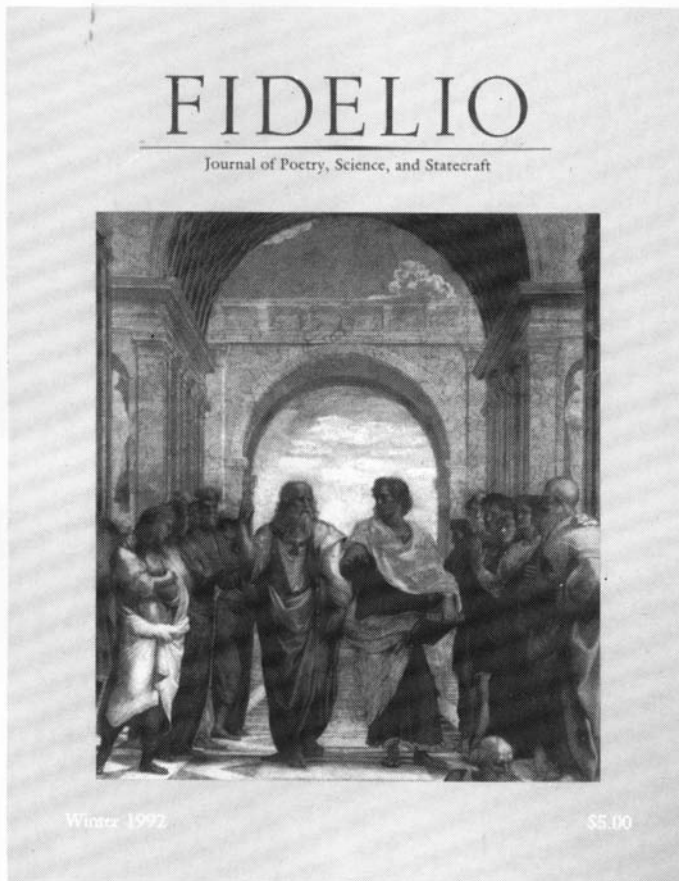
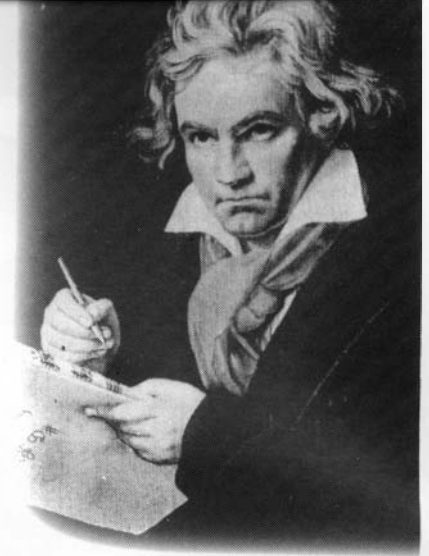
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LaRouche on statecraft for a modern China  
Banks, Labourites won U.K. vote for Tories  
What India's economic reform aims to achieve

**North dope connection  
runs from Bush to Clinton**



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## From the Editor

We think it's high time for the 1992 U.S. presidential campaign to get under way. But that means clearing up the problem that there is no competition between the "front-runners" of the two major parties. As the lead article in *National* reports, there is a reason why there is no difference in policy, economic or foreign, worth mentioning between William Clinton and George Bush. Both are candidates for the unelected "secret" government that has betrayed every founding principle of the United States, to the point of running arms to Khomeini's terrorists and drugs through the Nicaraguan Contras. Nothing could more clearly demonstrate the lawlessness of the Bush regime than the railroaded verdict in the trial of Manuel Noriega (also covered in *National*), but of course, don't expect Clinton to raise any criticism of that act of judicial tyranny.

What we are looking at is a one party system, like Britain's. See Chris White's eyewitness account of the recent elections that returned the Thatcherites to power there for a mirror image of what is intended for the United States, in the *Economics* report.

Our *Feature* presents the alternative in a special way. Since Lyndon LaRouche has been imprisoned for more than three years, we have rarely had the chance to share with readers his uniquely profound strategic thinking. This week, we have been given the opportunity to publish a wide-ranging interview with him, conducted by a member of the Chinese overseas democracy movement. LaRouche, as most readers know, is a candidate for the Democratic presidential nomination on the ballot in 31 states, including Pennsylvania where the primary will be held on April 28.

A new section is inaugurated this week, under the rubric *National Economy* in honor of the great German-American economist Friedrich List, who coined that term and spread it to all corners of the globe. As the first such package, we present an in-depth assessment by our New Delhi bureau, of the economic reforms of the government of India.

In *International*, we call your attention to two reports on Nagorno-Karabakh, delivered in France and in the United States by Armenian nationalists; and to our coverage of the events in Peru, which is the only authoritative and truthful coverage available in the United States.

Nora Hamerman

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A postgraduate student at the University of Arkansas and one of the founders of a civic group called the Arkansas Committee, Swaney has, since 1989, been demanding an investigation of Governor Clinton's role in the Iran-Contra scandal.

**Photo credits:** Cover, Stuart K. Lewis. Page 27, Jim Duree; Philip Ulanowsky. Page 17, Linda de Hoyos.

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An interview with Lyndon LaRouche, conducted by one of the leaders of China's overseas democracy movement. It is necessary to create the kernel of a new leadership for China, LaRouche explains, which has two things: a programmatic conception of the reconstruction of China, and an understanding of the *ideas* upon which a great, new, long-lived social movement can be built. It is necessary to build a movement which is based on the education of the most gifted of the young.

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# Bankers, Labourites deliver victory to Major

by Chris White

The outcome of Britain's general election, which took place Thursday April 9, has been portrayed as a surprising turn-about, with John Major's Conservative Party securing an overall parliamentary majority against all the odds. On closer inspection, there was nothing surprising about the result at all. Striking parallels between the management of the just concluded campaign in Britain, and the charade under way in the United States, pose the question, does democracy have any future in territories under the degenerate sway of Anglo-American financial and political power?

The current political lineup in Britain, as expressed by the institutional arrangements known as "political parties," is an outgrowth of the political settlement of World War I known as the Versailles System. Out of this settlement, directed at the destruction of perceived threats to Britain's world rule in Germany and imperial Russia, came the constellation of parties known today as the Conservative and Unionists, on the one side, and the Labour Party on the other, with smaller groupings, like Liberals and Communists attached. With the breakdown of the Versailles arrangements, typified by deepening worldwide economic depression crisis, and the political overthrow of communist dictatorships in Eastern Europe and the former Soviet Union, it ought not to be too surprising that appendant functions are in a process of breakdown too. What the British call "democracy," a periodic "choice" between two or three non-alternatives, is being replaced by the emergence of an increasingly monolithic power, at the center, ruling over a subject population through methods of social engineering, comparable to those employed in livestock management.

This process was reflected into the British elections very simply. For the last 13 years, since Margaret Thatcher's 1978

electoral victory over Labour, it has been clear that, in effect, the greatest ally the Thatcherites could ever have was the leadership of the British Labour Party. This was true between 1978 and 1983, when the leadership of the radical Michael Foot reduced the party's influence to less than 30% of the British electorate. It has been equally true since 1983, when in the wake of electoral debacle, Foot was replaced by his former parliamentary secretary, the Oxford University-trained workers' education specialist Neil Kinnock.

This time around, Labour's electoral campaign was designed, both with respect to its specific programmatic features, and its political-cultural packaging, to secure a Conservative victory, under conditions of widespread disenchantment and disgust, fueled by the evident depression collapse of the internal British economy. The means adopted were not so different than those employed by Democrats in the United States, in presidential elections in 1984 and 1988, and in state elections, such as Adlai Stevenson's destruction of a viable Illinois ticket in 1986, and the Virginia Democrats' support for Bush's Republicans in 1990. Though there is no mass-based equivalent of the "LaRouche Factor" within the United Kingdom's political arrangements to help crystallize what are called in the U.S. "bipartisan" arrangements, nor to focus opposition potentials into organized form. And thus the thoughtful, aware of crisis conditions, disenchanted with both major options, are left with no effective alternative.

To win this general election, the Labour Party had to defeat the Conservatives in rather more than 100 of the constituencies which had been won by Thatcher in 1987. Many of those constituencies, from the most vulnerable, York in Northern England, to those in and around the London metropolis, such as Basildon in Essex, and Battersea on the



south bank of the River Thames in London, are populated by voters whose ostensible profile would make them natural allies of a Labour-orchestrated anti-recession election campaign. It did not happen because there was nobody to organize any such campaign.

### **Self-defeating Labour budget proposals**

Instead, the campaign adopted ensured Labour's defeat in two respects. First, the party's budget proposals, announced with much fanfare by shadow Chancellor of the Exchequer John Smith, right after the Conservatives had presented their own such budget. The two budgets became the bottom-line indicator of how campaign issues were to be discussed. Where Major's Conservatives proposed to reduce the number of people on the tax-rolls, by raising the income level at which taxation kicks in, to thus neutralize a section of Labour's anticipated vote, the Labour Party precisely targeted the 4.5 million Britons whose income falls between \$35,000 and 70,000 per annum for sweeping tax increases.

For example, Britain's decrepit national health service is financed by a 9% levy on the first £20,000 of everybody's income. Never the most competent way to do the job in any case, Labour proposed to lift the ceiling to £40,000, while changing income tax brackets in such a way as to increase the amount precisely the same people owed Her Majesty's Revenue. Presented as a plan to "redistribute" wealth, the Labour budget plan intended the biggest single tax increase in modern British history, targeted against a relatively select group as a social "leveling" package. It was bigger even than Denis Healey's 1978 "squeeze them till the pips squeak" plan which helped secure the shift in voter allegiances which got Margaret Thatcher elected in the first place, to then implement agreements with the International Monetary Fund which she inherited from their negotiator, Denis Healey. Drummed home in Labour's thematic efforts to make the election a referendum on the future existence of Britain's health service, "redistributionism" did its work.

If the Labour Party was to win, the four and a half million taxpayers so targeted ought to have provided the core for the vote increase they required. With friends like this, who needs enemies? John Smith, the designer of the package, is now tipped as the leading contender to replace the humiliated Kinnock, for whom two successive general election defeats have proven too much.

More decisive than so-called bread-and-butter or pocket-book matters was the cultural-political packaging of such themes. Key words familiar to Americans from this year's Democratic primaries were those most frequently employed, like "now's the time for change," Labour "the party of change," Kinnock, "the agent of change," and so on. Fair enough, it might be thought; after 13 years of Thatcherism, the promise of "change" might be a good rallying cry.

In Britain it never is, nor has it been for quite some time. Wat Tyler and Jack Cade did not rise up for change in the

14th century. Nor was the Civil War, the 350th anniversary of the outbreak of hostilities between Charles I and Parliament, at Hull now celebrated, fought for change. The majority of Brits haven't had the culture to deal with positive conceptions of change for a while. That doesn't mean they cannot be mobilized on behalf of change. It does mean that the change proposed has to be presented as a defense of the existing state of affairs, what some call "the British way of life," and has to be accepted as such; otherwise it will be assimilated as a threat. For the Brit, what is called "experience" shows that change always makes things worse. And thus with dogged determination he will resist "change," convincing himself, apparently each time he has to, that "the devil you know is better than the one you don't know."

Such qualities of the British population, in its electoral manifestation and otherwise, are all too well known. It can thus be assumed that any party which campaigns openly as "the instrument of change," without addressing the underlying habituated cultural outlook which has made the Brit relatively change-proof, does not intend to succeed, and it will not.

These, the thematic features of the Labour Party's electoral campaign were reinforced by Britain's mass media, especially, the country's two television networks which together with opinion polling outfits, produced the propaganda conditioning around prospects for a Labour Party victory, and in the final week of the campaign, prospects of no party emerging with an absolute majority in the next Parliament, the so-called hung Parliament variant, which strengthened all of the fears the Labour campaign had unloosed, while also helping to neutralize revolt in the periphery typified by the Nationalists in Scotland and Wales. They again learn the lesson that a vote for Labour in Scotland and Wales is not much use if it helps return the Conservatives to Westminster. Forty-three such opinion polls were conducted in the 10 days of the formal campaign.

This process, designed primarily to influence the 4.5 million taxpayers targeted by Labour, went so far that the BBC actually organized a selected voter "focus-group," for the duration of the campaign, equipped it with devices which permitted the individuals to signal their "feelings" about politicians and their statements, degrees of like and dislike on a scale of 1-10, to then have those electronically transmuted "feelings" dissected by the public relations experts of each of the three major political parties discussing in roundtable format how their "strategy" had worked, and how it would have to proceed, all this before the nightly nationwide news audience.

Through such means, the British commentators pompously insisted, despite all the odds, they had avoided the worst excesses of the Americans' election campaigns. Leaving aside certain culturally specific features—British politicians can still put whole sentences together without cue cards or audiovisual aids—the outcome was shaped in precisely

the way that American election campaigns have also come to be shaped in recent years, using methods and means that would perhaps have made Hitler's Propaganda Minister Josef Goebbels green with envy.

### The dénouement at the Bank of England

What was all the orchestration designed to achieve? On election night, the Bank of England, like most trading houses in the City of London, stayed open all through the night. Beginning at 1:30 a.m. (Greenwich Mean Time) when Major's return was assured, the Bank began to sell British government debt. Between 1:30 a.m. and 7:00 a.m. about £2.5 billion of debt was sold to buyers from around the world. Between election night and April 14, the Bank had raised over £5 billion, about one-fourth of the amount required to keep the British government functioning over the next year. The flood of funds was supposedly flowing on the euphoria that Labour's defeat eliminated, for the moment, prospects of a sterling devaluation, of increased interest rates, and perhaps of exchange controls and other siege economy tactics, associated with Labour since the 1920s.

Internationally, there was more involved. Two days before the election, Major, in his nightly blue-lit address to campaign workers, accompanied by the strains of Elgar's Enigma Variations, stressed that he had information the "markets" were on the side of his victory, and that he was "stone cold certain" the Conservatives would be returned with an absolute majority. That was the day the U.S. Federal Reserve lowered its interest rates again.

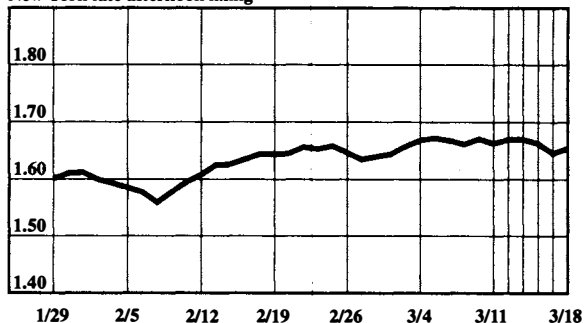
As of 1987, foreign banks, chief among them British ones, accounted for about 60% of new bank lending in New York. As U.S. interest rates have fallen, over the past period, British banks have been able to borrow, at low U.S. rates, to then relend, for example to Germany through the market for Germany's state bonds, to Italy, to Spain, where interest rates remain much higher than in the U.S., or even Japan. As, between 1978 and 1982, under Carter and then Reagan deregulation, and Volcker's high interest rates, offshore funds were moved into the U.S. to create the bubble known as the Reagan recovery, so now the financial muscle that backed Major's victory, is deploying with the intent to create another such debt bubble to parasitize the lifeblood out of the economies of primarily western Europe, with Germany at its center.

Does this mean that Bush and Company can take comfort from the Conservatives' victory, as press spokesman Fitzwater's statement claiming triumph and encouragement from the "stability" of "Anglo-Saxon democratic institutions" suggests? Far from it. The international usury Britain's Labour Party has protected feeds on chaos and instability of the sort now ripping through speculatively inflated real estate markets in London, Toronto, and New York City. Such users will also feed Bush's pathological lust to kill, to foster the same instability on which they insanely consider they thrive. Major's return renews that commitment.

## Currency Rates

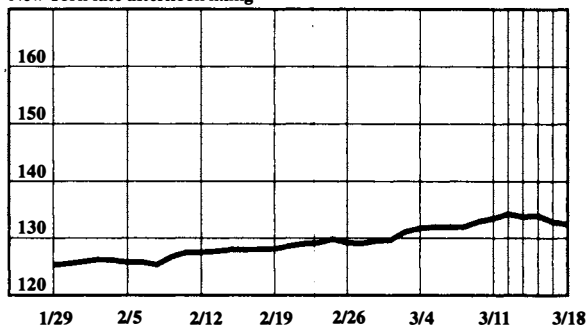
### The dollar in deutschmarks

New York late afternoon fixing



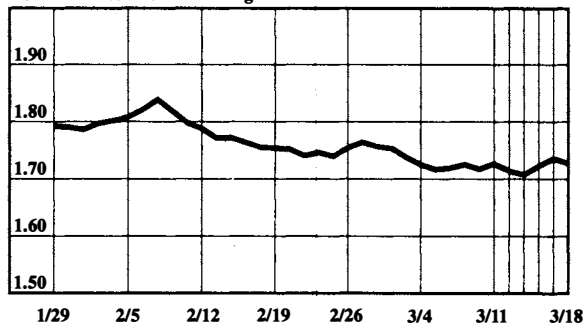
### The dollar in yen

New York late afternoon fixing



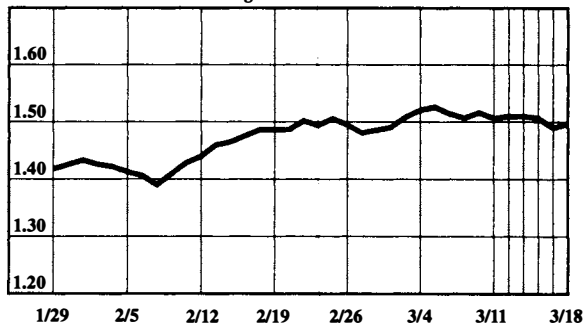
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing





# Salomon targets Japanese banks

by Kathy Wolfe

The Tokyo office of the top Anglo-American investment bank Salomon Brothers fueled recent drops in the Tokyo stock market by issuing an "outrageous . . . unsubstantiated report" on Japanese banks, a Tokyo source told *EIR* on April 15. The report caused U.S. and British investors to dump Japanese bank stocks, dragging the market down. Japan's top 10 banks are also the world's 10 largest.

Foreign investors reportedly led the selling, especially U.S. and U.K. security houses. The trigger is said to be an outrageous report released in Tokyo, New York, and London by Salomon Brothers, alleging that Japanese banks have weak capital. The March 26 report, "BIS—Where Do Banks Really Get Worried?" by David Atkinson, Salomon's Tokyo bank analyst, states that several large Japanese banks would fall short of capital standards of the Bank for International Settlements (BIS) if the Nikkei stock average fell below 18,500, and that a dozen major banks would fall below standard if the Nikkei dropped below 16,200. Japanese banks hold stock as part of their capital.

The market did fall below 18,500—but the drop was led by foreign dumping of Japanese bank stock. "What annoys us," complained our source, "is that the Salomon report was just four pages, unsubstantiated, with a lot of questionable assumptions, and no backup research. It's a list of Japanese banks, and next to the name of each bank, listing the level of the Nikkei average, below which if it falls, one should sell Japanese bank stock."

But the BIS standards do not come into force until March 1993. So why all the pressure? Recent indictments at Salomon for its abuse of the U.S. Treasury market have apparently not kept Salomon from abuse abroad.

## Economic warfare bails out U.S. debt

Japan's Nikkei average of 225 stocks collapsed by 17% from the 20,200 level on Monday, March 23, the day Salomon actually released the report, to April 9, when it hit a six-year low of 16,600. Although the Nikkei rebounded to the 17,500 level by April 17, British and U.S. traders continue to talk the Tokyo market down. "No one is convinced the bottom has been reached," Paul Migliorato, the oft-quoted chief trader at Jardine Fleming, the Tokyo subsidiary of Dope, Inc.'s Jardine Matheson, told wire services April 14. Britain's Baring Brothers in Tokyo has forecast that the Nikkei could break below 15,000.

The Salomon report is "a perfect example of how Robert Gates is reforming the U.S. CIA to become an economic intelligence bureau," a knowledgeable Japanese journalist told *EIR* April 15. He confirmed that the Salomon report had made a "major contribution" to the collapse of the Japanese stock market. The Japanese Ministry of Finance is "furious at Salomon Brothers," he said, "but they can't do anything to censure Salomon, because the Bush administration would react wildly. Salomon's activities are protected under free trade, which Miyazawa has been defending since Bush's trip. This is how the Japanese system has caught 'financial AIDS' from Wall Street."

U.S. Federal Reserve officials meanwhile told wire services April 14 that the Tokyo crunch has had the "unexpected" result of bailing out the U.S. Treasury bill market. The U.S. government Monday paid only 3.6% to sell \$23 billion in Treasury debt, the lowest rates since 1972.

Fed sources said that the collapse of the Japanese market has frightened Japanese investors away from Japanese stocks, bank deposits, and the yen, and into U.S. government debt. "The collapse of Japanese stock prices has sent those investors looking for a safe haven," said Alan Reynolds, director of economic research at the Hudson Institute. "They're buying and holding U.S. Treasury bills, which is just the opposite of what we had expected."

## London versus the 'keiretsu'

The London *Financial Times* and U.S. press have been reporting for weeks that Japanese *keiretsu*, or industrial-financial combines, had caused the Tokyo crash—by dumping stocks in their own associated banks, a move tagged as "cross-share unraveling." But our Tokyo source said on April 15 that although there has been some *keiretsu* selling, it has not been in large amounts.

"No, there is something more conspiratorial here. This is a form of manipulation. . . . Sales of Japanese stocks in fact were led by U.S. and U.K. investors selling Japanese bank stocks. It is very odd that the wires in the U.S. never mention the Salomon Brothers report. The Japanese press has featured it prominently.

"Why should a *keiretsu* member sell his own banker's stock in any large amounts? It just hurts his banker." *Keiretsu* companies have crossholdings of shares for a long-term purpose, and regardless of whether the shares rise or fall, they represent a permanent relationship. Mitsubishi Heavy Industries, for example, holds the shares of Mitsubishi Bank, and vice versa, in good times and bad. If Mitsubishi Industries has a short-term cash need, they might sell some shares in Mitsubishi Bank and realize capital gains on that stock, to cover the cash shortage.

"If firms need cash, why should they dump their own bankers' stock? They have other assets to sell first. The whole argument doesn't make any sense. Clearly the *keiretsu* unraveling did not start this," our source concluded.

# Anti-free trade agenda begins in Australia

by Don Veitch

The election of an anti-“free trade” candidate to the parliamentary seat formerly held for nine years by former Prime Minister Bob Hawke, could signal the beginning of a new economic debate in Australia. The pro-“free trade” orthodoxy of the past decade is being challenged.

In 1983 Bob Hawke, the former Rhodes Scholar and leader of the trade union movement, led the Australian Labor Party to victory, replacing the Liberal government of ultra-establishment figure Malcolm Fraser. For almost 10 years Bob Hawke and his treasurer, now Prime Minister Paul Keating, imposed a policy of “economic rationalism” on Australia. Under the pretext of “creating a level playing field,” “making Australia internationally competitive,” “restructuring industry,” a regime of International Monetary Fund (IMF) policies emerged: privatization (the selling of infrastructure to private businesses), deregulation (allowing banks to speculate and profiteer behind usurious interest rates), floating the Australian dollar (the Australian currency is one of the most speculated in world trade), and labor market reform (an attack on working conditions and wages). Australia, which once had the highest standards of living in the world and an innovative industrial sector, is now in serious economic decline.

National indebtedness to foreign countries has soared from \$6 billion in 1984 to about \$160 billion in 1992; unemployment is over 11% and rising, the highest since the Great Depression. Youth unemployment is 50%; infrastructure investment has dropped alarmingly, and industry is retreating to cheap labor countries in Asia. The agriculture sector is in crisis, and land degradation is a serious problem. In brief, the economic policies of the last decade have wreaked havoc in Australia. What has been offered by the Liberal opposition is more of the same vicious and destructive policies. Indeed, the leader of the Liberal opposition party, Dr. John Hewson, is a former official of the IMF, and his wife is the Australian representative of an international bank.

In November 1991, Prime Minister Hawke was deposed in a party room coup by his former deputy and treasurer Paul Keating. Keating is a member of the “right wing” of the New South Wales state branch of the Australian Labor Party (ALP). It is claimed to have links to organized crime. After arranging a lucrative “media” contract, Hawke quit his seat in Parliament, thus forcing a by-election in his seat known as Wills. Wills has about 70,000 voters and is a suburban area in the northern part of Melbourne. It is a low-income area

with a high migrant (Greek, Italian, Turkish) population. The area is the center of the clothing, footwear, and textile industry of Australia. Unemployment is over 20%, largely caused by the removal of tariff protection and the importing of cheap labor products from the Asian region.

The “free trade” looting scheme of Hawke and Hewson was particularly dissected in an economic program proposal written and circulated by the Citizen’s Electoral Council in Australia. Although the influence of the document, “Sovereign Australia: An Economic Development Program to Save Our Nation,” has been felt more in the rural areas where it has been circulating for two years, the “Progam” has also found its way into Melbourne (with the help of the Melbourne Age, which devoted a page to attacking it in March of 1991).

## ‘Independent’ football hero cleans up

The result of the election, held on April 11, was a staggering blow to both major parties. For only the fifth time in the nation’s 91-year history, an independent was returned to the House of Representatives. For the first time ever, there are now two independent members of Parliament. This will open up debate in a rigid party system Parliament. But, more important, the results have sent shock waves through the nation’s party bureaucracies.

The successful candidate was a 39-year-old local football hero, Phil Cleary. He ran a three-week campaign, spent \$10,000 from his headquarters in a wooden shed at the local football ground, and finished with a 62% two-party preferred vote under the preferential voting system. He finished well in front of both the Liberal and Labor Party candidates. His policy was a clear denunciation of “economic rationalism” and “free trade.” He frequently denounced the “inhuman” policies coming out of Canberra which he referred to as the “porn capital of Australia.”

The by-election, which should have been an easy win for the Liberals given the depressed state of the Australian economy, was seen as a contest between the Liberal “FightBack” package and the Labor “One Nation” package. Both were given a resounding thumbs down by the electors of Wills. Both party leaders Keating (the architect of economic rationalism) and Hewson (the former IMF official) had spent a great deal of time campaigning in the electorate.

The election result is a savage rebuff to both their policies and to them personally. The clear loser is the Liberal Party proposal for a 15% goods and services tax. This tax would have confiscated 15% of income and was seen as a further attack on workers’ living standards. The claim by Keating and Hewson that tariff reductions lead to cheaper goods and new jobs in more efficient industries was seen as a fraud and rejected out of hand. The closure of some 19 factories and the loss of 17,000 jobs in the area in the last three years was testimony enough for the voters. Those forces which have planned the de-industrialization of Australian industry and the destruction of Australia’s economic sovereignty are in danger of losing the initiative. It is doubtful that an open free

trader could win an election in the near future.

Over the past 10 years, "economic rationalists" have emerged as controllers of both political parties. This has led to a bipartisan approach on most political issues. Dr. Hewson is seen as a doctrinaire leader of what is called the "New Right." This is a powerful, cult-like network which slavishly follows the Adam Smith, Friedrich von Hayek, and Milton Friedman line. Their main spokesman in the federal Parliament are Hewson, David and Rod Kemp, Jim Short, Ian McLachlan, and Peter Costello. They are backed up by a number of well-funded think tanks, such as the Institute of Public Affairs and the Sydney Institute. Their main power base is in Victoria, where the party president, Michael Kroger, has purged dissident elements from the party with a control over pre-selection for Parliament procedures and a stifling of debate within branches. The press here is already predicting an inquiry by the party into the failure of the hapless Liberal candidate in Wills.

The victory of the anti-free trade candidate in a former "safe" Labor seat could cause a real revolution in the Australian Labor Party. Members of several ALP-affiliated unions, including the powerful Transport Workers Union and the Australian Railways Union, played influential behind-the-scenes roles in Cleary's campaign. Telecommunications unions also volunteered their services. These unions see privatization moves as a threat. In recent years there has been a push to form a new "left-wing" movement based on an alliance between unions, conservationists, and a small party called the Australian Democrats. A major uniting factor is opposition to "economic rationalism."

Also supporting Cleary were members of what is known as the "pledge unions." These are a group of about 20 smaller unions traditionally hostile to the leadership of the ACTU (the trade union umbrella association). They are especially hostile to what they saw as the opportunistic, treacherous, and pro-Zionist leadership of Bob Hawke. Influential members of the "pledge unions" have been associated with pro-Arab causes (especially Libyan and Iraqi). They were expelled or marginalized from the ALP and the ACTU during the leadership of Bob Hawke. (Hawke was former president of the ACTU as well as having been prime minister). Without the influence of this grouping, the free traders under Hawke and Keating had an unchallenged run and little opposition to their economic rationalist policies. These groups are now reforming in preparation for an assault on the free trade policies of the official Labor Party. They see the election of the independent Phil Cleary as a major bonus for their campaign.

### **Fraser capitalizes on Liberal disarray**

One further development has been the forceful reemergence of former Prime Minister Malcolm Fraser. Fraser has attacked the Liberal humiliation in Wills, and has claimed the Liberals are promoting an "alien creed." He has claimed that Hewson's goods and services tax is poorly presented. Fraser, who is a multimillionaire cattle farmer, also claimed

that the Liberals now operate for the benefit of "big business and the financial markets." Over the last year, Malcolm Fraser has had a regular column in *The Australian*, a national daily owned by media magnate Rupert Murdoch. In that column he has attacked the more extreme abuses of free trade and deregulation. In recent times, Malcolm Fraser has sat on the steering committee of the Isi Leibler-controlled Asia Pacific Jewish Council. It is an outside bet that the former prime minister is preparing for a political comeback at some future time. His apparent anti-free trade stance will have a wider presentability than Dr. Hewson's fanatical economic rationalism. Since losing the prime ministership in 1983, Fraser had made leadership bids for the United Nations and for the British Commonwealth Secretariat.

Fraser is an ultra-establishment figure in Australia. He comes from a group which is known to Australians as the Western District's "squattocracy," a representative of that group of early settlers in Australia in the 19th century who grabbed large parcels of land and "squatted." This group, represented by Malcolm Fraser, is the closest phenomenon there is to English aristocracy in Australia.

## **IMF thugs gain in Russia**

On April 15, after several days of brawls inside the People's Deputies meeting between forces favoring and opposing the International Monetary Fund shock therapy package for Russia, a majority of deputies agreed to a resolution which few of them actually understood. It allows the current cabinet—maybe with a few cosmetic changes—to stay in office until December, and to impose the shock program without any significant compensatory measures for the population.

Radio Moscow quoted Yegor Gaidar, the main IMF stooge in the cabinet, saying that he was "satisfied" with the new resolution, and that the policies of "reform" will "accelerate." The threat of Gaidar's gang to resign earlier that week had been used to blackmail the Congress. The dissident deputies, including Speaker Ruslan Khasbulatov, lacked a comprehensive alternative program, and caved in out of fear of "no government."

U.S. Treasury Secretary Nicholas Brady and Undersecretary David Mulford spent the week in Moscow helping "supervise" the political arrangements. Mulford told journalists that the mooted compensatory measures would worsen the high Russian budget deficit. The London *Guardian* reports that the IMF will press the Russian government for "sharp cuts in budget deficits, factory subsidies, and defense spending."

# Drug-resistant TB extends across U.S.

by Marcia Merry

The latest statistics show that tuberculosis is extending across all parts of the United States, and rapidly building to crisis levels at locations in a dozen states. There are now over 25,000 reported TB cases nationwide.

The national rate of increase in reported TB cases is given as 2% in 1991, after a galloping 9% increase in 1990. But this apparent decline does not at all indicate that the disease is receding. The pattern of incidence of cases rather shows concentrations of transmission and occurrence that point to a national health crisis.

New York is the home for one out of every six U.S. TB patients. A conference was held on the problem on April 2 in Atlanta, Georgia at the national Centers for Disease Control (CDC). One official there described the New York crisis as "at the meltdown stage."

On March 30, New York State Commissioner of Correctional Services Thomas A. Coughlin, III, released a survey which reported that 23% of inmates in the state prisons and 6% of prison employees test positive for TB. Of 55,000 inmates, 12,530 tested positive, and of 28,000 employees, 1,736 had positive results. The CDC says that approximately 10% of those exposed come down with the disease under normal conditions.

The survey is the most thorough ever undertaken, according to Coughlin, who ordered the study last November in response to reports that a guard and more than 20 inmates died from a drug-resistant form of the disease. Coughlin observes that no other state has done such a study, so it is impossible to tell if the New York results are typical for the national prison system, but they are much higher than the 4% national average of persons who test positive for exposure to the bacteria.

The top U.S. states for cases of TB reported from Jan. 1 through April 6 are: California (997 cases), New York (644), Texas (380), Illinois (316), Florida (243), New Jersey (219), Georgia (181), Pennsylvania (122), Tennessee (119), Michigan (105), and South Carolina (104). These statistics represent only those cases reported to the CDC. There are thousands more cases in the other states, thousands more in the top states whose occurrence was reported prior to January 1991, and still more cases unreported.

TB declined in the United States about 5% a year from 1953 to 1984, when the decline leveled out. In 1988, TB began to increase, and the number of cases increased by more

than 5% in 1990. "All it takes for an outbreak is one person who gets in an institution," Dr. Sam Dooley of the CDC warned in a recent interview with Virginia's *Roanoke Times and World News*.

## Drug-resistant TB

The CDC estimates that 15-20% of tuberculosis cases today are the multi-drug resistant strain, for which, as yet, there is no adequate antibiotic treatment regimen. In Dooley's estimation, "people with a normal immune system have an 8-10% chance of developing active TB if they become infected. However, if they are HIV-infected, there's almost a 40% chance."

Dooley noted that there has been drug-resistant TB since drugs were developed. However, the new drug-resistant strains are not resistant to just one drug, but several. Dooley said drug-resistant TB most frequently occurs when drug treatments are not followed carefully—either because they are improperly prescribed or because patients (the homeless, drug addicts) do not take the drugs as prescribed. When this happens, patients can develop a resistance to several drugs and then infect others with drug-resistant TB.

In regular TB, the cure rate is as high as 95% if the TB is diagnosed. In the multi-drug-resistant form, the cure rate is in the range of 50-60%, and it takes much longer to cure—"at least 18-24 months, if you can treat it at all," said Dr. Dooley.

## Reopen sanatoria?

Emergency meetings are taking place in many locations about contingency plans to deal with the spreading TB outbreak, and with AIDS and other diseases. The economic collapse which has fueled the renewed outbreak of TB and other illnesses is hitting hospitals hard. Bellevue Hospital in New York, for example, is so short of funds that there are insufficient masks, confinement quarters, and other equipment.

Health officials in many locations are scanning the regions for the possibility of reopening sanatoria, which have been closed since the last TB threat was beaten. The interview with Dr. Dooley appeared with an article on Roanoke's former TB sanatorium, reporting on discussion of reopening the facility to deal with TB today.

On April 2, CDC director William Roper told the House Human Resources subcommittee that the White House refused to spend the money to wipe out TB in the mid-1980s, when the chance was there, and now hundreds of millions of dollars are needed to deal with the urgent problem. Roper said CDC requested \$25 million in 1989 but the White House only approved \$7 million; in 1990, the request was \$29 million and \$7 million was approved; in 1991, \$35 million was requested and \$8 million approved; and this year \$35 million was requested and \$12 million approved.

"The tragedy of this epidemic is that we had it under control," said subcommittee chairman Rep. Ted Weiss (D-N.Y.). "But then we dropped the ball. We let the programs that defeated TB run out."

## Oil at center of NAFTA talks

*Washington is threatening to wipe out Mexico's exchange reserves if oil isn't placed on the negotiating table.*

**I**t was clear from the get-go that the North American Free Trade Agreement (NAFTA) negotiations would grind to a halt at precisely the point that they did: namely, the moment Mexico would have to decide if it were going to hand over its oil to the United States.

Unofficial reports leaked from within the Mexican negotiating team have confirmed this. The Bush government wants not only a trade treaty for reelection purposes, but a treaty according to which the United States views oil "as an important part of the free trade treaty," says U.S. trade negotiator Carla Hills.

Thus far, the degree of resistance (or of surrender) of the Mexican government has been unknown. What has been clear is that Washington has initiated a new negotiating strategy to pressure Mexico: The so-called Mexican economic miracle has begun to receive criticism from those who before could not say enough in its favor.

The White House position is unofficially reported to be that either Mexico signs Bush's treaty as is, or the United States will empty Mexico's foreign exchange reserves in 24 hours.

On March 12, *The Wall Street Journal* published a commentary by U.S. economist Christopher Whalen, in which he states that "Mexico's economy is far from the healthy animal its current fans would have us believe." Whalen predicts a devaluation of the peso as soon as Mexico stops receiving money from abroad.

This triggered a series of official and semi-official responses from the Mexican government, ranging from Treasury Undersecretary Angel Gurría and Otto Granados, the former director of the presidential press office (and currently PRI candidate for governor of Aguascalientes), to the Mexican consul in New York, Manuel Alonso. In a word, they denied the reports.

Jude Wanniski, president of Polyeconomics Inc. and the paid pen of the Mexican ambassador in Washington, also sent a response to Whalen, in the form of a letter to the *Journal*. But all the letters and statements say only that what Whalen claims "is not true."

Meanwhile, *Moody's*, one of the most important rating companies on Wall Street, published its early April report, "Persistent Risks of the Latin American Sovereign Debt," which gave the Mexican foreign debt a Ba2 credit rating, placing it as more at risk than that of Hungary and Czechoslovakia.

In the Latin American context, *Moody's* places Mexico among those countries with a debt that is "growing very rapidly," and indicates that it carries other potential risks as well, such as the highly speculative content of capital inflows, the poor repayment capacity of the national economy, and the dangers of political instability.

On April 8, the price of the dollar inside Mexico rose 18 pesos in a period of 24-48 hours. According to experts in banking and the exchange houses, there is strong demand for dollars that are being taken out of the

country because foreign investors are anticipating a delay in the signing of the NAFTA treaty. These experts calculate that the rise in the price of the dollar is equivalent to the flight of between \$500-600 million.

A group of analysts and economists from the daily *El Financiero* have already clearly established the vulnerability of the "Mexican miracle" over the past three years. According to analyst Gustavo Lomelín, "the Mexican economic miracle . . . is a financial-stock market boom which runs the risk of collapsing like a house of cards at any moment."

Lomelín declares that "from the very beginning, this scheme was supported and promoted from Washington and New York. In fact, the Mexican miracle is based on a propaganda campaign invented in the United States, to make Mexico reappear as the new destination of international capital."

Economist Enrique Quintana, like Lomelín, presents a picture of the Arabian bazaar into which the Mexican economy has been turned. He writes that in the past 26 months, "the amount of foreign investment in the Mexican Stock Exchange has risen to nearly \$24.4 billion, and already surpasses the level of international reserves, which are currently estimated at \$21 billion. However, these reserves—the highest in Mexico's history—represent only one-fourth of the total value of the stock market, which "borders on \$100 billion."

The most disturbing fact of all is that the \$24 billion invested in speculative ventures on the Stock Exchange are concentrated in the hands of 2,928 foreigners. These "investors" hold the fate of the Mexican economy and of President Carlos Salinas de Gortari's political future, and their decisions can make the Mexican government tremble.

## Big cuts in store for USDA

*To save money? No. The purpose is to give cartel companies free rein for food control.*

On April 8, U.S. Agriculture Secretary Edward Madigan announced he will close and consolidate hundreds of field offices of the U.S. Department of Agriculture, and cut back many other USDA operations.

Speaking at a hearing before the House Agriculture Committee, Madigan said that he has asked the state directors of three USDA agencies with thousands of field offices to justify the need to keep each one open, or to recommend changes. After he reviews their findings, Madigan said, "I plan to proceed by closing and consolidating those offices that can no longer be justified."

The three agencies are the Agriculture Stabilization and Conservation Service (ASCS), the Farmers Home Mortgage Administration (FmHA), and the Soil Conservation Service (SCS). The ASCS has until the end of April to get its report to Madigan. The deadline for the other two agencies, FmHA and SCS, has not been announced.

At a press conference, Madigan reported that 179 ASCS field offices cost more in overhead than they handle in USDA program funds (price supports, disaster aid, etc.). Thus, this sweeping cutback is billed by USDA top officials as a cost-saving move. Certain major media have chimed in with the message that the USDA is costly, corrupt, dangerous, duplicitous, etc.

Right on cue, members of Congress, in particular Sen. Richard Lugar (R-Ind.), have joined the chorus calling for cuts. On April 8, Lugar

cited 92 USDA field offices where costs exceed funds disbursed.

Yet the Government Accounting Office reports that axing these offices would save only \$90 million. Over half the USDA annual budget of \$50 billion-plus goes for food relief; \$2 billion goes for field offices, and very little goes to support farmers.

What's the real story behind the sudden cost-consciousness? The simple truth is that the cartel company interests that have dominated USDA policy for decades now are moving to sweep aside even those institutions that have willingly served cartel interests over the public good.

Such companies as Cargill, Inc., and its cohorts Archer Daniels Midland (ADM), ConAgra, Continental, Louis Dreyfus, Bunge, and a few others, have been repositioning themselves throughout the United States, Canada, and Mexico for near-total control of production, processing, prices, and shipments of food in North America. In the cartels' schemes, many USDA functions such as border customs control, sanitation inspection, nutrition standards, and especially maintaining the family farm, are in the way.

Therefore, any and all agencies serving these interests are in line to be axed, or made into outright taxpayer-supported adjuncts of the cartel companies. The design of the cartels is to control food flows—including who farms and who doesn't, and who eats and who doesn't, through one integrated cartel network in North America. In order to implement that scheme, the following

measures are under way:

- Transportation grid: Southern Pacific Rail Lines, bordering Mexico, and Burlington Northern, bordering Canada, and related ports and food handling facilities are being reorganized for cartel cross-border operations. House Agriculture Committee Chairman Kika de la Garza (D-Tex.) is spearheading cartel demands to eliminate border impediments to Mexico-U.S. trucking flows.

- Inspection control: Regulations governing inspection of meat and other foodstuffs in Mexico, the U.S., and Canada are being changed to meet cartel desires.

- Food types: USDA standards for recommended daily amounts for consumption of animal proteins and other high-quality foods are being scrapped to serve cartel interests (such as ADM) in monopolizing vegetable matter such as meat substitutes and soy milk. To further these changes, cartel company officials are directly coordinating the attack on the USDA.

Take the case of the *Kansas City Star*. From Dec. 8 to Dec. 14, 1991, the *Star* ran a daily series of lengthy attacks on the USDA, charging that it is sexist or white male-dominated; that the USDA meat inspectors approve contaminated beef, from which children can get cerebral palsy; that the USDA gives windfall handouts to "phantom farmers"; that the USDA allows farmers to drain wetlands, etc.

But look who owns the *Star*—Capital Cities/ABC, based in New York. A major owner of this media conglomerate is Warren Buffett, who is also on the board of ADM.

Already, ADM receives billions of federal subsidies for manufacture of ethanol, a proposed substitute for gasoline, from corn. But this swindle is nowhere attacked in the *Star*, nor in fact in any national media.



## Olympia & York puts banks in a vise

*The bankers must keep up the illusion that real estate has not collapsed, and they must protect their liquidity source—dope.*

**B**ehind a tight security and disinformation screen, representatives of 91 of the world's biggest banks met in Toronto April 13, to begin talks with real estate giant Olympia & York on a rescheduling of its massive debt.

At the meeting, the secretive Olympia presented financial records which claimed that the firm had U.S. \$12 billion in debts in its own name, and another \$7 billion in debts of subsidiaries and affiliates. Against those \$19 billion in debts, the company claimed some \$24 billion in assets, giving it an alleged net worth of \$4.7 billion.

Given this alleged solvency, Olympia proposed to the banks that only \$4 billion of its debt, primarily that involving the huge Canary Wharf development in London, be restructured. Loans involving the company's New York and Toronto real estate would not be touched, under the preposterous theory that those projects are basically sound. Were its proposal to be accepted, Olympia claimed, none of the banks would lose any money in the long run; all debts would be repaid, even if some payments were a little late.

This is nonsense. According to a senior source on one of the creditor banks' restructuring committees, the total of Olympia & York debts is "in the range of at least \$25 billion, rather than even the \$20 billion thought only some days ago. If they were to sell off all assets today to repay the debts, it would fetch some \$15 billion. That leaves the creditors with a \$10 billion net loss facing them."

The sudden resignation of Thomas

Johnson as president of Olympia & York Development Co. after only three weeks on the job is, according to a London banking source, tied to the worse-than-reported situation at Olympia. The Olympia deficit is too big for the banks to handle and demands a government bailout, the banker said. Further, he said Canada cannot handle the crisis alone without severely damaging the Canadian dollar and bond markets, and will require help from the U.S.

The bankers are caught between the proverbial rock and hard place. If they accept Olympia & York's restructuring proposals, it will mean rolling over existing loans and even providing new money to the bankrupt giant. With property values falling, they will simply postpone losses now, to take even bigger losses later.

On the other hand, were the bankers to reject Olympia's proposal, they would force the company into either bankruptcy or liquidation. Either way, the firm—the largest commercial landlord in North America—would be forced to begin selling huge chunks of its 43 million square feet of commercial office space, including some of the most prestigious office buildings in New York and Toronto.

Such a move would play havoc with the real estate markets, further dropping market values in this heavily over-leveraged field, and poking serious holes in the fictitious book values real estate projects enjoy on the balance sheets of banks, insurance companies, other businesses, and individuals.

There is another, darker side to the crisis, however: narcotics trafficking

and money laundering.

Olympia & York sits near the center of a complex of British and American financial institutions identified in *EIR's* 1978 book *Dope, Inc.* as inseparable from the financial organization of the international drug trade. Creditors of Olympia & York, such as the Hongkong and Shanghai Banking Corporation, Canadian Imperial Bank of Commerce, and Barclays Bank, also featured in that book, are among the select group of international banks expected to be most affected by Olympia & York's losses.

As *Dope, Inc.* documented, large portions of the international banking system were set up to launder drug money. The role of the British colony of Hong Kong as a financial center is primarily due to the heroin trade in Southeast Asia, just as the offshore banking centers in the Caribbean owe their existence to the drug trade in Ibero-America.

Without the massive financial flows created by the drug trade, these banking centers would barely exist. But the converse is also true: Without the massive money laundering facilities established by the international banks, the drug trade simply could not function on its current scale. Much of this laundered drug money gets invested in real estate: The real estate boom of the 1980s would not have been possible without the trillions of dollars of dope money which flowed into U.S. real estate markets.

Now the collapse of the real estate bubble is outrunning the capacities of companies like Olympia & York, creating a dilemma for the international bankers. They must not only save themselves from bankruptcy at the hands of Olympia & York, they must keep up the illusion that the real estate market has not collapsed, and they must protect their main source of liquidity, the dope trade.

# Business Briefs

## Transportation

### Card calls for more trucking deregulation

U.S. Transportation Secretary Andrew Card has called for more deregulation of the trucking industry, even though recent studies have blamed deregulation for the bankrupt state of the airlines. Currently, the trucking industry is free of any federal regulation. Card is pushing ahead with the Bush administration's proposal to also prohibit states from regulating rates, routes, and service of interstate motor carriers.

Under the same plan, the Interstate Commerce Commission is to be "sunsetting" effective Oct. 1.

The secretary presented the plan at a press conference and subsequent testimony before Congress.

Card said that the Motor Carrier Act of 1980 has been "a tremendous success, saving U.S. business and consumers an estimated \$15 billion annually in transportation costs." The secretary did not mention the thousands of jobs and hundreds of trucking companies that disappeared under that first round of deregulation.

Card stressed that his plans would not affect safety or financial responsibility requirements, such as insurance and bonding.

## Foreign Aid

### Forbes attacks IMF's, Bush's Russia policy

Malcolm Forbes, Jr., editor-in-chief of *Forbes* magazine, published a pair of brief signed editorial comments in the March 30 issue, attacking Bush administration and International Monetary Fund policy toward Russia.

Under the title, "Keeping Russia's Economy Flat on the Ground," he advised Boris Yeltsin's finance officials to "ignore their U.S. counterparts. We have nothing useful to offer them on how to save their free-falling

ruble and economy. . . . We are pushing Russia and other formerly communist countries in Europe to join the International Monetary Fund as a condition for getting Western aid. The IMF will hinder their recoveries, not speed them. . . . The IMF's mixture of inflationary devaluations, incentive-destroying tax increases and pain-inflicting, riot-producing, abrupt cutoffs of subsidies do the patient infinitely more harm than good. No amount of IMF cash could overcome its toxic prescriptions. . . .

"They should also look up how Alexander Hamilton 200 years ago turned the worthless dollar into the world's premier currency: He did so by selling bonds that were, in effect, backed by proceeds from sales of public lands. Russia could do the same with such assets as its oilfields, gold mines, etc."

The second editorial attacked the State and Defense departments' "dumb, shortsighted, counterproductive policy concerning Americans' buying Russian technology. State and Defense Department bureaucrats are blocking these sales. The rationale of these blockheads: Starve Russian space and military industries of cash, and they will decline so much that they will never again pose a threat to the U.S.

"This reasoning is absurd. Our best, most lasting defense is to help implant a strong democracy in Russia. Democracies don't go to war against each other."

## Science

### Appeal to Congress to fund cold fusion

An appeal to Congress to fund cold fusion research was delivered April 1 by Dr. Eugene Mallove of MIT before a hearing of the House Appropriations subcommittee on energy and water. Mallove, author of the book *Fire from Ice; Searching for the Truth Behind the Cold Fusion Furor*, (New York: John Wiley & Sons) scored the lack of federal support, terming it a "scandal of neglect by the Department of Energy of a new technology."

Said Mallove, "It is the 11th hour for fiscal year 1993, but there is still time to shift some money" in the budget into cold fusion research; just \$10 million a year of seed money would make a difference, he added. Mallove ridiculed the 1989 Department of Energy report which ridiculed cold fusion. He called the DOE report, "negative, untenable and completely obsolete." Mallove cited, as refutation of the DOE's findings: 1) the recent grant of \$12 million by the Electric Power Research Institute for cold fusion research; 2) dramatic success in experimental cold fusion results at Hokkaido University in Japan; and 3) the Como, Italy international cold fusion conference in 1991.

Mallove gave the committee copies of the March 1992 issue of the Japanese edition of *Scientific American*, which contains a report on cold fusion. This report is missing from the English-language edition. Its editor, Dr. Jonathan Piel, has called cold fusion "pathological science."

## Biological Holocaust

### Most AIDS cases projected for Asia

By the year 2000, the majority of the 40 million people worldwide expected to be infected by AIDS will be in Asia, the Asian Development Bank has predicted in a report released in early April. While the incidence appears much less in other parts of Asia, the number of people infected with the HIV virus which causes AIDS is now up to 400,000 in Thailand and up to 1 million in India, the World Health Organization estimates.

The bank said that although the figures for other Asian countries were much lower, the reasons for this could be insufficient testing and poor recordkeeping. The bank said Asian governments must take more forceful steps to stop the spread of AIDS before the disease becomes an epidemic. The bank predicted that the combination of increasing mass migration of labor and a growing intra-Asian tourist industry would soon increase the spread of the

disease to countries scarcely affected at present. It noted: "The burden of the disease falls disproportionately on women in poor countries."

Meanwhile, Dr. Jacob John, who heads the Department of Microbiology, Virology, and Immunology at Vellore, India's groundbreaking Christian Medical College, has said that the latest findings show that at least 2.5 million Indians are HIV positive. Dr. John has been appointed to WHO's global program, a committee for epidemiological support and research. He noted that "unlike Africa, where the leadership also have been affected, here the elite may be spared. "But the poor who live in overcrowded places" will be hit hard. "This group will fall sick like dogs and die like flies. Today they are dying of TB and diarrheal disease. We won't do any more to save them from AIDS either."

## Europe

### U.N. commission advises East against free market

A report by the United Nations Economic Commission for Europe (ECE) was characterized by BBC April 7 as a "full-blooded attack on the western radical free-market model that was supported by the Reagan and Thatcher governments in the 1980s." The ECE advises eastern European countries to avoid the "simple free market" policies that were implemented in the Anglo-American world during the 1980s.

The ECE report, put together by economists from both East and West for the annual ECE analysis on European economies, claims that the decline across the former communist states "appears to be on the scale of the Depression of the 1930s. . . . Many of the people in these countries must now be wondering whether the invisible hand of the market is really an iron fist."

The report speaks of a "growing fear . . . that the increasing economic straits will lead to disillusion and impatience with both the idea of the market and the democratic pro-

cess. . . . If the western governments wish to reduce these growing risks, a much greater commitment to the success of the reform process will be needed on their part."

The report also warns that the proposed \$24 billion "western aid package" of the Group of Seven could be "debt-creating, like so much of western aid so far, since much of it will have to be paid back with interest." So far, genuine assistance from the West, if measured in grants and low-interest loans, had been small "despite the considerable publicity given to the growing number of financial commitments."

## Middle East

### Israeli economy undergoes contraction

The Israeli economy is at a standstill, and is even manifesting signs of a downswing, the Bank of Israel reported March 31. The primary cited reasons are the drop in immigration to Israel, the slump in the American economy, the emerging recession in western Europe, and Israel's failure to obtain U.S. loan guarantees. According to the Bank of Israel report, several economic indicators showed contraction during the first months of 1992, including the fact that imports of raw materials, machinery, and equipment decreased. The housing market is in distress, and the problem of unemployment is worsening.

A related item in the April 1 *Jerusalem Post* notes an official Israeli Central Bureau of Statistics estimate that 36% of the new immigrants in the job market are unemployed. The figures are worst for those immigrants who have most recently arrived. The head of the Russian immigrant party "Da," Yuri Kosharovsky, claims that fully two-thirds of the employed immigrants are not working in their fields of expertise. Da is calling for a massive job-creation program in Israel.

Meanwhile, immigration into Israel from Russia is way down from anticipated levels, a fact which Israeli experts attribute to the high rate of unemployment among immigrants.

# Briefly

● **HOLLINGER, INC.** may try to buy the bankrupt *New York Daily News*, the *New York Times* has reported. Chairman Conrad Black is also negotiating with Peter S. Kalikow, the personally bankrupt owner of the *New York Post*, about merging the *Post* and the *News* under his control. Hollinger owns London's *Daily Telegraph*, the *Jerusalem Post*, the *Sydney Morning Herald*, and the *Financial Post* in Toronto.

● **THE U.S. STEEL** industry is "in the process of going into a major calamity," Paine Webber analyst Peter Marcus told the *Wall Street Journal*. Major steel producers have attempted to raise prices, but discounting is so heavy that USX, Inland, Bethlehem, Republic, and LTV, simply can't make steel from ore, coke, and limestone as cheaply as it is being sold.

● **POPULATION GROWTH** in Russia slowed sharply last year, with deaths increasingly outpacing births in the last few months of 1991. Figures show that Russia's population grew by 130,000 to 148.8 million in 1991, only half as much as in 1990. "This is largely a result of people's falling living standards," demographer Yevgeny Krasinets told ITAR-TASS.

● **RUSSIA AND JAPAN** will build two major pipelines to develop the natural gas resources of Siberia, the two governments announced April 3.

● **FAMINE** is an even greater danger this year than in 1991, according to the European Commission. Sixty million people are threatened with starvation, especially in Africa, but also in South America and Asia.

● **LAROCHE'S** Paris-Vienna-Berlin "Productive Triangle" program for integrated European infrastructure development was introduced during a plenary debate in the Hungarian Parliament in Budapest in early April. The debate, which concerned legislation on road-building, was broadcast live on TV and radio.

## Economic reform aims to unleash India's potential

by Ramtanu Maitra and Susan Maitra

India's Eighth Five Year Plan, larger in rupee outlay than any of the earlier plans, was officially launched on April 1, 1992, the beginning of the new fiscal year here. The plan, which had been hanging fire for the last two years as governments came and went one after the other, will be implemented in an economic climate which has changed significantly since the government of Prime Minister P. V. Narasimha Rao introduced a series of economic reforms beginning in July 1991.

The plan itself will be very different from previous plans. For the first time, more than 56% of plan investment will be made in the private sector. Making investment capital available to the private sector, allowing it to participate in activities which have been traditionally exclusively under the public sector's domain, reflects one of the broad aims of the economic reforms: to activate private industry to make its full contribution to dynamic economic growth. At the same time, the public sector's responsibility in social sectors has been increased and funding for the priority sectors assured. The detailed plan document will be available in early June following its approval by the National Development Council. From the outlines of the plan, it is evident that unlike earlier ones, the Eighth Plan's future is intricately connected to the success or failure of the present economic reforms and liberalizations.

In June 1991, when Prime Minister Rao, leading a minority Congress (I) Party, took over the Indian government, the political and economic environment had become untenable due to the political chaos and financial anarchy perpetuated by two successive short-lived governments, headed by V.P. Singh and Chandra Shekhar. India's domestic economy was in deep trouble and foreign exchange reserves, affected by

large debt repayments and an increasing imbalance of payments, had hit a new low. Faced with the immediacy of a payments default, the Rao government moved swiftly: The Indian currency was devalued by about 30%, a new industrial policy was formulated emphasizing relicensing and deregulation of industries and reducing, albeit nominally, the fertilizer subsidy.

Within a year, these measures were followed by the decision to make the Indian rupee partially convertible, allow limited gold import for payment of customs duty, and a fairly substantial change in export-import policy. Financial, labor, and agricultural reforms are on the anvil.

The reform package, linked as it has been to India's taking of a \$2.2 billion standby loan from the International Monetary Fund (IMF) to stave off default in July 1991, has provoked controversy at home and a fair amount of self-serving commentary abroad. Votaries of the "free market" dogma in the West announced India's conversion and abject submission to IMF conditionalities, "shock therapy," and the like. Here in India, the opposition charged the Rao government with handing over the country to the World Bank, IMF, and foreign multinationals. None of this has much to do with reality.

### India's anti-free trade tradition

A close examination of the policy measures, against an in-depth knowledge of India's economic history, will show that any similarities with the "Brand X" monetarist medicine are essentially coincidental. India has a long tradition of sovereign economic science and policymaking that was decisively influenced by the national system of political economy



*The Red Fort in Old Delhi. India has a long tradition of sovereign economic science influenced positively by the ideas of Friedrich List and negatively by the free trade regime of British colonial rule. The Rao government reforms aim to return to that independent tradition.*

of Friedrich List and India's own experience with British colonial rule. As one of India's early 20th-century economists, Vaman Govind Kale, said in his textbook *Indian Economics*: "The distinctive feature of the Indian school of thought is its intensely patriotic conception of the country's requirements in the sphere of material progress and the characteristically national interpretation of the facts of Indian life; and it was largely developed as a protest against the economic policy pursued by the rulers of the country with respect to its finance, trade and industries."

Later, Kale summarized the thinking of Indian economists on commercial policy: "It is therefore futile for outside critics to hope for the rise of a free trade school among the economic students of India. The latter appreciate the free trade doctrine in the abstract and will be influenced by it only to the extent that they will desire that protection to be adopted in this country should be of the right kind and the evils associated it with should, as far as possible, be avoided." Even though Kale wrote his textbook in 1922, it remains a true guide to the wellsprings of Indian economic policymaking and debate of today.

The Rao government's reform package is no draconian imposition by dark foreign forces. It is an attempt by Indian policymakers to address long-acknowledged problems that have kept the Indian economy in a kind of bare survival mode, squandering the country's obvious human and material potential to become a real economic powerhouse. How far

the new measures will go to realize the potential is certainly debatable—not the least because policies in some of the most fundamental areas, such as agriculture, have yet to be spelled out in detail. Certain constraints and problems remain, as will be discussed below, and cheers from Indian businessmen have yet to be translated into new industrial capacity. But that the steps taken so far are uniquely addressed to setting right certain things in India's complex economic machine is clear—as the devaluation is perhaps the best example.

### **Devaluation: a case in point**

Devaluation has a sinister reputation. Despite its established *inability* to enhance exports substantially or improve the balance of payments situation at all, it is usually undertaken with the promise of doing just that and ends up provoking an uncontrollable inflation or cutting off essential imports or both. In the Indian context, however, the devaluation has an altogether different meaning. First, India is not a trading nation: only 5.2% of its Gross Domestic Product (GDP) is traded annually, as opposed to over 25% in the case of, for example, the Southeast Asian nations. Hence, devaluation has only a nominal impact insofar as the balance of payments goes.

Second, despite India's established indigenous capability, Indian industries have remained significantly dependent on imports because of the costly rupee, among other things. (This dependency came to light during the chaotic days of

TABLE 1  
**The gold-smuggling racket and foreign exchange leakage, 1982-89**

(value in rupees per 10 grams)

Year	Into India (metric tons)	Smuggled gold		
		Value in Bombay	Value in London	Difference or profit
1982	60.0	1,033.80	750.00	283.80
1983	53.0	984.74	711.26	273.48
1984	94.0	1,874.38	1,222.83	652.05
1985	123.4	2,622.25	1,591.86	1,030.39
1986	88.4	2,053.53	1,394.07	659.46
1987	98.3	3,029.61	1,879.50	1,150.31
1988	134.1	4,251.68	2,628.36	1,623.32
1989	200.0	6,386.00	3,942.00	2,444.00

Source: Bombay Bullion Association.

These figures indicate that in 1989 alone \$4.64 billion worth of foreign exchange was mopped up by the racket to buy gold. Besides the foreign exchange lost, these transactions also created a stupendous amount of black money inside the country. By keeping the value of the rupee high, the gold racketeers were having a feast.

the V.P. Singh regime when the government, watching payments balances dwindle and unable to bring in new foreign exchange, clamped down a severe restriction on imports. The result showed up sooner than expected. Industrial growth tumbled from an average of 8-9% from 1984 through 1989 to zero in 1991-92, and still the balance of payments kept sinking!) With foreign exchange dearer and domestic investment conditions improved, the industrialists are encouraged to "indigenize" a whole range of equipment and products for which technology already exists in the country.

But the major purpose of the sharp devaluation of the rupee was to halt a \$3-4 billion annual erosion of foreign exchange caused by an organized racket which collects foreign exchange from Indian workers abroad to buy gold, and then sells the smuggled gold in India at a premium price (see **Table 1**). With the best intentions, in 1964 the government had imposed laws which made trading in gold illegal. In a land where gold is a currency of marriage, and where two tons a year is mined indigenously against an annual demand for 200 tons, the policy was a prescription for corruption.

The gold-smuggling operation that emerged—called the *havala* racket—was based in the Persian Gulf where the bulk of Indian workers earning dollars are concentrated. While a foreign worker's dollar would translate into exactly 18 rupees if remitted through an account at the State Bank of India, smuggled gold would fetch a 30% premium.

In July 1991 the rupee was devalued by 30%, and in March the rupee was made *partially convertible* (i.e., 60% of foreign remittances are valued at the market rate, and 40%

are valued at the lower, official government rate). Simultaneously gold imports were allowed, albeit at a stiff customs rate. The *havala* racket was broken. Now those \$3.4 billion in foreign remittances have begun to come into India through regular channels, and the gold price has crashed to such a low level that smuggling is no longer profitable.

### Behind the reform effort

The Rao government's economic reform package begun in July 1991 is aimed at breaking down a structure built up by the bureaucrats, dishonest industrialists and businessmen, and money-hungry politicians over the past 20 to 30 years. India's Prime Minister Jawaharlal Nehru's first three five year plans, beginning in 1952, were designed to make India an industrial power. Influenced by Lenin's heavy industry model, Nehru paid little attention to the crucial elements of the economy—agriculture, and small and medium-sized industries. While Nehru's plans consolidated India's steelmaking, capital goods, and electrical equipment industries, the financing of the plans came mainly from expropriation of the agricultural surplus. Little in real terms was invested back into the traditional agriculture. In the mid-1960s when Nehru's daughter, Mrs. Indira Gandhi, took over as prime minister, India was already in the shadows of a massive famine.

U.S. Public Law 480 did prevent the large-scale loss of life, but the unscrupulous Lyndon Johnson administration saw in it an opportunity to put India into various binds. Early on, Mrs. Gandhi recognized the potential for negative political fallout from this, and the success of the Green Revolution technology in India saw the country through. During this period, Mrs. Gandhi nationalized the larger commercial banks to block off almost 75% of the country's liquidity for government use to finance priority sectors, and sidelined the private entrepreneurs. The Monopoly Restrictive Trade Practice Act (MRTP) was implemented in the 1970s to prevent large industrial houses from monopolizing credit and, potentially, political power, among other things.

While Mrs. Gandhi's policy was a success as far as India's agricultural development goes, the structure that she set up became the single largest source of corruption and disruption to the nation-building effort. Neither the bank nationalization nor the MRTP should have been debilitating—on the contrary. Yet, there was a failure of leadership in terms of follow-through, and, in implementation, the aims and purposes of these measures were sacrificed to political expediency.

Under the pretext of anti-monopoly concerns, viable projects were pushed aside, while non-viable projects, floated by the "right political faction," got approval. The knot between the bureaucrats, dishonest businessmen, and money-grubbing politicians became so tight that licenses were given to the "right people"—not in order for them to build something, but to prevent someone else from doing so. On



paper India showed a licensed capacity of such and such, while in reality it was much less. The result caused one renowned Indian politician to lament that “the British Raj has given way to the License-Permit Raj.”

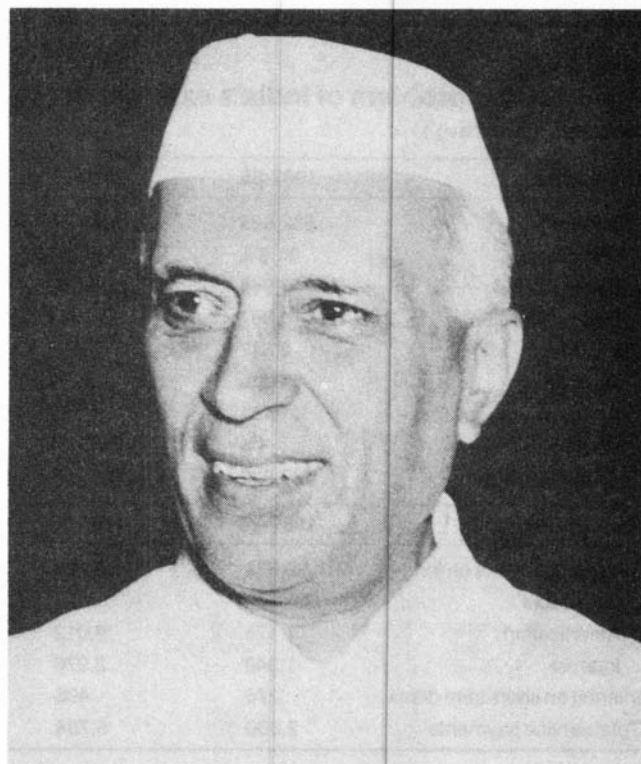
### **Productivity a major casualty**

Productivity as a criterion for economic activity had no place in the “License-Permit Raj.” The system was not guided by the efforts to facilitate productivity increases, and thus boost economic growth, by promoting modernization of industries: It was guided by the notion of “regulating.” As Finance Minister Manmohan Singh put it in an early March meeting with foreign correspondents, the difficulty was a bureaucratic mentality of regulating *to prevent people from doing things*, not using power to *promote* social change. The task, he said, is one of political leadership.

By regulating industries such as cement and steel, for instance, and not enhancing their productive capacity, the government wittingly ushered in an underground market where both cement and steel were available at a higher price, unaccounted and untaxed. Employment potential was reduced and the economy was eroded. In fact, since the 1970s populist concessions induced by political expediency, elimination of long-term perspectives and general lack of direction chiefly undid what the plans and programs of the 1950s and 1960s promised. The Indian economy, after being readied for a takeoff, was rolled back into the hangar instead.

There were other corruptions, too, which impeded development. For instance, essential industrial equipment, many intermediate products, etc., were kept off the Open General Licensing (OGL) import list so that full protection could be given to the shoddy products manufactured by industrialists who greased the palms of the bureaucrats and politicians. Capital goods were put in the 150% tariff regime. Making the manufacturers of substandard products happy caused money to flow into India’s political process in the form of huge amounts of unaccounted for cash. The public sector, the “commanding heights” in Nehru’s vision, became a looting ground for politicians. It is this overall situation in the 1970s which gave rise to total anarchy, unprecedented inflation, imposition of the emergency, the rise of the Janata Party, and eventually the collapse of the system set up by Jawaharlal Nehru.

In 1980, when Mrs. Gandhi returned to power after three years in the opposition, she realized that this corrupt system would take India to the begging bowl. In fact, in 1981 India faced a foreign exchange crisis and borrowed \$5 billion from the IMF. But, apart from setting up various commissions to look into the problem areas, such as the public sector, Mrs. Gandhi’s understanding did not materialize into anything useful. Boggled down by political baggage of the past, a long association with the vested interest groups who had flourished by the system, and the crisis arising in Punjab kept Mrs. Gandhi tied down.



*The late Prime Minister Jawaharlal Nehru. His five-year plans, beginning in 1952 aimed to make India an industrial power, but overreliance on a Leninist heavy industry model, blinded him to the crucial value of protecting and fostering agriculture and the small and medium-sized undertakings.*

### **Change begins, haltingly**

In 1985, when Rajiv Gandhi came to power with an overwhelming mandate from the people, he promised that India would usher in the 21st century as a country where technologies would flourish and the economy grow rapidly, providing assets equitably to the poor and rich. He also promised that the country would be taken from the vested interest groups and given back to the people. His five years, though not enough to make any final assessment, showed that the system was much too strong for him to dismantle in any direct way. Although he did not quite become a part of the system, he was at a loss as to how to deal with it.

But Rajiv Gandhi did bring about a significant change, because what he managed to accomplish in such a short time proved that, with determination, over the longer haul things could be moved. It was during this time that the economic reforms and liberalization process began. The effect of whatever reforms he was able carry out showed up in the execution of the Seventh Five Year Plan (1985-89). For the first time all the targets were met, and the country recorded a 6.2% annual growth rate—almost twice that achieved by either Mrs. Gandhi or Jawaharlal Nehru.

Rajiv Gandhi’s success was not, however, an unmixed blessing. At the time the Seventh Plan was launched India’s

TABLE 2

**The growing problem of India's external debt**

(millions \$, annual avg.)

Gross debt	1982-85	1986-89
Long-term	\$32,925	\$56,484
Percent	91.3%	89.2%
Concessional	17,944	24,552
Non-concessional	14,981	31,993
Short-term	2,617	5,483
Percent	7.3%	8.7%
Other identified liabilities	491	1,302
Percent	1.4%	2.1%
Total identified debt	\$36,032	\$63,269
<b>Service payments</b>	<b>1982-85</b>	<b>1989-89</b>
Service payments on long-term debts	\$2,524	\$5,288
Amortization	1,176	3,012
Interest	1,348	2,276
Interest on short-term debts	276	496
Total service payments	2,800	5,784

foreign debt stood at \$15 billion: By the time it was over, the foreign debt had risen to \$60 billion-plus. Not that all of it was caused by the Seventh Plan, but there is no doubt that Rajiv Gandhi was much less frightened by a taboo against foreign borrowing than any of his predecessors, in part because he was self-consciously working to boost productivity and growth—the wherewithal to repay. In addition, India's debt, which is still overwhelmingly long-term low-interest obligations to governments or financial institutions, began to change its structure during these years, with short-term debt rising to almost 10% of the total—still a nominal fraction by comparison with, say, the Ibero-American debtors (see **Table 2**).

Despite the fact that the five years of the Rajiv Gandhi government did push India into a debt trap of sorts, studies show that the allegation that a flood of foreign imports was behind it is not true. A noted economist, Isher Judge Ahluwalia, has pointed out that, in fact, imports in U.S. dollars slowed from 19% of total imports per annum in the 1970s to 5% per annum in the 1980s. Non-petroleum imports in U.S. dollars also slowed down from 15 to 10% of total imports per annum. The ratio of total imports to GDP had increased sharply from 4% in 1970-71 to 10% in 1980-81. But the 1980s actually saw a major decline, so that the ratio at 9% in 1989-90 was lower in real terms than that of 1980-81 (see **Table 3**). Similarly, imports of raw materials, intermediate goods, and capital goods as a proportion of the value of

TABLE 3

**Change in trade deficit, April-Jan. 1990-91 and April-Jan. 1991-92**

(in percentage)

	In rupees	In dollars
Imports	+7.36%	-21.3%
Exports	+32.3%	-3.09%
Exports to GCA*	+44.3%	+5.72%
Exports to RPA*	-28.3%	-42.3%
Deficit	-60.3%	-70.92%

\*GCA: General Currency Area; RPA: Rupee Payment Area—the Soviet Union and eastern Europe.

output of the organized manufacturing sector had increased from 8% in 1970-71 to almost 10% in 1980-81, but fluctuated around a lower level of 9% during the 1980s.

In addition, on the positive side, an updated analysis of productivity and growth by Mr. Ahluwalia shows that after a long-term decline of 0.3% per annum in the 1960s and 1970s, total factor productivity in the 1980s (from 1980-81 through 1987-88) actually *rose* by more than 2% per year. (Total factor productivity growth, as Ahluwalia uses it, identified the contribution to an increase in output of influences other than increases in the factor input. It reflects not only technical progress but also better utilization of capacities, learning by doing, improved labor skills, etc.)

There was no reason for the mid-1980s debt buildup to be explosive. But it was intersected by the Iraq war and breakup of the Soviet Union, which had their different but very direct negative impacts on the Indian economy, and perhaps even more important, by two years of political chaos instituted by the V.P. Singh and Chandra Shekhar governments. In the end, investor confidence was eroded and foreign lenders shaken up. From being a perfectly viable borrower, India was put on credit watch. When the Rao government took over, India's foreign exchange reserves stood at \$2.3 billion, a nominal month's import equivalent, down from \$4.1 billion when V.P. Singh took over and announced to the dismay of all that he had "inherited an empty coffer" (**Table 4**).

**The new industrial policy**

While seeking loans from the IMF to alleviate the short-term crisis, the Rao government launched an industrial policy that centers around three basic premises.

First, industrial licensing, except in the case of coal, petroleum, defense equipment, hazardous chemical, drugs and pharmaceuticals, and a few other strategic areas, has been established to speed up investments, take power away from the bureaucrats and to reduce the generation of under-

TABLE 4  
**India's foreign exchange requirements, 1989-93**

(billions \$)

Year	1989-90	1990-91	1991-92	1992-93
1. Current account deficit	\$8.3	\$9.9	\$6.0	\$5.3
Capital account				
2. Principal payments	2.9	3.0	3.0	3.3
3. Increase in reserves	-0.9	-1.7	0.0	0.7
4. Financing need (1+2+3)	10.3	11.2	9.0	9.3
5. Normal capital flows	10.3	9.4	5.3	6.5
6. Exceptional need	0.0	1.8	3.7	2.8

Source: World Bank Report.

ground money. With this, 80% of industry has been released from the licensing noose. In a related move, areas reserved for the public sector have been halved, from 17 to 8.

Second, the link between the size of a company's assets and the concentration of economic power, a major bogey of the left, has been removed. The MRTP's definition of a "monopoly" as any company with assets above an arbitrarily low limit has acted over the years to prevent the development of economies of scale in Indian industry, and thus directly undermined economic efficiency and productivity. Now, the requirement of prior approval for capacity expansion or diversification has been explicitly dropped.

Third, conditions for foreign investment—viewed as advantageous because it reduces reliance on fixed-interest debt

at the same time that it brings in new technology, marketing expertise, and modern management practices—have been significantly improved. Foreign companies are now allowed to hold a 51% equity stake in many high-priority areas, against 40% earlier, and procedures for entry have been simplified. The immediate impact of the industrial policy has been positive. A large number of projects were cleared and at least a half-billion dollars of foreign investment sanctioned (see Table 5).

But, the main issue, whether industry will pick up quickly or not, depends on the removal of a number of constraints that are still very much in place. The interest rate, which was dropped by 1% to 15% in the recent budget, remains too high for safe investment. Though the stock market has gone through the roof, as \$3 billion rushed in, this has less to do with the state of industry than with the now-busted *havala* market.

For the de-licensing to really work, a series of other measures needs to be taken. Nearly 90% of India's industry is under central purview, but several crucial things, such as land, power, labor, water, and environment remain state subjects. Even if the government clears projects quickly, they get delayed at the state level, where the "License-Permit Raj" structure has yet to fall. The latter perpetuates corruption, too. During the Janata Dal rule, a top industrialist wanted to locate his soft drink bottling plant near Delhi, but the chief minister of the state demanded Rs. 10 million as a political donation to get water and power. Only recently, Prime Minister Rao pointed out that seven projects in the power sector have been held up for lack of environmental approval.

In addition, it is questionable whether the industrial policy framework by itself will bring in the investors either from home or abroad. The government has already committed itself to making the public sector more efficient and, for this

TABLE 5  
**Finance Ministry predictions on India's economic health, July 1991 and February 1992**

July 1991 predictions for FY 1991-92	Reality	February 1992 predictions for FY 1992-93
Inflation rate in 1991-92 will be contained within 9-10%	Inflation remained at 12%	Budgetary measures will reduce inflation to 7%
Economy's expected growth rate to be 4%	Actual growth rate attained is close to 2.5%	GDP growth rate to pick up and attain 3.5-4%
Corporate taxes were raised as an emergency measure; promise to lower them later	Tax rate was never lowered and corporations forked out more in taxes in 1991-92	Budget for 1992-93 did not reduce taxes; promise to lower them later
Assurance of greater inflow of foreign investment in the form of equity	\$500 million came in as foreign equity in 1991-92, twice the total of last 3 years	Trend to continue in future
Budget deficit will be reduced to 6.5% of GDP	Attained	Budget deficit will be further reduced to 5% of GDP
Farmers to be compensated by higher procurement prices due to hike in fertilizer prices	Procurement and floor prices were raised even before the procurement season	Fertilizer prices may go up this year too, as subsidy limited to Rs 50 billion (about \$2 billion)

reason, has identified 54 public sector units that are non-viable. But the government will not lay off workers, and is still in the beginning stages of setting up and gaining labor support for a National Renewal Fund to retrain younger workers and provide the older ones with a so-called "golden handshake." Interestingly, this fund will also have the purpose of supporting technological modernization. The government is also talking to the trade unions about ways to enhance productivity in the public sector units. Investors are watching these developments, but it will be months before concrete results can be expected.

### **Pro-industrial trade policy reform**

Meanwhile, the government also announced a new trade policy which has brought cheers from the industrial sector. The first phase of reform saw abolition of export subsidies and replacement of administered licensing of imports with an indigenous system of import entitlements linked to export earnings. These entitlements, called Eximscrips, were freely tradable, attracted a premium in the market, and could be used to import any item not on a restricted list. The Eximscrips system was a stepping stone to the partial convertibility policy announced in March. Now, exporters can also retain that 60% of foreign earnings the government will honor at market rates in a foreign exchange account. Sixty percent of export earnings will form the foreign exchange pool for imports. The government will take over the balance, 40%, at the official exchange rate for purchase of the essential bulk imports such as oil and petroleum products, vegetable oil, pharmaceuticals, and a few others.

In March, a five-year (1992-97) export-import policy which eliminated import and export licensing altogether was announced. While indicating that exports and imports will in the future be determined simply by "market forces," the current policy is careful to distinguish essential imports from non-essential imports. But instead of a myriad of negative and restricted lists, this is accomplished by means of the tariff structure. It is to be seen whether such simplification will work or not, and the government will have to monitor this closely and be prepared to take corrective steps. If import demand turns out to be inelastic for a number of other products—beyond oil, drugs and medicines, and the several others deemed essential and whose import is provided for by the government at official rates—the country could face an inflationary spiral and further imbalance of trade.

Although the government says that the new export-import policy is designed to enhance exports—a crucial element in solving India's foreign exchange problems in the long run—it is generally acknowledged that substantial incentives for export are not there.

### **The IMF-World Bank role**

What exactly the role of the IMF-World Bank has been in launching the economic reforms is difficult to say. True,

as lenders of the 18-month \$2.2 billion standby arrangement which began in November 1991, the IMF has come into the picture directly. And, as a prospective "structural adjustment" lender, the World Bank has also become more involved. However, virtually all of the reforms have been recommended by one export committee after another set up by the Indian government since 1980. In fact, every government in recent years has promised to reduce the ballooning deficit and de-bureaucratize the economy. Rajiv Gandhi himself spoke out against bureaucrats and the web of licenses and regulations created to trap and kill all entrepreneurial dynamism. Moreover, even in the application of the specific conditionalities, there is considerable indication that it is not exactly swooning before the Bretton Woods inquisitors.

Since the standby loan was given for balance of payments support, the conditionalities associated with it are centered in fiscal and trade policy, and include the usual set of quarterly targets for such things as fiscal deficit, money supply growth, net bank credit to government and so forth. Among the immediate conditions that the IMF imposed was reduction of In-

## **Highlights of the industrial and financial policies**

- Industrial licensing will be abolished for all projects except for a short list of industries related to security and strategic concerns, social reasons, hazardous chemicals or overriding environmental reasons, and luxury items consumption, such as televisions, VCRs, electronic entertainment, or white goods.
- The Monopoly Restrictive Trade Practice Act (MTRP) will be amended to remove the threshold limits of assets in respect of MTRP companies and dominant undertakings. Emphasis will be placed on controlling and regulating monopolistic, restrictive, and unfair trade practices.
- Approval will be given for direct foreign investment up to 51% foreign equity in high-priority industries. Such clearance will be available if foreign equity covers the foreign exchange requirement for imported capital goods.
- To provide access to international markets, majority foreign equity holdings up to 51% will be allowed for trading companies primarily engaged in export activities.
- A Special Empowered Board would be constituted to negotiate with a number of large international firms and approve direct foreign investment in select areas. This would be a special program to attract substantial invest-

dia's budget deficit from 8.4% of GDP to 6.5% by March 1993 (see Table 5). The government has already acquiesced to these demands, and both budgets show that clearly, though there is extensive debate over the extent to which the targets are being met by sheer fudging.

Interestingly, it was reported following the first review of the standby arrangement completed very recently that a number of targets, such as that for money supply growth, had not been met. The IMF had initially demanded that money supply growth for 1992-93 be held to 5%, compared to the actual of 19% against the target of 13% for 1991-92. "However, after negotiations, the IMF is understood to have agreed on a higher money supply target of around 11%," stated the reliable *Economic Times*. The IMF team was also reportedly concerned with the sharp fluctuations in the deficit level—namely the fact that it was brought down to the target on March 31, as required, and then promptly shot back up the following day! Again, discussions and explanations closed the issue.

Further, the *Economic Times* stated, controversial issues

like the fertilizer subsidy reduction issue also came up during the review, "but the IMF officials are reported to have shown an understanding of the government's compulsions on this issue." When the government raised the (controlled) fertilizer price by 30% in July 1991, the political temperature in the farm belt shot up. Although in fact the fertilizer price rise should not have boosted food prices by more than 8% or so, the large farmers and grain merchants with hoarding capacity took the opportunity to drive grain prices up by more than 30%. The government back-tracked and instituted a dual price policy, allowing small and marginal farmers to continue receiving fertilizer at the 1980 price.

### Complicated issues

There is no doubt the IMF representative got an earful on this subject. The fertilizer subsidy issue is complicated, and like other knotty problems has been discussed threadbare over the years with no political party willing to tackle it. It is clearly impossible to sustain the subsidy—which rose twelvefold over the decade of the 1980s and alone ate up 8%

ment that would provide access to high technology and world markets.

- Automatic permission will be given for foreign technology agreements in high-priority areas up to a lump sum payment of Rs 10 million, 5% royalty for domestic sales, and 8% for exports.

- Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic, high-tech, and essential infrastructure.

- Public sector enterprises which are chronically sick and which are unlikely to be turned around will, for the formulation of revival and rehabilitation, be referred to the Board for Industrial and Financial Reconstruction.

- In order to raise resources and encourage wider participation, a part of the government's shareholding in the public sector would be offered to mutual funds, financial institutions, and general public.

The Rao government committed itself to some macro-economic targets in a letter to World Bank President Lewis T. Preston:

- About 6% growth in GDP by the mid-1990s from 3.5% in 1991-92.

- An inflation rate not greater than 6% by 1995-96, compared to the expected 9-10% in 1991-92, and 7% in 1992-93.

- Building up of foreign reserves to about 2-3 months' imports in the next few years and attaining a level of \$2.3-2.5 billion, worth about one month's imports, by the end of March 1992.

- Reduction of the external current account deficit to

1.5% of GDP by 1995-96, compared to about 3.5% of GDP in 1990-91 and 2.7% in 1991-92.

### Narasimham Committee financial reform recommendations

- Structure of the banking sector to be revamped. Three or four large banks to become global in character.

- Eight to ten national banks with a network of branches to be engaged in universal banking.

- Local bank operations to be confined within a specific region.

- Rural banks to operate only in rural areas, functions based on profitability concerns.

- Government should remove disincentives and allow the more dynamic private banks to grow.

- Foreign banks should be allowed to open branches.

- Computerization of banks to be stepped up.

- Abolition of branch licensing; opening and closing branches should be left to parent bank.

- Duality of control over the banking system must go; Reserve Bank of India should be responsible for its regulation.

- Substantial liberalization of capital markets with no need for prior approval to new issues.

- Capital market to be opened up to foreign portfolio investment gradually.

- SLR requirement of banks to be brought down to 25%; progressive reduction in cash reserve ratio.

- Asset reconstruction, institution of capital adequacy and establishment of prudential norms.

of India's non-plan budget for 1991-92. And, it is clearly impossible to eliminate it.

What happened is that during the past decade fertilizer prices, particularly that of urea, were kept at the 1980s rate, thanks to the powerful farm lobby. During the same period the cost of inputs rose multifold, not the least of which was feedstock. Natural gas, which is explored and distributed by the government of India, is sold at about three times the international price to the domestic fertilizer industry. As a result, while the fertilizer price to the farmer is subsidized, the government-owned gas company shows a handsome profit.

In addition to the bloated price of natural gas, construction of fertilizer plants using outdated technology in the 1980s pushed up the capital cost of fertilizer production significantly. The system of fixing the subsidy to be paid to each plant on the basis of guaranteeing a stipulated return on capital invested encouraged plant managers—all government servants—to inflate their capital costs even further and pad working expenses. It is not unusual for these units to be operating at as low as 15-20% of capacity. In this respect, the fertilizer subsidy is nothing but a sleight-of-hand accounting process and a whole lot of inefficiency in the industrial sector.

So what? Why not let the subsidy grow? The obvious problem is that the government will have to allocate increasing sums of money away from other channels, including developmental, to meet the bill. Since India's fertilizer consumption, and hence production, has to go up sharply in the coming decade or so, the burden of subsidy could be astronomical. Moreover, it is not equitable. It is a windfall to the large, wealthy farmers, but the small, marginal farmers gain little. While keeping the urea price at the 1980 level, it should be noted, the farm lobby increased the procurement price of foodgrain during this period by about 85-90%.

But simply abolishing the subsidy doesn't solve the problem either, and may well create a much larger one if a decontrolled fertilizer price goes up so high that foodgrain production is affected and the procurement price rises too much. The government's present dual-price policy could lead to a significant amount of leakage as well as create distribution headaches, but there is little question that the fertilizer price will have to remain under control. A certain amount of fat, in tightening up the industrial side, can be cut to reduce the subsidy or keep it constant.

If the IMF orthodoxy hit the fan on the fertilizer subsidy issue, it cannot be said to have fared much better on trade issues. While allowing a lot more items to be imported, India has kept its tariff barriers rather high. This helps both industry and government, which depends significantly on the revenue generated by the customs duty. The highest import tariff remains as high as 110%, while capital goods still require payment of 60% tariff. The import regime at this point is a far cry from what one associates with World Bank-IMF norms, much less those of the U.S. Trade Representative. In fact,

the latest report published by the latter summed it up: "While the United States welcomes the trade reforms instituted by the Indian government, India still has a long way to go."

More broadly, the IMF, and more particularly the World Bank, with which India has had a long involvement, have been pushing India to undertake reform of trade, financial institutions, and the public sector for a long time. The World Bank's latest in-house report, leaked in 1991, called for a sweeping reform of India's banks and financial institutions. The government set up an export committee, headed by former governor of the Reserve Bank of India, the country's central bank, M. Narasimham, to look into the financial sector's weaknesses. The committee's report called for a series of reforms, some of which are in common with the World Bank recommendations. However, so far the government has only partially implemented one of the many reforms suggested by the Narasimham Committee, and that was to lower the banks' Statutory Liquidity Ratio (SLR) from 38.5 to 30%. SLR refers to the money held by banks to buy the government's low-interest Treasury bills. By lowering the SLR, the government has made more credit available to private industry.

The Narasimham Committee flatly rejected the World Bank's recommendation to privatize the national banks, and instead suggested that dynamic private banks be allowed to grow alongside the nationalized system. In the industrial sector, too, the Rao government is not talking of privatization of public sector units. Instead, more as an exercise to reduce the budget deficit, the government plans to disinvest 20% of its shareholdings in the public sector companies. In no case will more than 49% of a given enterprise be divested. Some \$1.2 billion was sold off in 1991-92, and a similar amount is slated for this year. The divestments are being made in the form of auctions to the government-owned financial institutions and government-owned mutual funds. At a later stage, private banks and employees will also be allowed to buy these shares.

The 1991-92 auction was carried out at a premium of almost 30%. Part of the proceeds went to reduce the budget deficit while the rest was put into the National Renewal Fund.

### **A deepening entanglement?**

There is no doubt that pressure from the World Bank and the IMF to comply with their prescriptions, both narrow and broad, will continue and may even increase if India goes ahead to transform the current standby loan into a \$6-7 billion Extended Fund Facility (EFF), as was expected in April. But the question is still up in the air. Though there is said to be a faction in the government pushing for the EFF option as a means to help keep the pressure on the government for fiscal discipline, the decision has now been put off until at least October.

The policies adopted by the government so far have created a great deal of confidence in the country. One of the major



sources of foreign exchange, the non-resident Indians based abroad have responded positively by depositing some \$2.5 billion in Indian banks since the reforms were announced. Foreign remittances, helped by the breaking of the *havala* market, have increased significantly. Purchases of Indian Development Bonds abroad have already fetched another \$500 million. There are expectations that, by allowing certain foreign pension funds to invest in the Indian capital markets, another \$2-3 billion will come in annually. All of this adds up to the prospect of an additional \$18-20 billion in foreign exchange inflows over the next three years, obviating any further borrowing from the World Bank or IMF. Finance Minister Manmohan Singh claims that India need an infusion of \$3-4 billion annually in order to stay on course. Prime Minister Rao, during a recent visit to West Bengal, said that with foreign exchange reserves close to \$5 billion, India does not have to go for the EFF. At this writing, reserves are reported to be well over \$5.7 billion.

### **'Prosperity 2000': addressing the agricultural weak point**

But if the Rao government hasn't invited the IMF and World Bank to destroy the Indian economy, neither is its reform program a panacea. There is no question that the economy must be freed from the corrupt "License-Permit Raj" that is sapping its strength. The balance of payments problem, not a major problem by any means other than in its immediate impact, can be resolved without much trouble, as has been demonstrated. But India's domestic market is massive, and, unlike South Korea, India will have to prosper by developing this market and improving the economic situation for all.

In this regard the area of greatest concern is agriculture, where economically 70% of the country's population is located. All-around improvement in agricultural productivity—which entails river basin development and overall water management, increased electrical power generation and distribution, better transportation and communication, better health services and a much wider and more effective education system—also requires a comprehensive plan for rainfed lands, which account for 70% of arable land and where productivity is awesomely low.

Without such a wide-ranging success in the agricultural sector, the economic reforms launched in the past year will be seen in retrospect as a mere patchwork, enabling India to survive, perhaps, but go no further. Happily, the government is addressing this problem, at least in large part, with discussion of a broad and bold proposal to transform Indian agriculture across the board from a subsistence mode to a profit-making proposition. The proposal, "Prosperity 2000," was developed by Dr. M.S. Swaminathan and C. Subramaniam, two of the prime movers in India's earlier, successful Green Revolution, and the Rao government is pushing ahead with

it on a limited experimental basis in 12 different places in the country for a start.

The "Prosperity 2000" strategy aims at pushing the Green Revolution beyond the several crops and handful of states to which it was limited, and to directly address the need for bringing more crops under modern methods and establishing extensive processing and agro-industry works, which could provide more than 100 million new jobs in the rural areas themselves. The plan focuses on the development of select crops and agro-based industries with the largest technical, economic, market, and employment potential. Horticulture, aquaculture, sericulture, cotton, sugar, foodgrains, oilseeds, wasteland development, and dairy, poultry, and other commercial crops have been selected as thrust areas.

The plan proposes a 50% increase in horticulture and 100% increase in vegetable production to meet the full requirements of the population and produce a 25% exportable surplus by creating 200 model horticulture production and processing centers in both rainfed and irrigated areas throughout the country. This alone, Swaminathan and Subramanian claim, will create 3 million year-round jobs, raising 6 million rural families above the poverty line. Similarly detailed projections and plans have been made in the other thrust areas. The plan aims to raise foodgrain production from the present 177 million tons to 220 million tons, and to boost oilseeds output to 7.5 million tons, meeting domestic demand fully to completely eliminate reliance on costly imports. The plan also proposes reclamation of 8 million hectares of wasteland to meet the demand for industrial wood and provide sufficient animal feed to sustain the dairy development program.

The principal vehicle of this program will be the newly established Small Farmers Agribusiness Consortium (SFABC), which will mobilize small and marginal farmers at the grassroots level for involvement in a combined marketing, production, and processing plant in their area. The consortium was set up as an autonomous corporate entity funded by the Reserve Bank of India, the National Bank for Agriculture and Rural Development, and the Industrial Development Bank of India, and will include representation from various development boards dealing with individual crops and public sector agencies dealing with agriculture, as well as private companies, banks, scientific organizations and farmers' associations. The consortium will function on the principles of economic efficiency, environmental soundness and social equity, and will organize 12 major projects in 1992-93 in different parts of the country.

"The program will be expanded as we gain experience," Finance Minister Manmohan Singh told the Parliament in his budget address. "We must begin a new chapter in our agricultural history where farm enterprises yield not only more food, but more productive jobs and higher income in the rural areas."

## Statecraft for the development of a modern China

An interview with Lyndon H. LaRouche, Jr.

*The following interview with Democratic presidential candidate and political prisoner Lyndon H. LaRouche was conducted on March 20 at the Rochester, Minnesota Federal Medical Center by one of the leaders of China's overseas democracy movement. The interviewer's name has been withheld at his request, but he and the French-based organization which conducted the interview have allowed EIR to print it. The interpreter and translator, Mr. Ray Wei Wen, also participated in the discussion.*

**Q:** In China there are many dissidents. Some of them know you very well.

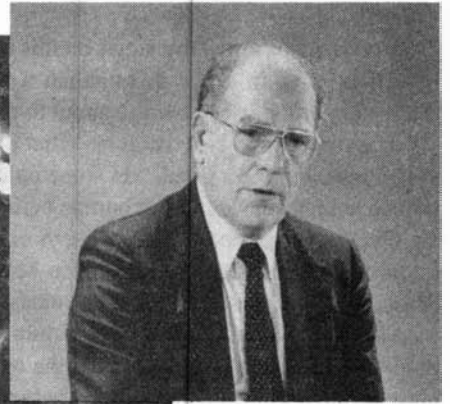
**LaRouche:** Are they in similar conditions, or are theirs worse than mine?

As they say, all wild birds feel the same way about cages, even if the cages are different. Sometimes the cage is dirty, sometimes it's cleaner, but it's still a cage. And death is death. But in China I think there is a tendency sometimes for a death worse than death, which is death without personality, which is the cruelest of all deaths. Sometimes people impose that upon themselves, by living a life which is of no value to the human race, such as the poor case of the unfortunate wretch, George Bush, or Henry Kissinger. But we are all in the same boat.

**Q:** Like you said, for China, it is a fight between life and death. For you, if you hadn't chosen to put up a fight, you could have had a more comfortable life.

For you, at such an age, you keep fighting for a better society even though you are in jail—I think this goes way beyond those people who are only fighting for themselves in an individual way.

From what I have learned about how the universe works, I find your ideas and your criticism of this free market theory invaluable. We see this crisis in the U.S.S.R. and in the eastern European bloc—some people are there, trying to impose this free market stuff. This is a kind of policy that the Chinese government is also seeking now. Unfortunately, many people who are in exile, who are



*A candlelight vigil in early June 1989 in Los Angeles, protesting the massacre of democratic students which had just occurred then at Tiananmen Square in China. Inset: Lyndon LaRouche during the taping of a television broadcast for his 1988 U.S. presidential campaign, just before the trial that made him a political prisoner.*

fighting, who are at a distance from the government, have the same illusion. So today, maybe I should ask you your opinion. What is your view of the future of Russia and the future of China?

**LaRouche:** We can learn many lessons by comparing the experiences in the former Warsaw Pact nations and the situation in China. Even though they are different cultures and have different characteristics, they are being subjected to the same kind of external circumstances.

For example, from what I know of China—because perhaps that's a good place to start—the essence of the Chinese Communist regime is something which is not original to the communists in that part of the world. That is, the *illusion* is that China has many poor people and that these people can be used up, and that the soil can be looted. So the dynastic pattern in China, as in other parts of the world, has been these looting cycles, the looting of human beings, the looting of the land and nature.

There's an outstanding example of that in the case of the Grand Canal. Like Mexico, China has a problem of water, too much water in some places and not enough in others, and the answer to this is waterworks, including canals. For example, when the Japanese built a steel plant near Shanghai, they brought coal from Australia, instead of the coal from China, because the river was not developed to bring the coal down. We have parts of China which are not developed, which have land, but which have no water. Except for enterprises such as the anarchic Great Leap Forward and the previ-

ous 1950s development of Mao Zedong, there was no real systematic effort to do the most basic thing in China, which was to develop the water system. And the problem is, there's the Northwest, which is dry, which has no water, and we have the Grand Canal project which could easily be enlarged and extended to open up new areas for development by the Chinese farmers, particularly for wheat and grain production.

This, in China, as well as in any other part of the world historically, reveals the way in which the government thinks about the people and the land. One thinks back, for example, to the time of Columbus, when Columbus discovered the Americas. Up until that time, China had a great maritime capability. Ships in China sailed all over the seas, and there was scientific work associated with this navigation. One day, it was stopped, the ships were burned, and navigation ceased.

So that, in making a comparison of different systems of governments over many centuries, many thousands of years, we distinguish between governments which understand the principle of development of the people and of the land, and those which do not.

I do not know the deep history of China. I know something of the modern history of China, particularly the external characteristics and the economic characteristics. But, in general, I do know the uniqueness of Christian civilization and the contribution of the Platonic forces in Greece to the development of Christian civilization. From this flows the very essential principle of statecraft, from which I judge all problems, including the ones we are discussing right now.

You perhaps know my views on this already, but I repeat myself briefly, in order to establish a reference point for discussion of the subject we're about to discuss.

The fundamental question is: What is the difference between man and the animals? In some cultures, for example, human beings consider other human beings as animals, or as an inferior type of beast, like monkeys or something. But we know there's an absolute difference between man and the beast, that man has the ability to create discoveries which increase the power of man over nature and the quality of human life. This creative power is the only essential difference between man and the animals, which is called in Christianity *imago viva Dei* [in the living image of God]; that all people are born the same, as equals, because each is born with this quality of potential for creative reason, *imago viva Dei*.

This principle, wherever it is accepted or even approximated, means a number of principles of statecraft, which can be easily observed externally.

First, the need to increase population, and the need to increase the lifespan of the individual. The principle of the family, that society is based on the principle of the development of children through the family. We measure the development in terms of the development of the creative power which makes man like God. We must create the conditions in which this development is fostered, in effect. We must create the conditions in education and in life in which these developments are fostered. We must recognize that the value of the individual to other people in society is his or her ability to develop and transmit this kind of progress, this discovery.

We must organize the labor of society so that, as much as possible, the principle of creative progress is embodied in the practice of labor. For example, an ox or a horse or a pig labors in the manner of its most remote ancestor. And when human beings do not *change* their way of labor, they, too, are reduced to a likeness of cows and pigs.

For example, if, in classical education today, our children can reach back to relive in their own minds the actual act of discovery of a principle of nature by a great mind before us—of course, in China I know that this is an issue of the understanding of what Confucius represented in the history of China—that by assimilating the discoveries of those who are long dead, who were important, we have an understanding of our relationship to them, to the present living people, and to future people.

Thus, the individual knows his or her importance to all previous mankind, to present mankind, and to all future mankind. When the educated individual thinks of the great minds who have made the discoveries *before* our time, he thinks of everything he does in the eyes of those people who are dead, and he wants to do nothing shameful in the eyes of those people who are long dead. And he is able to do this, because those people lived through their ideas in his own mind. He looks at those people who led worthless lives in the past,

also, and he is able to look forward and imagine how the future must look at him.

So two things come from this which are essential for statecraft. Only the individual who is educated in this way can be a true citizen of society, because he lives for his society, as an individual. He lives in a way which is necessary, so that he, as an individual, is important to all of society. And, as a member of society, he looks at other individuals and assesses their value to him in the same way.

In the Christianity of Saint John and Saint Paul, we have these values embedded, which is the essence of the good part of European civilization. But we have also in European civilization the enemies of that viewpoint, who have used the power of European civilization to do great evil.

The best example of this evil and cruelty is the British Empire. The essence of the British Empire's morality is completely opposed to all Christianity. First of all, because it denies the equality of all human beings as *imago viva Dei*. It makes some people inferior, and says some should be slaves and some masters, and it denies the principle of morality by denying that there is any knowable right and wrong way to conduct society's affairs.

The British doctrine of free trade is the essence of British imperialism and British morality.

Now we come into the past 200 years of history, which are now being reflected in what is happening in eastern Europe, in the former Soviet Union, and in China. As a result of that history, there are three leading tendencies today in the former Soviet Union, the Warsaw Pact, and visible in China, too. There are those who, in spite of the manifest failure and oppression of the former communist regimes, try to restore those regimes. We call this the anti-reform tendency. Then you have people who seem to be, like Mikhail Gorbachov or Deng Xiaoping, a reform tendency, but who really are, we say, the friends of Bertrand Russell, who were educated by Russell during 1919 to 1921 in China. The kernel of the communist cadre was educated by Bertrand Russell there. So these people have an affinity of their own type for keeping their power, but adapting to Anglo-American cooperation. These are like Yuri Andropov in the Soviet Union, or Gorbachov, and like Deng Xiaoping.

Then you have the people who reject the old bureaucracy, both factions, and who wish to make a reform, but who, unfortunately, because of their lack of knowledge, have trust in the Anglo-Americans as their potential allies against both factions of the old apparatus.

For example, in eastern Europe and in the former Soviet Union, and you see this in China, some of the old hard-liners wish to make certain reforms, but their way.

What did the reform tendency in China try to do, that is, the bureaucratic reform tendency, typified by Deng? They said, "We have too many Chinese. We will take areas like Shanghai, and make imitations of Hong Kong; and we will take the too many Chinese, and we will dump them in these

areas, called free trade zones. And they will work as slaves for foreigners under joint enterprises. They will die of overwork; they will have wages on which they cannot support families; we will *discourage* families. So we will grind up 30 million, 40 million, 50 million, 100 million Chinese, the way we grind up meat. We will make simple products, but very cheap. We will sell these products on the world market through our Anglo-American friends. So out of the dead bodies of hundreds of millions of miserably overworked Chinese, we will get some money.”

This is back to the nineteenth century and to British colonialism, only more cruel, worse. To sell the dead bodies is like selling your people into slavery.

That proposal meant two things. The very proposal itself meant the failure of the communist regime. So, the old communists in the non-reform tendency say, “No! This is stupid! We will use the 300 million Chinese to build infrastructure,” or something like that. They point to the absurdity of Deng’s reforms. And in their criticism of Deng they are somewhat correct, but opportunistically. Deng means the disintegration of the country.

Then, the reformers who oppose both factions of the old bureaucracy, but who trust the Anglo-Americans, have no solution to this problem. And you have, among these reformers, outright Anglo-American agents. Part of this problem in the reform movement is fear. On the one hand, you have the old communist movement, which is terrible; it’s a murderer; it will kill, in great numbers, with no compunction. And now that it has already lost the mantle of heaven, it will not hesitate to kill. So the reformers are frightened by this monster. Now they are also afraid that the Americans will not assist them. So they try to please the Anglo-Americans. And they are afraid not to please the Anglo-Americans.

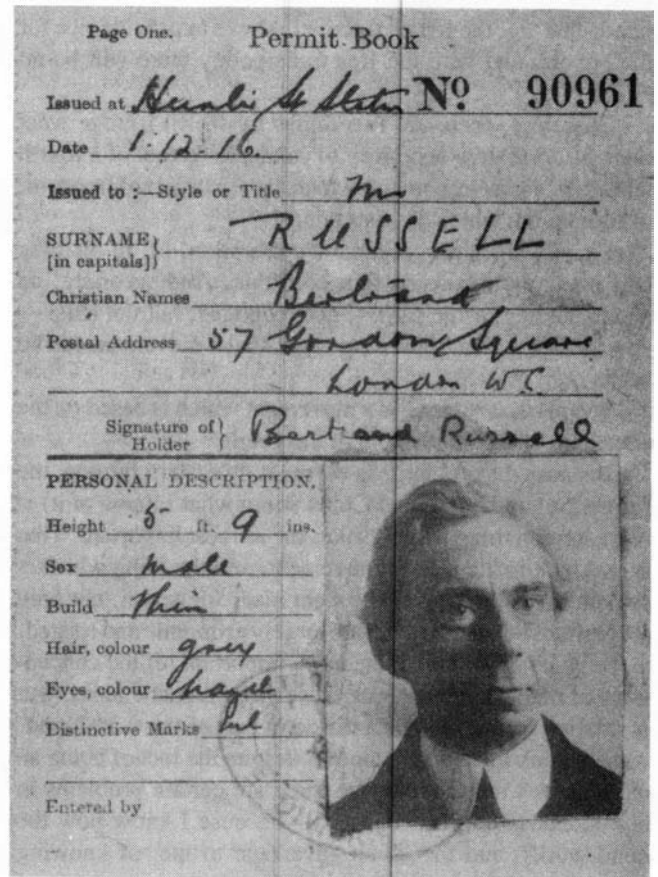
Obviously, the three tendencies are all wrong. To a large degree, we have the same situation in eastern Europe and the former Soviet Union.

The division between the communists and those who are the anti-communists, that is clear; that was clear at Tiananmen Square. Absolutely clear.

Now, who has the *right* policy? We have to distinguish, I think, between the *social force* of the communists, which is evil, and the *social force* of the people from the Tiananmen Square tradition. But then, there is a second thing: the right idea.

You have the choice. You have three forces there. You have the social force of the anti-reform, the social force of the communist reformers, and the social force of those opposed to the communists. Then you have, somewhat separate from the three forces, the conception of the correct program. Then what happens if the communists developed what is approximately the right program, and the reformers develop the wrong program?

Now look at Russia, where that question is immediately posed today. If the Boris Yeltsin regime continues to follow



The 1916 passport of Britain’s “Taoist” Lord Bertrand Russell. Within a decade, he began his dirty work in China.

the western policy, there will come a point of crisis at which the Russian people will turn to the Russian Army for help. Look at the condition of the peoples in these countries, at the average person. Were the people educated under the communists? No. They were only indoctrinated with materialism. It is said in Russia that he who rules will be the person who puts meat and bread on the table of the Russian people. And I remember a story which I heard directly from some Chinese soldiers.

I was in Myitkyina in Burma in World War II, where we had two Chinese divisions. Through some Chinese who were interpreters, who spoke English, I got to talk to many Chinese soldiers. “How did you join the Army?” I asked. They said, “They came to me and they said, ‘Did you eat rice today?’ I said, ‘No.’ ‘Did you eat rice yesterday?’ ‘No.’ ‘Do you want to eat rice tomorrow?’ ‘Yes.’ ‘Come with us.’”

So, in China, in Asia, that is also a problem, that the wrong regime, with what *seems* to be the right program, can retake the country. And that to me is the problem.

It is also a problem for Russia, and it is obviously on the agenda for China. The problem is: Where is the fourth force, the social movement with the right programmatic ideas? The

fact is that we, the fourth force, also have to provide rice for the people, and with the free trade policy there will be no rice.

Therefore, there are two things by which I judge what must be done. It is necessary to create the kernel of a fourth tendency, a new leadership, which has the object of freedom, of course, but which has two things.

First of all, a programmatic conception, or, in the case of China, the reconstruction of China. And secondly, an understanding of the *ideas*—not programs, but the ideas—upon which a great, new long-lived social movement can be built.

It is necessary to build a movement which is based on the education of the most gifted of the young.

Because the problem, as we see it, in eastern Europe, the former Soviet Union, and China (from what I know of it) is one common thing which strikes me as most important. That is, we look at the reform movement, and the thing which is so painful, is the lack of the right ideas for action, not only programmatic ideas (which are largely economic and related, that's necessary), but all the more important, of the conceptions of man which generate these programmatic ideas. But of course, for me, that is a different part of the world, and, while I think I can understand it, despite the fact of being an old man as I am, I recognize there are certain problems in my understanding it adequately—because I know how the mind works, and that is an advantage to me, of knowing what I *don't* know. Another word for it is the importance of language-culture.

You see, you ask the question: What defines Chinese? We know from history that the Chinese are a mixture of many peoples who came together. They intermarried; South China, Middle China, North China, and so forth, and, over many thousands of years, the dominant genetic traits became the dominant traits visible among Chinese people. And despite the differences in dialects, there's a certain convergence of Chinese language-culture among Chinese people generally, which I discovered from my overseas Chinese friends in Thailand, for example, who have longstanding family in Thailand, but who have relatives, uncles and cousins, in Beijing and similar places. I have enough experience to know that there is a phenomenon called *Chinese people*. It is not just a collection of people, it is a people which has a conception of being Chinese. When I say that, now I really know something: I know what I don't know, because I know how I know things, and I have some knowledge of how people in different European groups, and so forth, know things. I'm still trying to find out how Japanese people know things. And I have some knowledge of Buddhism, and more of the culture of India.

There are certain things which are crucial here, which I'm addressing in this form, when I say, "What is China?"

For example, my first real knowledge of European civilization came when, between 13 and 14 years of age, I was

studying Gottfried Leibniz. I became aware, through the study of Leibniz, of how culture works.

The young person assimilates with words—but not just words—ideas. Even though the ideas may be similar in some respects, these ideas are very specific, and have a language-historical connection for the people.

For example, if I had enough knowledge, and I weren't in prison, and I wished to find out what a gentleman from China thought, I would ask him such questions: What are your ideas about Confucius, Mencius, and so forth? because these are for him as the Christian Apostles, or Leibniz, or Plato is, for me.

Truth is the same for all people, because the universe is one universe. And all human beings have the same nature. But the way the individual *knows* culture, and *knows* the universe, is through language-culture. And the great teacher and leader, or the movements of great teachers and leaders, must be able to reach into the people's cultural store in their minds, and bring forth ideas by addressing those deeper inheritances of language-culture.

For example, in the case of China, in modern times, it's obvious. There can be no discussion of China today without discussing the question of Sun Yat-sen. These ideas, associated with names and people and movements, must be understood and addressed, otherwise the people cannot define their own history. The well-meaning Chinese person would say to me, "Yes, you know what you want to do from the European standpoint; but how can we know that from the standpoint of Chinese language-culture?"

We have one problem with Poland, which is different; a problem with Russia; a problem with Ukraine, the Ukrainian people, and so forth. These problems all exist in Europe as well. But you must locate for people in terms of their own language-culture, the ability to understand the ideas which must be discussed.

To me, that's the problem. The right program, yes. But remember, there's the danger that the right program could be taken over by the extreme right or the extreme hard communist faction—not the full program, but a caricature of it, at least, convincing enough to deceive the poor man with an empty rice bowl. And the problem is, the program is necessary but the program must be guided by a mentality which is the necessary kind for building a nation over many generations to come.

I'll give you just one example, and with that, complete this long response to the question.

Take the idea of free trade. The idea of free trade is totally immoral. To adopt it would be like electing Lord Palmerston to be the nineteenth-century Emperor of China. But the point is, do the people in the reform movement understand that this is a terrible immorality which in practice would destroy the Chinese people? I can imagine if I say that to these leaders, these young people who are in the reform movement, they will say, "Yes, but that's not good, because if we do not



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*The idea of free trade is totally immoral. To adopt it would be like electing Lord Palmerston to be the nineteenth-century Emperor of China. But the point is, do the people in the reform movement understand that this is a terrible immorality which in practice would destroy the Chinese people?*

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accept free trade, the Anglo-Americans will not support us, and then the communists will crush us.” And I think the understanding of that paradox is the key to understanding the problem of China, as in eastern Europe similarly. So that’s my general response to this question.

**Q:** In the later years of Confucius’s life, his philosophy was not implemented; it was not accepted by everybody. So he would visit all these warring states, to teach the people. Sometimes he got harassed by many people, and sometimes he couldn’t even get food to eat. But the ruler at the time was not George Bush; if it had been Bush, he would have put Confucius in jail.

**Wei:** During the May 4th movement, after the Versailles Treaty in 1919, certain people, who had gotten a certain kind of western education, initiated an evil policy to wipe out Confucianism completely. If you deny all of Chinese classical heritage, then communism will get a chance to get in, because Confucianism is not compatible with communism. It is not surprising that Sun Yat-sen advocated Confucianism, although he himself was a Christian at the same time.

**LaRouche:** After all, human beings are human beings. You will find that in any culture, certain principles of humanity will express themselves in various ways, and these expressions will tend to become adopted as part of the language-culture. You must always find that. You will always find that “evil” is expressed, “good” is expressed, in some way. And you must look for it. It is expressed, not by accident. It is expressed because it is already in the nature of the human being. One is not necessary, one is; but the unnecessary is also expressed. And therefore, the importance of Confucianism. It’s obvious in the history of China, that this became a rallying point, a reference point, for a whole group of ideas which were an essential central part of the culture. And if you remove that, you produce chaos. And that’s what happened.

That’s why I say, I know China in the one sense, but I don’t know enough, because of this conception. One must know this *from the inside* of the language-culture. I can know it is there, but I cannot know it, except from the *inside* of the language-culture.

There’s also another phenomenon in this cultural history. I mention it because it’s crucial—I’ve mentioned it before—but it’s obvious that there are certain points of catastrophe in history, in the past 5,000-6,000 years, that turn up.

The period of the Ch’in, during the building of the Great Wall [221-202 B.C.], was a time which coincided with great catastrophe around much of the world.

For example, in Europe, there was the crisis of the collapse of the Hellenic culture, a total collapse of culture. It’s fascinating. About 1,000 B.C. or somewhere in that vicinity, there was a great collapse of culture. You had it in Europe, with Greek history, the Indo-European history; we have it in Central America, in the Americas.

The collapse of the culture in the Americas was more or less progressing from 1,000 B.C. on for about 2,500 years before Columbus. There was an overall downward collapse of the culture of all the so-called Indians. A hideous collapse.

The period of the Great Wall was a period in which a great collapse occurred. We have in India, earlier, a period of collapse; then you have the revival of Indian culture first around Panini in the fifth century B.C.; then you have, of course, the second one, which is about the time of the Roman Empire, with the Gupta revival in northern India.

So there are certain points of cultural collapse. But it’s obvious in the case of China, that with the building of the Great Wall, there was a chopping-off of great parts of Chinese culture from before that time.

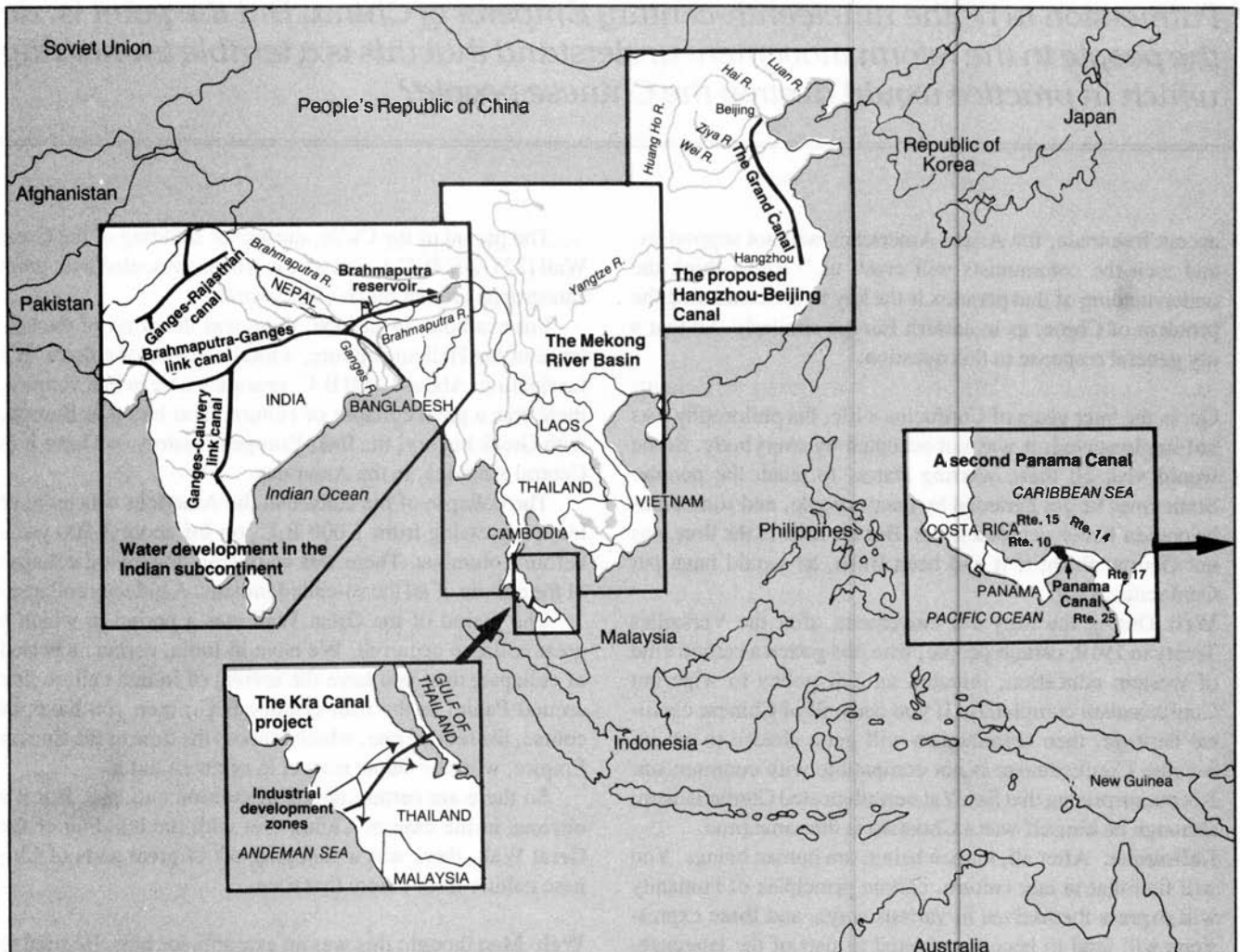
**Wei:** Mao thought this was an example for him. He tried to make the language uniform and unite the country, but that’s from this vantage-point—Mao took the Ch’in dynasty as his example.

**LaRouche:** Then it seems that much of Chinese intellectual culture was an attempt to reconstruct what had been destroyed by this regime, following a period of catastrophe in the history of China.

This is what Leibniz was rightly concerned about in the case of China: that embedded in the Chinese language-culture, are things from before that time, which are an essential part of the character of China as a nation and as a potential nation. And it is necessary to get some grasp of that, in order to deal with the problem of the mind of the Chinese people, because the mind of the Chinese people is the language-culture, unless they go out of China and become completely different people with a different language-culture.

In this part of the language-culture, there’s something very important which must be dealt with, must be comprehended. It’s very important to deal with.

## Indian Ocean-Pacific basin development projects



*The Grand Canal in China is among the key infrastructure development projects LaRouche proposes for Asia.*

You see the television pictures of the students in Tiananmen Square. While I was in jail, I watched the pictures on Cable News Network. You look at this process which was going on, and you see a people, the young people, looking for the soul of itself. It's like they're saying, "Somebody stole our soul, we want our soul back." But they didn't know what the soul was; they knew what they wanted, but they didn't know where it was. And now today, you have the manipulation of this tradition of Tiananmen Square by people who say, "They don't know what their soul is? We'll tell them what to do." The thing that has to be done, is to give those people, like the people in Tiananmen Square, the means to find their own soul. And then China can be rebuilt. Without that leadership, you cannot have a stable leadership of China. And since I'm not Chinese, I cannot do that; but I can give some guidance, as to how others could do that. So

I do what I can. But as you can see, I have certain limitations.

**Q:** But your mind is not limited.

**LaRouche:** Well, it's limited by—I don't get access to things I should get access to, that I should be working on. It's limited, it's compressed. But I'm a wild bird; my mind is in the hills.

**Q:** The heritage of Chinese culture has been destroyed, so among many intellectuals, those people praise western ideas, as the Chinese say, the moon is brighter in a foreign country.

**LaRouche:** Yes, but they don't get the point. Because I know, with great difficulty, the great ideas of European civilization, being a somewhat old man and being actively involved in this for many years, I know western civilization perhaps as few do. I know that people who study in the U.S.

universities probably get no hint even of the existence of European civilization.

Probably the most pernicious is U.S. television, U.S. movies, and then U.S. newspapers and books. Everything in them is false. European civilization would never have become as strong as it was on such ideas.

This has been my joke: For 70 years, the Russian communists told all the Russian people that capitalism is corruption; so one day, Gorbachov said, "We're all capitalists. We've all become corrupt." In the case of people in the East, the Anglo-Americans will say, "Ah! This is freedom!" And they believed for years that the Anglo-American world is the world of freedom. What did they get? Drugs, Hollywood, idiocy, free trade. . . . It's a very difficult job to educate 1.2 billion people. But we must try.

**Q:** Could you summarize briefly, the essence of western European civilization?

**LaRouche:** There are two parts to European civilization. One part is the Christian part, which is traced in part from the influence of Plato. The other part is traced from the European version of Taoism, which is typified by the British Empire. Because the history of European civilization for 2,500 years and longer, is a history of a continuing battle between two forces.

The one idea is typified by the Babylonian model, which is the Taoism model, the imperial model, the Taoist oligarchical model, or by Sparta. And the other is the model of people like Solon, Plato, and the Christians.

The difficulty is, of course, that as Christianity became an official religion, most people called themselves part of Christian civilization—but there are two opposite factions. And thus, I think the term Taoism is the correct one as a Chinese reference; to speak of the European Taoism movement, which has become the dominant force with the British Empire.

The irony is that we—one faction—created science, we developed science. We created the great art, and with this science, with this art, and so forth, we made European civilization the most powerful civilization per person and per square kilometer on this planet, which is why European civilization has dominated this planet for the past three centuries. But our civilization, that *we* created, and the power it contains, was taken over by this opposing faction, which uses that power to destroy the world.

My task is to assist in universalizing the best part of European culture. Most of my life has been involved with seeing people from what we call developing countries today, from India and elsewhere, saying to me, as they do to others: "We, the black, the brown, the yellow people of this planet, have the *right* to scientific and technological progress."

And they really are saying more than that. They're saying they have the *right* to the best that we have been able to contribute.

If you look at the history of humanity in the broadest

terms, you understand this, because you see, of all the great things humanity has, many people contributed each of these different pieces.

When we talk about discoveries of ideas, everybody is indebted to everybody else. For example, a lot of our foods come from the area of Peru and Bolivia. We got many foods, like the tomato and the potato and so forth, from this area of the world. The foods of the Mediterranean were mostly imported by sea. The first known solar calendar that's any good comes from somewhere in Central Asia. So, at a certain point in human history, some of us in western European civilization, happened to contribute the great principle of statecraft. We became the repository of Christian civilization. This is something we *owe* to the rest of humanity. This is not a competition between peoples to see which survives and which rules; it is a competition to see who can contribute the best.

If we get out of this mess we're in, which could destroy the whole human race, then, in the next century, the Pacific and Indian Ocean basins will be the center of humanity.

For example, there are over a billion people in China. There will be a billion people approximately, if not now, in South Asia. There soon will be a half-billion people in Southeast Asia. Within 20 years from now, unless there is vast epidemic disease, there will be 3 billion people in this part of the world. In the Pacific Coast area of North America and South America, Asia, the Asian Rim, and the Indian-Pacific Ocean basin, we will have 3 billion people. This will be the majority of the human race.

Now look at China in this picture. Look at the coast of China, the people of China, and the rivers of China. Look at the used land of China, and the unused land of China. China must be reorganized on a grand scale, and rapidly, because the Chinese people will be defined by their relationship to the Pacific Ocean. So, the surface of the Pacific Ocean with the rivers, that's the surface of China. The rivers are the main arteries of the inland movement (and movement out) of bulk freight aided by canals, to move by water and to provide arteries of transportation, like the central European canal system. Because that's the cheapest way to move bulk freight. We must not waste in China, because we have too many people to feed. We must build a high-speed rail line; we don't have enough room or usable space for superhighways. We need to build rails. We need vast amounts of nuclear power.

When I look at the ratios of what China is today, like India, it is impossible to meet this problem without water, power, and transportation. We must develop not only the schools and hospitals for this population, but also we must develop new land-intensive methods of agriculture. We cannot make China productive without decreasing the percentage of the peasantry—in order to create a larger industrial labor force. We cannot do that by great dislocation of the families. We are going to have to go into hydroponics-like development of agriculture. Hydroponics is the high energy,

factory-type of growing of vegetables, and so forth.

We will not be able to give the family 200 hectares of land to grow food, but we can give the farmer the equivalent of 200 hectares in terms of hydroponic production, this industrialized agriculture production.

So obviously, China, apart from many other things, must face the problem of making several technological revolutions. And these revolutions must be integral to the general development of the Pacific and Indian Ocean basins. We have a tougher problem in the question of land-use in the subcontinent of Asia. India, for example, has over 700 million people.

China's area is about equivalent to that of the United States, a little larger. It has 1.2 billion people, maybe more. India has an area one-third the size of the United States, and it has two-thirds the population of China. We have to learn to use land more efficiently in new ways, with high technology.

We have to create the conditions of family life in land-use which are compatible with the kind of quality of human being we wish to develop. This is going to be a great challenge. In the process of people learning to think in new ways, we must somehow have task-orientations of this type—of thinking, in a large scale, about the future.

Just think, if a child is born in China today, that child's great-grandchildren will be living at the end of the next century. So we should think *today* about the kind of world we're creating for the end of the next century.

A child born today in China, if he lives to be 80 years old, will be living for three-quarters of the next century. He will have some children who will be living to the end of the next century. So when someone says to me, "I have to think about myself and my children, my family," I say, "Well, some members of your family are going to be living to the end of the next century; therefore, what are you doing for the end of the next century?" This is what we should have learned from European civilization. I am proud of my European civilization, except we should have emptied the garbage more often.

**Q:** In China, sometimes we don't even throw out the garbage, we collect it, we store it.

**LaRouche:** We put them in the White House.

We are working on techniques for building farms like factories, but this requires a tremendous amount of energy. With hydroponics, for example, you can grow giant trees with tomatoes. One tree inside a factory. Leafy vegetables can be grown in factory-like conditions, all year round.

For example, there's a man in Spain who does this with asparagus. He has a factory, which he built. The asparagus is on a very slowly moving chain. It moves through the air, which is especially controlled, to give it a lot of carbon dioxide. It grows very well. It moves around, until it comes to the point to be harvested. They harvest it with lasers, they package it, it's out all year long.

They grow chickens in chicken motels. The chicken is sitting there; he starts as a little chick; he moves up; he's fed

automatically; he comes to the end [sound of knife cutting].

With enough energy, we can use land more efficiently, to get a much greater yield.

**Q:** I do agree with what you said about China. If we don't have technological innovation, a technological revolution, if we don't solve the problem of energy, it doesn't matter who is in power in the government, they would not be able to solve the problem in China.

**LaRouche:** What you have to have, is an attitude. Yes, there's a program; but it will not happen unless there's a correct attitude, a correct philosophy underneath it.

The same is true here in the United States. The United States is being tested, as to whether it is fit to survive.

We have in the Bible the story of Sodom and Gomorrah. Sodom and Gomorrah were like normal American cities, like San Francisco, Los Angeles, New York City, and Washington, D.C.—that is to say, they were very evil. So God said, "If there are not enough good people in these cities, I will destroy the cities." And there were not enough good people in the cities, so they were destroyed.

The United States has come to such a point that unless the United States proves itself capable of choosing a new government, which is not a government by George Bush or Bill Clinton or so forth, that the United States will begin to disintegrate before the end of this century; and that's the same thing as in the case of China. It's not a question of how to do this or how to do that, but China must choose the right government if it is to survive. It must choose the right social forces to lead it, and these social forces must have the correct conception.

It's very difficult to get those concepts across to ordinary people. I know. I've had some unusual success in that, but I've come far from succeeding. It's difficult, but we have to do it, because there's nothing else for us to do.

I think about my poor country which may be about to be destroyed. I think of over a billion people in China, who are facing a terrible threat.

For example, we have now, new varieties of diseases and new epidemics of diseases. They are beginning to spread in India and Southeast Asia.

In the history of disease, the South China area has been one of the greatest concentrations of disease in the history of mankind—of inventing new pandemic diseases. These have always erupted in South China when the regime was bad and produced conditions which caused terrible conditions of life for the people.

There were periods of great famine in this area. People were moving around, looking for food, and so forth. Landlords were throwing people off their farms. Under these conditions, of people with hungry, weakened, diseased bodies and lack of sanitation, diseases would spread like fire in dry wood. And the idiots in the International Monetary Fund and elsewhere who are playing these games with China, are creating, in China, in Southeast Asia, in India, and elsewhere, the conditions for this to happen again. And that's

what makes me sad.

**Q:** I also have confidence that people will wake up more and more.

**LaRouche:** We have to do our part. I have no magical power to be able to say they will. I can only do what I must do to try to make that happen. We do the best we can. But we are a limited number, and the challenge is very great. There are very few people who know enough and have the capability to do it.

We must succeed. Sometimes you don't know *how* we're going to succeed, we simply know we must. We know what path we must walk, and we must walk it; and somehow, we must succeed. We go that way, because it is the only honorable way to go.

I have in the back of my head, a memory of Cusa, of Leibniz, of many others who went before me, and they watch me—in a manner of speaking. They are part of my conscience. And I dare not do anything that is shameful in their eyes. And they say to me, "We are dead; therefore, you must do it."

So, what else can we do? The human race is very good, it's a very good thing. We must address ourselves to the goodness which is in people, and awaken them. That's the only power we really have. So we worry from day to day, but we go to battle to win, just the same.

I'm reminded of Hannibal, the Carthaginian general. Hannibal's battles have been studied by many military experts over the years. The best study was done by a German general, von Schlieffen.

Hannibal was a very good general, probably almost as good as a great American Civil War general, William Tecumseh Sherman. Hannibal marched down to Italy to meet a Roman army that was much larger than his, and since the Roman army was larger than his, he had to surround it. And he won the famous battle of Cannae. He demolished the Roman army by surrounding it. It's a very famous battle. And von Schlieffen called his book *Cannae: The Theory of the Flank*. These are tactics we can use.

But nonetheless, I've become sad, when I think about my nation and other nations and their problems. I think of the people dying in Africa, and I can do nothing to help them.

So, these things are saddening; but I'm not a sad person.

**Q:** I wish for you good health so that you can come out of here and lead the United States.

**LaRouche:** Surround the enemy.

**Wei:** People talk about liberalism in connection with liberty and the dignity of man. It is difficult to get them to understand that liberalism is not good.

**LaRouche:** You have to be Socratic. You have to say, What do you mean with those words? Do you mean the British ideal under which they slaughtered the Chinese and pushed dope and destroyed the Chinese with their opium? Is that

what you mean? That is liberalism. Do you want that kind?

What do we see in the United States? Tell me about the liberty and the suffering and the dignity of the ghettos in New York, of the hospitals that care for the sick. What exactly do you mean by these ideas?

**Wei:** That is just what [Malaysian Prime Minister] Dr. Mahathir Mohamed said at the U.N.

**LaRouche:** You have to challenge people. British liberalism. Lord Palmerston was a British liberal—plans of mass genocide in India through organized famines; mass destruction of Chinese through various wars and other operations. Look at what they did in Africa! And you want *this*, for *whom*? Who is your enemy that you want to give this liberalism to?

**Wei:** One writer in the *China Spring* magazine supported Bertrand Russell because he attacked Hegel.

**LaRouche:** He should read *The Problems of China* by Bertrand Russell, about his plans for genocide against the Chinese people. Is that his philosopher? Bertrand Russell was around the Chinese leadership, then he came back and wrote that book. He represented Taoism. Bertrand Russell is a true Taoist.

**Wei:** In the book Russell says, Look at China. It's so harmonic! Not all this technological development!

**LaRouche:** People die on time!

**Wei:** Confucius said: "At 15, I had willed myself to study. At 30, I stood up. At 40, I had no more doubts. At 50, I understood the mission of heaven. At 60, I could understand whatever I heard without exertion. At 70, I could follow my will without violating natural law."

I have thought about what Confucius means about being 30 and standing up. I think that it means that you know which path to take, that you are clear about the principles that guide you to take that path.

**LaRouche:** With me, it began with India and my service there, when I came back from Burma. In India, I became emotionally involved with the issue of independence and the economic development of India, and so my sensuous concern about what U.S. policy should be toward the developing countries developed. I was actually 30. Yes, Confucius is right.

**Q:** There is a saying from Mencius: "If heaven is to confer a great mission to someone, it first exercises his mind with suffering, and his sinews and bones with toil. It exposes his body to hunger, and subjects him to extreme poverty. It confounds his undertakings. By all these methods it stimulates his mind, hardens his nature, and corrects his shortcomings."

**LaRouche:** Yes. It makes you very determined, very tough. Not soft. I don't feel soft.

## James Baker covers for Serbia in Bosnia massacres

by Umberto Pascali

Secretary of State James Baker thundered out from the front pages of many newspapers against the latest atrocities of the Serbian leadership, this time in its aggression against of the population of Bosnia-Herzegovina. The massacres taking place daily, said Baker, "are extraordinarily tragic and outrageous," and he proclaimed he had sent "another very strongly worded protest to the Serbian leadership." Moreover, after a meeting on April 14 in Washington with Bosnian Foreign Minister Haris Siladzic, Baker launched an appeal to the Europeans, according to the *Washington Post*, "for help in staving off an assault by the Serb-dominated Yugoslav Army, saying that bloodshed could result in Serbia's further isolation from the West."

Even Lawrence Eagleburger, the reputed grey eminence of the Serbian lobby in the United States, forgetting for a moment his business connections in the Serbian capital of Belgrade, found the time on April 15 to reproach the "Yugoslav" ambassador. But the atrocities have not only continued, they have escalated. Approximately 200,000 Muslim and Catholic refugees, mostly women, old people, and children are fleeing from the fury of the Serbian Chetnik irregulars and the so-called "Federal" Army.

### Disgusting cynicism

"I can only describe Baker's attitude with two words: 'disgusting cynicism,'" a local source who is following the situation in Bosnia day by day told *EIR*. "The world has not forgotten that the Serbian aggression against Croatia started when Baker, in Belgrade, during talks with the regime of [Serbian strongman Slobodan] Milosevic, said publicly that the U.S. preferred a 'united' Yugoslavia—i.e., Croatia,

Slovenia, Bosnia, Montenegro, Kosovo, and Macedonia, under the dictatorship of the ferocious leaders of Serbia.

"Now the Bush administration sees the bankruptcy of its foreign policy in that region. The republics of the former Yugoslavia are independent. After having tried everything to stop that process of liberation, Baker and his people are forced to recognize it. Now they pretend to teach the Europeans how to face the threat from Belgrade. But we remember too well what happened last year. The Bush administration first said that it was up to the Europeans to deal with the Croatian crisis, the U.S. would have followed any decision the European Community would take. But when, in December, the Germans and the Vatican led Europe in the recognition of Croatia, George Bush and James Baker unleashed the most brutal pressures imaginable to force the Europeans to stop. The delay provoked by this blackmail caused a bloodbath without precedent in the last 40 years in Europe.

"Also nine months ago, when the aggression against Croatia began, Baker spared a few words of so-called condemnation. But in the talks he had in Belgrade, he, in fact, encouraged the Serbian Army. The peoples of Croatia and Slovenia will never forget it. Are Baker, and the U.N. special envoy Cyrus Vance, reciting the same script now?"

Clearly, the Serbian leadership and Army were not very impressed by Baker's "condemnation." A Croatian source in the United States told *EIR*: "I do not believe for a moment that the Serbians would have attacked, as they did, if they knew that the U.S. was absolutely against it. The only hypothesis I can formulate is that the official condemnation did not correspond to the signals Belgrade received from Washington. Or, even better, that the official harsh words

are just a cover for a green light. With the previous examples of the attitude of the Bush administration this is what is in the mind of any serious observer."

A third observer noted: "Do not forget that London and Washington have every interest in keeping the situation destabilized in the former Yugoslavia. It is a way to keep an open wound in the flank of Europe. Why should the present U.S. administration be against a protracted war of aggression by the Serbs against Bosnia? In fact I don't think they are. I think that despite all the efforts, the process of independence cannot be stopped, but Baker and his advisers can try to prevent it for as long as possible. I did not see any change in the general strategy of the Anglo-Americans. The new world order is still there."

### **The invasion of Bosnia**

On April 6, the European Community recognized Bosnia-Herzegovina, the day after the U.S. recognized the independence of the republic—and the independence of Slovenia and Croatia after stalling for several months. The republic of Macedonia was recognized by neither the EC nor the U.S., because of the furious lobbying and opposition from the government of Greece—this despite the fact that Macedonia has officially met all the criteria for recognition established by the European Community last year.

In an interview with France's daily *Le Monde* on April 7, President Kiro Gligorov of Macedonia said that "if Macedonia is not recognized very soon, it would be a defeat for the European policy." He stressed that recognition has now become "an ethical question for the EC." Macedonia is bordered on the north by the Serbians and on the south by the Greeks. Supplies of food and even milk have been repeatedly blocked in Greek ports, which, until now, have been the main route through which Macedonia was resupplied. The economic siege of the republic constitutes a further element of destabilization in the region.

Within minutes of the European and U.S. recognition of Bosnia, with the enthusiastic support of Belgrade, Chetnik leaders declared the "Serb Republic of Bosnia-Herzegovina" and began the war against the government of President Alija Izetbegovic. Soon after the Serbian Army massively crossed the borders. At the same time, the Serbian bombings of Croatian cities—which had never really stopped—renewed their earlier fury.

In Bosnia, the Chetniks have established a "war headquarters" according to Belgrade Radio and claim 70% of the territory of Bosnia. Ethnic Serbians make up less than 29% of the Bosnian population. But the Chetniks are being supplied by the so-called Yugoslav Army with artillery, anti-aircraft guns, and rocket-propelled grenades, as well as with food, vehicles, and so on. The armed forces of Bosnia are no match for the combined Federal Army and Chetniks.

"We will liberate Sarajevo either by agreement or by other means," said Radovan Karadzic, the leader of the local

Serbian Democratic party. In fact, the Army is continuing to take over the suburbs of the Bosnian capital. The borders between Serbia and Bosnia are controlled by the Serbian Army, which is enthusiastically welcoming the flow of men, trucks, and armored vehicles that are invading a republic recognized by both the U.S. and Europe.

### **'Ethnic cleansing'**

On April 14, the Army took over the Bosnian town of Visegrad, five miles from the border. The town was heavily bombarded. An Army colonel told the *Washington Post*: "It will happen very quickly. They [Bosnia forces] are not a strong force; we are going to surround Visegrad and then we are going to call them to surrender." He added that the residents could prevent the demolition of the town if they gave up quickly.

As already happened in Croatia, the Army uses the Chetnik irregulars for the "dirty jobs," like house to house killing. The Chetniks are dressed and encouraged to act in a way to maximize terror among the civilians, generally held to be a part of the Army psychological warfare tactics. What is going on is "ethnic cleansing" aimed at creating "pure" Serbian areas, western diplomats commented, while close to 200,000 refugees are fleeing from their homes in towns and regions, like Pocitelj, that often go without medicines, food, and even water, because of Army blockades.

### **Chetnik terror: liquor and face paint**

The Chetniks color their faces with camouflage paint, and carry large bottles of alcoholic spirits in order to fight. They carry banners with slogans like "With Faith in God, King, and the Fatherland." One irregular in Visegrad told journalists: "The women and children will be left alone." What about the men? He ran his finger across his throat.

"It is happening exactly like in Croatia," says Nedzib Sacirbey, the personal representative of President Izetbegovic in Washington. The *modus operandi*, he explained, is the same, even the personnel are the same. The first terrorizing massacre happened in the city of Bijeljina, inhabited mostly by Muslims. On April 2, a gang run by Zeljko Raznapovic, known as "Arkan," arrived in the town and approached the mosque of Atia. Many people were gathered at the mosque because it was prayer time. Arkan and his men took a few people and cut their throats, in front of the mosque, so that everybody could see it. Other people escaped inside, but were followed. Bombs were thrown inside the mosque, killing around 30 people.

Arkan, at one time a killer in the service of the Yugoslav secret police, conducted similar operations in Croatia early in the Serbian aggression, when the strategy of the Army was to terrorize civilians in Krajina into abandoning the area, where according to the plans, a Serbian "independent republic" was to be established. That is exactly what happened shortly afterward.



# Peruvian government is holding the line against terrorism

by Cynthia Rush

Within days of shutting down the Peruvian Congress and judicial system on April 5, President Alberto Fujimori announced dramatic measures against the country's drug trade and subversive groups. He sent in the Air Force to assume control of the Upper Huallaga Valley, the country's main coca-producing region, and promised to shut down all clandestine airstrips. He also lifted banking secrecy, made money laundering a crime, and fixed tough jail sentences for anyone who protects drug traffickers or terrorists. Police raided the major prisons, where jailed members of the Pol Pot-like Shining Path narco-terrorist group had established "liberated zones" and openly collected weapons and proselytized.

Fujimori's actions, which are backed by 80% of the people, came not a moment too soon. The country's court system was non-functional. Peruvian press has revealed that between 1981 and 1992, the justice system absolved 943 individuals accused of terrorism. Another 989 cases didn't even make it to the courts. Within the past two months, the Supreme Court absolved Shining Path founder Abimael Guzmán of most charges against him. Of 552 terrorists sentenced to jail terms, 219 of them were released in 1991.

Speaking before the emergency session of the Organization of American States (OAS) on April 13, Peruvian Foreign Minister Augusto Blacker Miller told his Ibero-American counterparts that as a result of the narco-terrorist offensive, Peru was "facing the possibility of disintegration as a nation and [loss of] control of its territory."

## Destroy the Armed Forces

In the face of the Shining Path onslaught, one might expect the United States to support Peru, help rebuild its Armed Forces, and let up on the International Monetary Fund's (IMF) harsh austerity demands. But the Bush administration is doing just the opposite—seeking the destruction of the institution of the Armed Forces to ensure a takeover by Shining Path. What Secretary of State James Baker has achieved in terms of power-sharing arrangements in El Salvador and Nicaragua, in which the FMLN guerrillas and Sandinistas help run their respective governments, he now wants to do in Peru: "negotiate" Shining Path's ascension to power.

The Bush administration would rather deal with pro-IMF communist guerrillas, than face the threat of nationalist militaries coming to power who might break with IMF policy. Hence the obsession with dismantling Peru's—and all Ibero-America's—Armed Forces under the guise of doing away with "human rights abuses" and making the military "more democratic."

Speaking April 12 on NBC's Meet the Press, National Security Adviser Brent Scowcroft defined that obsession in clinical terms. Asked if there were not inconsistencies in an administration policy which backed the brutal Chinese dictatorship, but at the same time condemned Fujimori, even though he enjoyed broad popular support, Scowcroft offered this twisted reasoning: "Fujimori is trying to do the kinds of things that we want done, but we have to be very careful that we don't give encouragement to forces, even for good reasons, who want to do the kinds of things that destroy democracy. The heart of democracy is that the rules are more important than winning."

The destruction of the Armed Forces is the administration's operant policy, as revealed by Peter Hakim, director of one of the Anglo-American establishment's key policymaking entities, the Inter-American Dialogue. In a recent conversation with a journalist, Hakim repeated Washington's line that there is no difference between Peru's Armed Forces and Shining Path, and that both equally threaten "democracy." The problem, he said, "is that Shining Path is gaining ground due to the *lack* of democracy, not a surplus. . . . The military were acting with no civilian control whatsoever, the worst violators of human rights in Latin America, and this was feeding the Shining Path insurgency."

Complaining that Fujimori never tried to forge alliances with members of the political opposition—many of whom deliberately sabotaged the government's attempts to aggressively combat Shining Path and drug trafficking—Hakim ranted that with his recent actions, Fujimori "has lost all moral authority. . . . What difference does it make if Shining Path or the right-wing dictatorship wins?" The first task to establish democracy in Peru, he concluded, "was not closing Congress but getting the military under control."

## Reluctant Ibero-Americans

This is the strategy behind James Baker's performance at the April 13 OAS meeting where he had reportedly hoped to garner enough support to impose tough sanctions on Peru. Baker failed, due to the efforts of a few countries who aren't willing to totally succumb to U.S. threats. During the meeting, Mexican Foreign Minister Fernando Solana stated that his government "is profoundly convinced that each country has its own political culture . . . and that each country's democracy can only be strengthened and consolidated from the standpoint of its own historical experience."

Solana also attacked the tendencies "of two or three countries within the OAS" which favor the creation of a multinational force to defend democracy, an undisguised reference to the United States, Venezuela, and Argentina. The Mexican foreign minister stated his government's firm opposition to the creation of any timetable for the return of democracy to Peru. "Impose nothing," he said. "It is the Peruvians who must solve their country's problems."

But this didn't prevent Baker from threatening that "this democratic hemisphere cannot and will not accept the undemocratic assault on constitutional processes that we have witnessed in Peru." He told the gathered Ibero-American foreign ministers that "there can be no business-as-usual with a Peru that isolates itself from the democratic community." He recommended that a high-level OAS mission immediately travel to Peru and that a "national dialogue" be initiated inside the country "involving all Peruvian democratic forces and groups."

The final resolution voted on by the foreign ministers "greatly deploras" events in Peru, and adopted Baker's proposal for sending an OAS mission to the country. It also called for sending a delegation from the body's Human Rights Commission, an ominous sign given that during their last visit to Peru, commission members spent their time meeting with jailed narco-terrorists and drug dealers looking for evidence to bolster the international human rights lobby's campaign against the Armed Forces.

Argentine Foreign Minister Guido Di Tella, one of the loudest advocates of condemning Fujimori, complained to the media after the meeting that there "was no consensus" among the ministers for sanctions against Peru of the type imposed against Haiti last fall. Except for total U.S. stooges like Venezuela's Carlos Andrés Pérez, who has broken diplomatic relations with Lima and is hysterically lobbying his counterparts in other nations to do the same, the rest of the continent is proceeding cautiously. Why?

Ibero-America is in a situation of extraordinary ferment. Populations are fed up with the IMF's "adjustment" policies which have been rammed down their throats by compliant governments. They are also fed up with the corrupt politicians who have ignored the plight of the people they allegedly represent, while stuffing their own pockets. In this lynch-mob atmosphere, most other heads of state, whose popularity

is not exactly soaring, are reluctant to condemn Fujimori, a political outsider who says he is acting to defend his people against corrupt politicians and institutions.

## Washington organizes the opposition

Fujimori's domestic opposition, much of which is in league with the Anglo-Americans in wanting to hand power over to Shining Path, is lobbying for international support—which is all it has—for its contention that Fujimori is no longer the country's legitimate President. On April 9, a group of 123 parliamentarians met secretly in rump session and swore in Second Vice President Carlos García y García as Peru's "constitutional President." Subsequently, First Vice President Máximo San Román, who was out of the country at the time, announced he would accept the role as Peru's new President, and traveled to the OAS meeting to demand official recognition.

The OAS foreign ministers did not recognize San Román, but, outrageously, James Baker demanded that "both sides" be heard and allowed San Román to address a private ministerial session. Baker's attitude is instructive. Carlos García y García, an evangelical minister, is openly pro-terrorist. Following a massacre last year in a Lima neighborhood, in which a reporter for the newspaper of the narco-terrorist MRTA was killed, García called a press conference in Congress together with Yehude Simons, president of the MRTA's legal front Patria Libre, and accused the Armed Forces of carrying out the massacre. San Román was just in El Salvador on a trip sponsored by the Agency for International Development and has openly called for implementing "the El Salvador solution" in Peru.

## 'The people are sovereign'

One element of opposition strategy rests on the proposal put forward by the Institute for Liberty and Democracy (ILD), and its director Hernando de Soto, a long-time asset of the Washington, D.C.-based Project Democracy apparatus which gained notoriety during the Reagan administration. The ILD still counts among its loyal followers people like Finance Minister Carlos Bologna, and hopes to create rifts within the cabinet that could work to its advantage. Bologna is rumored to be on his way out of the cabinet, reportedly due to disagreements over various aspects of Fujimori's policies, particularly the latter plan to raise military salaries.

The ILD proposal entails negotiations between Fujimori and the banned congressmen, using the good offices of former United Nations secretary general Javier Pérez de Cuellar, to reach some kind of "consensus" regarding "a return to democracy." This is essentially what the OAS delegation will propose as well. But Fujimori is having none of this. Responding to the proposal to have Pérez de Cuellar mediate, Fujimori stated, "I only listen to the people, who are sovereign." As for "consensus," the President warned, "you can't negotiate with those who have destroyed Peru."

## The corrupting path of Congress and the courts

*The press coverage below provides chilling evidence of how a corrupt judicial system made it impossible to arrest and convict mass murderers from Shining Path, as does Foreign Minister Augusto Blacker Miller's charges against the judiciary and Congress for blocking the anti-subversive effort.*

*La República*, April 10: "This is why the Fujimori coup took place: the decision of the Supreme Court absolving Abimael [Guzmán] served as a detonator." (Guzmán is the founder and present leader of Shining Path. During President Fujimori's early 1992 trip to Japan, Guzmán was tried *in absentia* by the Peruvian Supreme Court, and was absolved of all charges. He remains at large.) *La República* also cited the decision of the Constitutional Guarantee Tribunal to strike down government decrees intended to help in the anti-terrorist battle, and the outrageous freeing of over 100 jailed terrorists by corrupt judges and employees of the National Penal Institute.

*Expreso*, April 13: "Between the years of 1981 and 1992, the judiciary absolved 943 people accused of terrorism. Another 989 cases never even came to trial. In the same period, the Public Minister refused to even charge another 2,747 persons linked to terrorists. That is to say, that in these 11 years a total of 4,679 persons tied to terrorism were not convicted. Moreover, of the 552 subversives who were convicted, 219 were freed in 1991. All of them were freed by one judge: Arturo Zapata Carbajal."

Foreign Minister Augusto Blacker Miller speaking before the OAS in Washington, D.C., April 13: "The government of national unity . . . has been set up to prevent the onslaught of a civil war [which] would lead to disintegration of the nation. . . . In recent months, Peru found itself in a political crisis, in a context of violence that jeopardized the very existence of the state and the nation. . . . Peru was facing the possibility of disintegration as a nation and [loss of] control of its territory. . . ."

"Today, the homicidal activity of terrorism occurs throughout the country. . . . And yet, even with this scourge constantly in action, many sectors of public opinion internationally have a completely distorted understanding of the daily life of the people of Peru. Contributing to this is . . . also a systematic campaign of disparagement undertaken by some Peruvian politicians who, under the standard of protecting human rights, carry out activities aimed precisely at undermining those rights, and what is worse, have sought to restrict the activities of the government in its efforts to fight against this scourge.

"They [Shining Path] don't care if they have to eliminate

thousands or millions of human beings . . . one of the spokesmen of Shining Path in Europe recently declared that they don't care if it will take millions of deaths to bring them to power. . . . [They are] one of the bloodiest and most inhuman terrorist movements of all modern history, a murderous group comparable only to the Khmer Rouge of Pol Pot in Cambodia, a group that has systematically eliminated all opposition, the right or the left, and even all those of who might potentially be an enemy someday. . . ."

"In Peru, drug trafficking and terrorism are two sides of the same coin. For several years now, the Shining Path and the Tupac Amaru [MRTA] group have joined together in a criminal alliance with the drug traffickers in the Huallaga region. The former provide protection and the second provide money and weapons. That is why I am totally convinced when I say that Shining Path is the richest terrorist group in the world, because each year they have about \$100 million at their disposal. . . . We have already found ourselves in situations in which the terrorists have had weaponry that was far more sophisticated than that of our own troops. And the easy money available to them from drug traffickers means that each day, corruption is becoming more and more ingrained in our institutions and in the very fibers of our society."

"Given this situation, President Fujimori presented to Congress . . . the Comprehensive Strategy for Pacification. . . . This strategy is to attack both of these problems. . . . We would combat terrorism by directing our efforts against the destruction of the heads, the thinkers of the organizations of this murderous group. At the same time we would try to cut off their financing. . . . Nevertheless, I think that what is truly surprising is the fact that my Parliament gave us no alternative, and instead just decided to vote down each of these provisions. This meant that the government was left without any tools in its hands . . . necessary to attack these two serious scourges that affect our society."

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# The people of Nagorno-Karabakh must participate in peace negotiations

*On March 16 more than 1,000 people attended a support meeting for the people of Nagorno-Karabakh at Paris's Hotel PLM St-Jacques. Major figures of the Armenian community, including Mr. Krikorian, a Karabakh spokesman in France, Mr. Papazian, a leader of the Armenia-Karabakh Committee, and other well-known individuals such as Yelena Bonner, the widow of Soviet scientist and dissident Andrei Sakharov, spoke.*

*The Armenian leaders straightway adopted an offensive tone. While completely denouncing the disinformation campaign run by the media against them, presenting them as virtual butchers of Azeris, they forcefully underlined that, contrary to the situation a few years ago, today, Nagorno-Karabakh was fighting with equal arms (in quality if not quantity) against the Azeris.*

*Yelena Bonner, however, was the true star of the evening. Although she appeared to be frail, the authority that many hard years of struggle against the communist system had conferred upon her quickly imposed itself throughout the room. With one gesture, she demanded the public stop the applause in her honor—she had seen too many ovations for Stalin! Aware of the dangers in the former communist bloc from the threatened outbreak of ethnic and religious conflicts, Bonner wished above all to situate the conflict in Nagorno-Karabakh in the context of the struggle for human rights. Ideological battles, she underscored, divide people. By contrast, the struggle for human rights unites them. The conflict in Nagorno-Karabakh is located in the latter category, she said, insisting on the fact that the solution is found in the recognition of Nagorno-Karabakh's independence, through negotiations between the authorities in Azerbaijan and Nagorno-Karabakh.*

*Mr. Krikorian was interviewed by Christine Pierre in French.*

**EIR:** You represent Nagorno-Karabakh in France and other European countries. Can you tell us what the present situation is, since disinformation is dominating discussion of the subject?

**Krikorian:** The situation is very clear. Because of the

blockade of Karabakh, the only images we are able to get over the past days are those taken by the Azeri camp. They show the advance of Armenian fighters who are liberating land that the Azeris had occupied since April-May 1991. It is evident that with the aid brought to Karabakh by the [Armenian] diaspora, today, the means for Karabakh's self-defense have been developed, and thus we are reaching an equilibrium in the level of armaments, although the quantity is insufficient. When the Armenian villages are liberated, the advance of the Armenian troops will stop at the border of Karabakh.

**EIR:** You mean we are currently looking at nearly total war?

**Krikorian:** Effectively today there is total war, with the most sophisticated means, since we are no longer using outmoded hunting rifles as we saw three or four years ago. Today we are in a different ballgame: the Kalashnikov rifle is almost a pocket toy; we are using heavy machineguns, cannon, Stinger missiles, tanks, and certainly, tomorrow, helicopters. So, for the moment the war is total, but it is to be hoped that it will cease soon enough, because there have already been too many deaths, both on the Armenian side and the Azeri side.

For that, there must be negotiations between the Azerbaijani authorities and the authorities of Karabakh, because without the agreement of and participation by the authorities from Karabakh in whatever negotiations take place, no accord will be respected, as we already made clear today. Mr. Velayati [Iranian Foreign Minister Ali Akbar Velayati] met with Armenian and Azeri officials, but it is not they—the Azeris or the Armenians from Armenia—who can decide the fate of the people of Karabakh.

**EIR:** The people of Karabakh have never been represented in these negotiations?

**Krikorian:** Absolutely not! Karabakh has never participated in even one negotiation. It is for this reason that France's position today is a great step ahead which renews our hope, because, for the first time, thanks to international pressure, we are witnessing the appearance of a new attitude that

says that the authorities of Karabakh should participate in negotiations.

**EIR:** Would French mediation be a plus, then?

**Krikorian:** We are hoping that France would do more than just mediate, but serve as an engine to have negotiations be undertaken quickly; to have the intervention troops and humanitarian corridors of Mr. Kouchner [French Secretary for Humanitarian Affairs Dr. Bernard Kouchner] be rapidly put in place in order to have all conditions come together for peace in this part of the world.\*

**EIR:** What is Turkey's role in this war? Some are saying that the Azerbaidzhan coup d'état which ousted President Ayaz Mutalibov was provoked by Turkey in order to strengthen Azerbaidzhan's position in the conflict.

**Krikorian:** That's quite possible. I will tell you that Turkey, in this state of war, bears a heavy responsibility, for we know that it is militarily aiding and supporting Azerbaidzhan. That's why, when Turkey wants to play a role as mediator in the conflict, we cannot agree to it, because it is a very partial mediator. We need to have honest mediators.

**EIR:** According to some sources, Turkey would like to reconstitute the Ottoman Empire. The Americans might have tacitly agreed to a growing Turkish role in the region in exchange for Turkey's support in the Gulf war.

**Krikorian:** No, I don't think that Turkey will try to reconstitute the Ottoman Empire. However, it has always had this old pan-Turkish project, which it seeks to accomplish by trying to include the Muslim countries of the ex-Soviet Union, of the CIS, going by way, of course, of Azerbaidzhan. For this, its sole obstacle is Armenia. How should they go about getting rid of it? Every opportunity is worth exploiting. Today, it's Nagorno-Karabakh; the day after it will be all of Armenia.

**EIR:** What role does the United States play in this war? Are you surprised by the way it gave unconditional diplomatic recognition to Azerbaidzhan, whereas Croatia had to wait for recognition and some other nations still do?

**Krikorian:** The conflict in ex-Yugoslavia has been perfectly shameful. The meaning of history demands that all countries aspiring to freedom, to the right of self-determination, should have expression. The attitude of the European countries, the Americans, and all those who only decided to intervene after thousands upon thousands were dead, was scandalous.

Unfortunately, such will be the case for Karabakh: It is a longstanding policy. We were thinking that with the Gulf war, a new era had been begun, to defend liberty, the rights of man. But unfortunately, these human rights, these liberties are only to be brought into play in regions that produce oil or other wealth before the great powers take notice.

**EIR:** What about the role of Iran? Is Iran as neutral as they say?

**Krikorian:** The role of Iran is less suspect than that of Turkey, because it doesn't have a pan-Ottomanism project. Moreover, Iran has an Azerbaidzhani problem at home and could play a mediating role in this operation, for at no time did Iran have the ambition to eliminate Armenia. But it is evident that the Iran-Turkey enmity is going to last and we will have many hypotheses to erect before peace is established in this region.

**EIR:** Right now you are launching a large-scale support operation for Karabakh. What are some of the things you are doing?

**Krikorian:** First of all, we are conducting financial operations to help Nagorno-Karabakh ensure its self-defense. Second, we are going to organize demonstrations and ask political figures in the countries we are in to take a stand, in France, in the United States. . . . We are going to become politically active because, for us, the only solution is political. It's not necessary to have a military solution in this part of the world or in other conflicts. Unfortunately, we are obliged to launch conflicts, to spill blood, so that politics can take place around the negotiating table. Support demonstrations were held last week in the Lyons area. They took place three times a week and we will not weaken. We have decided, as Karabakhis, to go all the way.

**EIR:** Today you met with government officials and others: Prime Minister Edith Cresson, Mr. Kouchner, Mrs. Daniele Mitterrand?

**Krikorian:** Mrs. Mitterrand lent a very attentive ear to the people of Karabakh and is awaiting our proposals in order to effectively intervene: She is acting with great solidarity in this situation, and has already been to Armenia. Eventually, as her time allows, she will try and see what she can do for Karabakh, that is, to go there. Mrs. Cresson listened attentively to a briefing on the situation. She was well aware of what was happening there. She was accompanied by Mr. Kouchner, who is leaving tomorrow to establish his humanitarian corridor in order to create the conditions for dialogue and cease-fire. France's position is very advanced in this conflict; it gives us a sense of the work we have to do, since, for the first time, thanks to France's intervention, there is a chance to have the people of Nagorno-Karabakh participate in the negotiations.

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\**EIR's* editors do not share Mr. Krikorian's confidence in France's Secretary for Humanitarian Affairs. Dr. Kouchner's role has been to help the Anglo-Americans ride roughshod over national sovereignty under cover of "the right of humanitarian intervention." A case in point is his so-called humanitarian corridors in Nagorno-Karabakh, the first of which was established about the time this interview was taking place, between Karabakh—and Baku!

## Law must reign in Transcaucasus

by Leo F. Scanlon

The American people have been asked to join an effort to avert the bloodshed which threatens the people of Armenia, in support of peace based on international law. This means that pressure must be brought on the Bush administration, to abandon its cynical support of Russian imperial aims, and back, instead, an effort of international bodies to mediate the crisis in Armenia on the basis of existing international.

This message was carried by Hrand Khachatryan, a leader of the Armenian independence movement, who has completed a tour of the United States sponsored by the Schiller Institute. Mr. Khachatryan, who represents the Union of Constitutional Rights of Armenia, is a deputy in the newly elected parliament of Armenia and is a member of the parliament's Permanent Commission on State Sovereignty. The nationwide tour included meetings with Armenian-American organizations, interviews with English language and Armenian newspapers and radio stations, and a series of public meetings in Boston and Los Angeles.

Throughout, Mr. Khachatryan emphasized that a peaceful resolution of the crisis in Nagorno-Karabakh can be found in existing international law, and stressed that therein lies the only path which can prevent regional powers from cultivating the conflict in order to dominate Armenia, and Azerbaidzhan as well. Americans can play a crucial role in supporting such efforts, said Mr. Khachatryan, by pressuring their government to recognize the rule of law internationally, and by joining with the Schiller Institute in its demand that justice be done in the case of Lyndon LaRouche, who has distinguished himself as an uncompromising advocate of sovereignty and independence for the former Soviet republics.

### Geopolitics subvert international law

According to a declaration issued by the Union of Constitutional Rights of Armenia and the Republican Party of Armenia, the historical basis for Armenian sovereignty is solidly grounded in law. The Armenian territory of Nagorno-Karabakh was placed under the administrative control of Azerbaidzhan by Stalin, as part of a scheme which broke Armenia into the separate administrative units of the Armenian S.S.R., which included the autonomous republic of Nakhichevan and the autonomous region of Mountainous (Nagorno) Karabakh. The partition of Armenia by Stalin

overturned decisions of the people of Nagorno-Karabakh and the Republic of Armenia, which had unified the region in the period following the collapse of the Russian empire in 1918. This territorial unity was even reiterated by the government of the Armenian Soviet Socialist Republic in 1921, and has been asserted again by the parliament of the region in 1988, by the conference of plenipotentiary representatives in 1989, and finally in 1991, by referendum.

The declaration points out that "there is no document signed by an international organization, Armenia, or any body reflecting the will of the people of Mountainous Karabakh which makes Mountainous Karabakh part of Azerbaidzhan. The separation of Mountainous Karabakh from Armenia is reflected only in the constitution of the U.S.S.R., which is not a democratically established document and is thus null and void." The basis for U.N. recognition of national self-determination of Armenia is well established in international law, the document points out, and should be based on resolutions such as that of 1960 which dealt with the independence of colonized nations, the 1966 resolution on the Strict Prohibition of the Threat and the Use of Force in International Relations, the 1973 resolution governing the principles regarding combatants fighting colonial regimes, and the 1977 resolution defending human rights and granting colonized nations their independence.

The Bush administration has insisted that the illegal borders of the Soviet empire—ratified by the Yalta agreements—are more important than the legitimate claims to sovereignty raised by the newly independent republics. It has abandoned that shameful policy only when other nations have taken the lead, as in the case of Germany's recognition of Croatia.

Mr. Khachatryan points out that because the international community is refusing to recognize the lawful basis for Armenian unity, "Nagorno-Karabakh has become one of the main levers for realization of influence in the Transcaucasus by outside forces." Russia, in particular, wishes to suppress the aspirations of minorities which are still captive within its borders, and can do so as long as legal claims to sovereignty are reduced to issues of ethnic conflict. "For example," he said, "the governments of the CIS, the U.S.A., and the CSCE are treating the problem of Nagorno-Karabakh as a self-determination issue of a minority living within the borders of Azerbaidzhan, thus concealing the real nature of the conflict, which represents the struggle of the . . . Armenian people, including Nagorno-Karabakh, to rid itself of all colonial rule by becoming an independent state."

The danger in the situation is grave. The Russian military has provided just enough weapons so that the Azeri minority (which is now almost exclusively composed of military combatants, according to sources) can maintain the blockade against the Armenian people in Nagorno-Karabakh, and conduct military operations which the Armenians, in turn, are able to resist, but not defeat. Such manipulated conflicts have led to repeated massacres and genocide of the Armenian

people in the past, and threaten to do so again.

Mr. Khachatrian warned that "attempts are being made to reestablish autocratic rule in Armenia, thus threatening not only the security needs of Armenia but also the development of democracy. In the absence of external aggression and interference, Armenians can achieve democracy and political stability.

"The goal of our organization, as well as of my visit, is to promote the establishment of stable and lasting conditions for peace in the region. The only possibility for a lasting peace is the one based on history, international law, and in particular, on the rights of the indigenous people. In this sense then, we view the recognition of the reunified independent Armenia with Karabakh as a necessity" in order to strip the veneer of legitimacy from the provocations and aggressions which now threaten war.

## Israeli massacres in Gaza, West Bank

by Joseph Brewda

Israeli soldiers opened fire on a crowded market place in Rafah, a town in the occupied Gaza Strip on April 2, killing 4 and wounding 80. The incident typifies Israel's intentionally provocative occupation policies.

"The market place was packed with thousands of people doing their shopping for the feast to mark the end of Ramadan," the Islamic holy month of fasting, shopkeeper Rawhi Subuh told Agence France Presse. "Five jeeps raced in, chasing a Peugeot car carrying members of the Red Eagles [a Palestinian resistance group], who got away. The jeeps got stuck in the crowd and then stones and Molotov cocktails were thrown at them. The border police got out of their vehicles and fired everywhere for 10 minutes. Many people were wounded accidentally and people hit the ground for cover."

The day following the incident, Israeli soldiers shot and wounded 35 demonstrators in four refugee camps and Gaza city protesting the massacre the previous day. On April 4, the U.N. Security Council issued a statement condemning the Rafah killings, but called on all parties to demonstrate "self-restraint." The Palestine Liberation Organization (PLO) issued a statement the following day ridiculing the U.N. statement as "inadequate." "We are amazed to see the U.N. Security Council use two standards to deal with terrorism," it said, adding that such double standards would "encourage the Israeli occupation to continue mass killing operations."

Over 1,000 Palestinians have been killed by the Israelis, approximately 300 of them under than 16 years of age, since

the beginning of the 1987 Intifada. Many of those killed were shot in the back. On April 13, Israeli soldiers shot and wounded at least 22 Palestinian demonstrators in the Nusseirat refugee camp in the Gaza Strip. The clash occurred immediately after a four-day curfew was lifted that had been imposed after the Army had killed a youth from a prominent family allegedly attempting to cross the border into Egypt.

Commenting on killings, Haydar abd al-Shafi, the head of the Palestinian delegation to the U.S.-sponsored Mideast peace talks, stated, "This has been going on since the occupation. The Palestinians put up resistance to which they are naturally entitled, and the Israelis strike back."

In addition to a proclivity to shoot into crowds, the Israelis have increasingly carried out a policy of assassinating Palestinians rather than arrest them. "The Army has adopted a policy of seeking out activists, hunting them down, and executing them," Faisal Husseini, leader of the advisory team to the Palestinian delegation to the peace talks, recently charged. Eight people were killed in the first two months of 1992 by Israeli squads dressed in plain clothes, often in Arab dress, and at least another eight were killed in March, a report by the Palestine Human Rights Information Center notes. There were reportedly 29 such killings in 1991.

Describing one such assassination, that of a Palestinian youth on March 29 in the West Bank town of Hebron, an Irish nurse told the *Christian Science Monitor*: "As he was running, he was shot down without warning. At the same time, the doors of a back of a van flew open and a lot of men dressed in Palestinian women's dresses got out and there was shooting all around." The assassinations are believed to be coordinated by the Prime Minister's Office for the Warfare against Terrorism. The office has also been used to kill Palestinians overseas, often under the guise of inter-Arab disputes.

There are also reports that Israeli soldiers have disguised themselves as U.N. officials to facilitate arrests. Sandro Tucci, an official of the U.N. Relief and Works Agency, told the *Christian Science Monitor* that his agency had "obviously taken this matter very seriously because it implies a threat to the security of our personnel."

On April 2, Betzelem, an Israeli human rights monitoring center, issued a new report on the systematic use of torture in interrogating Palestinians. According to the report, issued by Professors Stanley Cohen and Dafna Golan, torture has become a "normal procedure" to the 5,000 detainees who were interrogated in the past year. On April 13, the Public Committee against Torture petitioned the Israeli High Court to overturn guidelines set by a 1987 government commission which amount to a permit by the police to use torture. The guidelines, issued by the Landua commission, allow "moderate physical," and "non-violent psychological" interrogation of non-Jews suspected of security offenses.

In its argument before the court the group said the guidelines have "turned into a permit in the [Occupied] Territories to torture." The group has asked that they be made public.



### Irangate making headlines, again

*Four years later, the big German media begin pointing to real story behind 1987 murder of Uwe Barschel.*

One of Germany's biggest weeklies, *Stern*, ran a two-part series on April 8 and 15 speculating why investigations into the death of Uwe Barschel, the German Christian Democrat who died under mysterious circumstances in the bathtub of his room at the Beau Rivage Hotel in Geneva on Oct. 10, 1987, never produced any result. Remarkably, *Stern* declares its own late-1987 coverage of the affair which pushed a "planned suicide" thesis, wrong, and advances the thesis of a "planned assassination," which an *EIR* investigative team was first to pursue four years ago.

A few days after Barschel's death, *EIR* quoted Lyndon LaRouche stating that a full investigation of the Barschel case would help to uncover the truth about Oliver North and his arms deals with Iran. Reliable sources had pointed out that Barschel had "come in the way" of some arms dealers and intelligence agents collaborating in top-secret ventures among the U.S., NATO, and the Warsaw Pact.

In late 1987, a few aspects were already known about a secret "northern route" of the type of North's arms-for-drugs, arms-for-hostages deals. That route ran through some of the Soviet ports on the Baltic, the East German port of Rostock, the West German ports of Kiel and Hamburg, and the Baltic port of Stockholm, Sweden.

Most media—*Stern* included—ran the coverup story of Barschel's "suicide." The decision was apparently taken under the same type of pressure from "above" which an odd report Oct. 15 in the *Baseler Zeitung* said made sure that the truth of the case

would be buried. The daily revealed that the Swiss "political and legal authorities received the message from a high-level source in Germany and through several [other] channels that it would be in the interest of all sides if this case could be declared suicide."

A few days before he died in Geneva, Barschel had stepped down as state governor of Schleswig-Holstein, after a months-long witchhunt by the media and the opposition which had charged him with illegal covert operations, corruption, and public lying. He and his wife left Kiel and were planning to vacation on Grand Canary Island, when Barschel received a message from Kiel on Oct. 9 informing him that his own Christian Democratic party was no longer backing him and was ready to sacrifice him to the media mob and declare him an "unwanted person."

Barschel learned that he had to be back in Kiel on Oct. 12 to testify before an investigating committee. He decided to interrupt his vacation and meet in Geneva the next two days with somebody—maybe several people—who would provide him with information that would improve his position. He sent a telegram to Kiel, declaring that he would "fight so that the full truth comes to light." That "full truth" was what must have sounded like a big threat to many, *Stern* moots.

In October 1982, Barschel replaced Gerhard Stoltenberg, the governor of Schleswig-Holstein who was made finance minister of the new Bonn cabinet of Chancellor Helmut Kohl a few days after the mid-October overthrow of Helmut Schmidt. As governor, Barschel inherited the secret arms

deals of the "northern route" that passed through the port of Kiel with the tacit acceptance of the government there, the government in Bonn, and agencies like the BND, West Germany's foreign intelligence.

Following a high-powered meeting of arms dealers like North, Habib Moalim (Iran), and two Englishmen at the Atlantic Hotel in Hamburg Nov. 20, 1984, there was increased "activity" over several months along the northern route. In 1985 and 1986, Barschel himself crossed the German-German border to meet (as his driver recalls) several men at a well-guarded place near Rostock: Kavelstorf, a secret arms compound run by East German foreign intelligence for arms deals with the Third World. Was Barschel part of the deals, or was he trying to organize his walkout of the arrangement? Or was he trying to cut a special deal?

There never was an investigation of that question. In Part 1 of the Barschel story on April 8, *Stern* wrote that on the Oct. 10-11, 1987 weekend the following arms dealers met in Geneva: Adnan Khashoggi (Saudi Arabia), Alex Illich (U.S.), Mansur Bilbassy (Jordan), Ahmad Khomeini (Iran, son of Ayatollah Khomeini), Rafiq Dust (Iran); furthermore, John de la Rocque (CIA, U.S.), Dirk Stoffberg (Republic of South Africa), Reinier Jacobi (dirty work specialist of the CIA, Australia). There were others, such as Josef Messerer, a Munich-based arms dealer in whose notebook German police later found a cryptic remark on Barschel concerning that weekend. That track was never pursued.

The Beau Rivage Hotel, *Stern* wrote, was known to insiders as "a preferred address of the CIA, used by the U.S. intelligence agency as a lodging for people that they wanted to have under control."

## A 'cricket with a thousand voices'

*Anti-government protests escalate in Venezuela, as the desperate CAP regime abandons its democratic facade.*

Yet another protest against the Carlos Andrés Pérez (CAP) government rocked Caracas April 8, when a "whistle protest," known as the *pitazo*, made the capital city sound like "a cricket with a thousand voices," according to one newspaper account.

Despite brutal repression, media censorship, and the government's characterization as "subversive" of all involved in the action, there was massive participation. The demands, as always, were for CAP's immediate resignation, the freeing from prison of the Bolivarian rebel military leaders, and against implementation of International Monetary Fund (IMF) dictates. The *pitazo* coincided with a national civic strike which had the backing of the head of the Caracas city council, the Caracas electricity workers, teachers, the Society of Journalists, judicial workers, and the Federation of University Centers, among other groups.

According to *El Nuevo Diario*, "For the first time in the democratic history of Venezuela, the country experienced scenes of violence and tension characteristic of a civil war. . . . Gas bombs were thrown from helicopters into western portions of the city. The metropolitan police and national guard were raiding homes and abducting people." Numerous incidents of violence broke out throughout the day as police attempted to confiscate whistles being distributed on street-corners.

While protests in some areas were limited to whistle-blowing, banging pots and pans, and fireworks, in others, stone- and bottle-throwing led to

sometimes bloody confrontations with the National Guard. In the city of San Juan de los Morros, effigies of President Pérez were burned in the streets "in anticipation of the burning of Judas during Holy Week," according to one newspaper. In the city of Mérida, the headquarters of the ruling AD party was assaulted and burned. Demonstrators in Maracay, Barquisimeto, Los Teques, and Valera clashed with the police and National Guardsmen repeatedly.

"Infantile and ridiculous," was the way Interior Minister Luis Piñerua described the *pitazo*. "Noisy protests don't bother us at all. Government changes in Venezuela can only come about through direct elections, whereby the people's sovereign will is expressed."

It would appear, however, that President Pérez is not willing to trust the people's "sovereign will." In a desperate effort to maintain his grip on power, Pérez met on April 8—to the sound of whistles ringing in his ears—with a group of businessmen, and with the secretary general of the opposition COPEI party Eduardo Fernández, to sign a political agreement by which, among other things, CAP would arrogate extraordinary powers through a special enabling law. Called the "Emergency Plan," the agreement is reportedly intended "to reaffirm the government of unity of AD and Copei" and to carry out a number of reforms such as "stabilizing the system."

The centerpiece of the plan is an explicit commitment to enforcing IMF policy, including accelerated pri-

vatization of state sector companies, "punishing and preventing any strike," and "establishing the Value-Added Tax," the latter the latest demand of the IMF.

When word leaked out about the existence of the plan, AD party president Gonzalo Barrios stated that he disagreed entirely, "since this is the road to arbitrary power and dictatorship." COPEI president Hilarión Cardozo told the daily *El Universal* that his party's executive committee had authorized Eduardo Fernández only to seek an understanding with CAP on four general areas, but by no means approved the 15 points of the emergency plan. Several other politicians, all trying in one form or another to control the volatile situation in the country, attacked the plan as well. Typical were the remarks of former President Rafael Caldera, who warned that if "change through the democratic route" were not carried out, then the country would be hit by some non-democratic change "which for some weeks has been threatening us."

CAP rushed to issue a communiqué through his press office, denying that any such "emergency plan" had been formulated. But apparently no one believes him, not even his own party. AD congressman Henry Ramos warned CAP not to forget that "his primary political support, perhaps his only one, is his party." The secretary general of the MAS opposition party warned that the pact would "accentuate the dangerous situation in which we are living."

On April 13, the *Diario de Caracas* reported in its gossip column that CAP's "emergency pact" has as its primary supporter former Central Bank president Pedro Tinoco (a Rockefeller front man) and "a powerful financial group," universally recognized as the Cisneros family.

## **A Kissinger-Bronfman coup**

*Collor's cabinet shakeup has given the Anglo-American banks a direct hand in decision-making in Brazil.*

**D**uring the first week of April, President Fernando Collor de Mello orchestrated the collective resignation of his entire cabinet for the purpose of putting a new face on his government, which is drowning in an institutional crisis that threatens to topple his monetarist economic program.

The crisis considerably worsened in the aftermath of the military coup attempt in Venezuela on Feb. 4, which had repercussions, especially, among the Brazilian Armed Forces. At the height of the flood of corruption charges against the government, Gen. Agenor de Carvalho, chief of Brazil's military cabinet, told President Collor that the Venezuelan military uprising "was seen by [Brazilian] troops as an act of laudable nationalism," according to *O Estado de São Paulo* March 31.

Although certain high-level political observers have noted that Collor's cabinet changes amount to little more than putting lipstick on a cadaver, the fact is that the long-expected cabinet clean-out has given President Collor a team of professionals directly tied into the centers of Anglo-American power represented by former U.S. Secretary of State Henry Kissinger and Zionist figure Edgar Bronfman.

The most explicit agents of Kissinger-Bronfman influence inside the new government team are Foreign Minister Celso Lafer and Regional Development Minister Angelo Calmon de Sa. Their appointments give continuity to the relationship which President Collor de Mello began shortly before assuming the presiden-

cy with Canadian liquor magnate Edgar Bronfman, who in his capacity as president of the World Jewish Congress, urged that Brazil change its vote at the United Nations condemning Zionism as a form of racism. Brazil eventually did change its vote.

Lafer comes out of an old Zionist family from São Paulo with ties to the Anti-Defamation League of B'nai B'rith (ADL). Lafer is also a partner with the powerful Klabin family, which has historic connections to the cream of the Zionist International through the networks of Chaim Weizmann, one of the founders of the state of Israel. Both the Klabin and Lafer families maintain relations with Kissinger Associates. Lafer is also a member of the Inter-American Dialogue, one of the original promoters of the campaign to dismantle the continent's armed forces.

President Collor's first choice for the Foreign Ministry portfolio was Sen. Fernando Henrique Cardoso, a nomination which failed to come off when his negotiations with the opposition Social Democratic Party (PSDB) collapsed. Since Senator Cardoso is also a member of the Inter-American Dialogue, the nomination "stayed in the family," and kept the Anglo-American establishment happy.

During George Bush's war against Iraq last year, Lafer became famous for backing the thesis of Italian Marxist "intellectual" Norberto Bobbio, who defended that massacre as a "just war." The Arab diplomatic community in Brazil therefore sees Lafer's nomination as an insult.

The common denominator of the key figures in the new cabinet, apart from Kissingerism, is a cultural outlook learned directly from the Frankfurt School, the entity which pioneered the counterculture against those principles which fostered western Christian civilization.

For example, while studying at Cornell University, Lafer was a student of Frankfurt School guru Hannah Arendt. Another fervent Arendt admirer is banker Marcilio Marques Moreira, one of the few who survived Collor's ministerial earthquake and remained as economics minister in order to guarantee to the bankers the continued repayment of the foreign debt. Lafer was recommended for the new cabinet by Minister Marques Moreira, who was introduced to Arendt by Lafer.

The international press mounted a campaign to portray the nomination of two new ministers—Mines and Energy's Marcus Vinicius and Regional Development's Angelo Calmon de Sa—as the result of a tacit agreement between Collor and the Armed Forces, since both men are identified with previous military regimes. While untrue, such media lies suggest to what degree the Collor government needs to ease the tensions in the barracks.

The fact is that both Calmon de Sa and Vinicius fulfill President Collor's "quota" with Brazil's international creditors. The new minister of regional development comes out of the Banco Economico, which is expected to repay the government for his nomination by giving President Collor parliamentary support from the political machine of northeastern Brazil. Banker Calmon de Sa is also a member of the international advisory council of American Express, where he rubs shoulders with Henry Kissinger. He also sits on the councils of the Institute of International Banks and of Wells Fargo Bank.

# International Intelligence

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## ***Khmer Rouge violates accords in Cambodia***

The head of the United Nations forces in Cambodia expressed "growing frustration" with Khmer Rouge obstruction of the peace accord signed in Paris last year, the British Broadcasting Corp. reported on April 9. The Khmer Rouge killed an estimated 3 million Cambodians during its 1975-79 reign. Now it is refusing the U.N. access to territory under its control, and is continually violating the cease-fire, U.N. representative Yasuki Akashi said, adding that he would take his grievances to the U.N. Security Council if necessary.

Khmer Rouge head Khieu Samphan is adamant that the U.N. must first establish that all Vietnamese soldiers have left Cambodia before he will comply with U.N. demands for access to all territory under his control—an issue Akashi holds should not be allowed to stop the U.N. agreement.

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## ***Indian newspaper reports abuses against LaRouche***

New Delhi's leading Sunday newspaper, the *Sunday Mail*, on April 5 carried a report on the U.S. government's political targeting and prosecution of Lyndon LaRouche. Titled, "U.S. Presidential Election: LaRouche—a Maverick Politician," the article concentrates on the illegalities by the government cited in the motion by the defense for a new trial, filed on Jan. 22, 1992.

The author describes LaRouche's political-economic views in the following way: "The IMF-World Bank combine, he says, is really a continuation of the Versailles Treaty, in that they are instruments by which the big powers seek to carve out geopolitical spheres of influence. They serve to keep the Third World countries pauperized. Since he believes in the right of these nations to development, he carries on a campaign against the environmentalist lobby, which, according to him, stands in the way of their progress. He holds no brief for the 'limits to

growth' theory propounded by the Club of Rome. Such theories, he says, do not understand the capabilities of science and technology to change economic parameters. This obviously made him very popular in the Third World, especially Latin America."

The author reports that LaRouche's conviction in 1989 "climaxed a sustained effort to discredit him and his political movement." She notes that LaRouche visited India twice and met with Mrs. Indira Gandhi on both occasions. She adds that the victory of two LaRouche supporters in May 1986 in the Illinois Democratic primary "worried the Establishment and a systematic effort to 'Get LaRouche' was launched which climaxed in a frameup resulting in his indictment, trial, and conviction."

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## ***Foul play in Arafat airplane crash?***

Palestine Liberation Organization leader Yasser Arafat escaped only slightly wounded from a plane crash in the southern Libyan desert on April 7, in which three crewmen died. According to PLO sources, the plane was caught in a sandstorm, and had to make an emergency landing; for 12 hours, Arafat was missing.

While no accusations of foul play have been made, and sandstorms are frequent in the region, it is remarkable that the incident followed close on the heels of an interview given by Arafat to a Russian journalist, in which he cited his concerns for his personal security.

In an April 8 interview with *Komsomolskaya Pravda's* special correspondent Dmitri Kulik, Arafat said, "I wouldn't call my security system the world's best," Arafat told the journalist, "but I do think that it's up to me, and no one else, to take care of my safety. For example, no person around here knows where exactly I will be sleeping tonight. I will tell the address to my driver when I am inside my car. This is no persecution mania: You may know that nearly all of my best friends and colleagues have been murdered by our enemies. Suffice it to name

Abu Iyad, Abu Jihad. . . .

"[Israel's Ariel] Sharon personally tried to kill me 13 times, to say nothing of the attempts made by other enemies. . . . You may remember my residence in Tunis was blown up. Any moment I may expect to be poisoned or become the target of a sudden blow—any security system would be helpless in that event. But I am proud nothing of the kind has ever been attempted by the people I trust."

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## ***French jurists reject 'right of force'***

In the context of threats of military intervention against Libya and Iraq, a group of French jurists called a press conference on March 18 in Paris on "The Rights of Nations versus the Right of Force." Participating were Maître Coutant-Peyre, Maître Pernet, Prof. Robert Charvin of Nice, and geneticist Albert Jacquard, a member of the National Committee on Medical Ethics.

Coutant-Peyre explained the reasons behind their decision to found an association: "We are presently witnessing a deformation of the principles of law and the basic texts by those whose intention is to use force"—and who are motivated increasingly, as the Gulf war proved, by racist and xenophobic convictions.

"As legal professionals, we are concerned with precision, and hence, with equality before the law," she said. "But, they want to make us swallow a two-speed principle of sovereignty: one, the untouchable, for the sole remaining superpower and its allies in the western world, and the other, contingent and limited, for the nations of the Third World. We are seeing the surfacing of a true international police force, led by the great powers."

Charvin, a specialist in international law who had returned from a mission to Libya, explained that Libya is perfectly right to refuse to extradite two of its nationals accused of terrorism, and to insist upon trying them in its own judicial system. "The Mediterranean is in the process of becoming a new

## Briefly

Berlin Wall," he said, "where those on the other side have no rights whatever."

The jurists vowed "to undertake the impossible task of stopping this stampede." They announced the formation of a publication called *The Right of Nations versus the Right of Force*, and said that their group will send fact-finding missions to wherever acts against international law are going on.

### ***Israeli organized crime reported on the rise***

"Will Israel become an Eldorado of the Jewish underworld?" asks the German-language left-liberal Jewish monthly *Semit* in its February-March issue. It reports that Frankfurt real estate shark and mobster Josef "Joschi" Buchmann, who reportedly was the late organized crime kingpin Meyer Lansky's front-man in Frankfurt, has announced that he will leave Germany for Israel, because he considers public allegations of his ties to organized crime a sign of "increasing anti-Semitic tendencies" in the country.

Since Buchmann's crony Hersh Beker also fled Frankfurt for Israel because of an arrest warrant against him, the paper wonders whether "Israel is becoming an Eldorado for the Jewish underworld from all over the world. . . . Anyway, Meyer Lansky was extradited by the Israeli authorities to the U.S. Will they extradite Jews to Germany too? We will be eager to learn."

### ***German Jewish leader defends Chancellor Kohl***

In a commentary published by the Bonn daily *Die Welt* on April 8, German Jewish philosopher Pinchas Lapide called the World Jewish Congress's protest against Chancellor Helmut Kohl's recent meeting with Austrian President Kurt Waldheim a "tempest in a teapot," as compared to the real problems that are posed in the former U.S.S.R., the Balkans, and the Mideast.

Kohl had every right to meet with Wald-

heim, Lapide wrote, especially as no hard proof has ever been produced to substantiate the many charges that have been made against Waldheim.

Kohl has done a lot for Israel, but it is useless to argue about that with people like those of the World Jewish Congress, Lapide said, saying that manifestations of neo-Nazism and anti-Semitism in Germany are part of a pattern of similar developments in France around Jean-Marie Le Pen and in the United States around David Duke and Pat Buchanan.

"Being a survivor of Nazi camps and a Jewish soldier who had to fight the German Wehrmacht for years in the sands of North Africa," Lapide wrote, "I learned this from my teacher and friend David Ben-Gurion, the founder of the state of Israel: 'There is a new, another Germany, which we can trust.'"

### ***Pope sends envoy to assess Iraqi shortages***

Pope John Paul II has sent a delegation to Iraq led by Msgr. Alois Wagner, vice president of the Cor Unum pontifical council. A Vatican release explains that "the mission was decided upon by the Pope to express further his solidarity . . . with the Iraqi population and with all those who have been hit by the consequences of the Gulf war."

Other members of the mission, which left Vatican City on April 4, are Monsignor Gugerotti, Gerhard Meier (Caritas International), and Father Adeli (Caritas-Jordan).

On April 3, Baghdad Catholic Patriarch Raphael Bidawid had stated on Vatican Radio that the embargo imposed against Iraq is "genocide." "How can a human conscience accept such a situation," he asked, "of malnutrition due to lack of food, insufficient public health care due to lack of medicine, paralyzed hospitals, the elderly, the children who die everyday by the hundreds?" The U.N. embargo, Bidawid charged, "has not hit an army or a regime, but a people, a population that suffers and keeps suffering."

● **SOUTH AFRICAN** President F.W. De Klerk was stoned as he attempted his first campaign rally in one of South Africa's black townships. De Klerk's National Party had announced that it intended to broaden its political base by seeking support among the country's non-white majority.

● **IRAQI AUTHORITIES** agreed on April 7 to allow U.N. inspectors to begin destroying Iraq's alleged nuclear weapons production facility at al-Atheer, 25 miles south of Baghdad. Computers, refrigerators, centrifuges, even buildings were destroyed—every structure except the cafeteria.

● **THE BAADER MEINHOF** terrorist group announced in a letter to Agence France Presse that it is going to stop throwing bombs, since the group's underground supporters no longer support this strategy. The letter says that the group will continue its work with other tactics. Anti-terrorist experts have said that the letter is apparently authentic, but more investigations are ongoing.

● **THE BEIJING** Institute for International Strategic Studies hosted a meeting on Asian security the week of April 6. In attendance were Chinese Prime Minister Li Peng, former U.S. secretary of defense Frank Carlucci, former chairman of Japan's Joint Chiefs of Staff Masao Ishii, and Sergei Rogov, deputy director of the Russian Federation Institute of U.S.-Canadian Studies.

● **UNITED NATIONS** Secretary General Boutros Boutros Ghali on April 14 lauded China, at the annual meeting of the U.N. Economic and Social Commission for Asia and the Pacific, the first held in China since 1949. He cited "China's commitment to the promotion of international cooperation and multilateralism and the role of China in promoting awareness of the problems and needs of the Third World," but said nothing about human rights issues.

# Is Clinton a Trojan Horse for Bush reelection effort?

by Jeffrey Steinberg

A longtime personal aide to Arkansas Gov. Bill Clinton stands accused in a 1991 federal court suit of breaking the law to cover up the involvement of Reagan-Bush administration, Central Intelligence Agency, and Mossad officials in illegal gun and narcotics trafficking. The accusations against Raymond "Buddy" Young, Clinton's personal security chief, are but one feature of a larger body of evidence linking the Democratic Party presidential front-runner and several of his relatives, leading aides, and backers to the most serious documented instances of drug trafficking by the Iran-Contra apparatus.

As vice president and as coordinator of all Reagan administration covert operations (under National Security Decision Directive 3 and various Executive Orders), George Bush sat at the top of the very chain of command in which Clinton has been implicated. This alleged convergence of Clinton and Bush involvement in the Iran-Contra fiasco raises serious questions for voters on the eve of the 1992 presidential elections.

It is imperative that these court-documented allegations be publicly answered by Clinton before the Democratic Party convenes in New York City July 16-20 to nominate its presidential candidate. If the Democratic Party blindly nominates a man accused along with George Bush of Contra-related gun and drug trafficking, then the American electorate will have essentially been disenfranchised from any real choice in November, and in all likelihood, George Bush will be returned to the White House, despite the fact that the majority of Americans have indicated they do not wish to suffer under

four more years of a Bush presidency.

For many people who have looked into the allegations about Clinton's involvement with Oliver North, Barry Seal, Felix Rodriguez, Amiram Nir, and the other Iran-Contra players, the question boils down to this: Is Bill Clinton a Bush "Trojan Horse" inside the Democratic Party?

## **Terry Reed's 1991 lawsuit**

On July 5, 1991, Terry K. Reed and Janis Reed filed a federal civil suit in the United States District Court for the Eastern District of Arkansas, Western Division (LR-C-91-414) naming Raymond Young and Tommy L. Baker as co-conspirators in an effort to "violate the constitutional rights of the plaintiffs." At the time of the alleged acts, as well as when the suit was filed, Young, a captain in the Arkansas State Police, was the chief of Governor Clinton's personal nine-man security detail, working fulltime out of the governor's mansion. Baker, a former Arkansas state trooper turned private eye, was a close friend of Young's.

The lawsuit, which is scheduled to go to trial in Little Rock in September, charges that Young and Baker carried out three illegal break-ins, "manufactured, altered, tampered, removed, and planted evidence," and delivered perjured testimony in Pulaski County, Arkansas circuit court and before a federal grand jury in Wichita, Kansas.

As the result of the actions by Buddy Young, Terry and Janis Reed were indicted in June 1988 by a federal grand jury in Wichita (88-10049-01) and charged with four counts of mail fraud and insurance fraud. On Nov. 9, 1990, in a brief

non-jury trial before U.S. District Court Judge Frank G. Theis, Terry Reed was found not guilty (his wife had already been dismissed from the case). In ruling in favor of Reed, Judge Theis lamented that the case did not go to a full trial before a jury, because it "would have gone far beyond the confines of just a simple insurance fraud case."

Much of the evidence that would have been presented at such a trial is, fortunately, contained in court records from the Wichita case, in a Terry Reed deposition given in a civil suit in Florida, and in the *Reed v. Young* proceedings in Little Rock. *EIR* has obtained copies of many of those documents and has assembled the following summary of the Reed case based on those sworn statements.

### **Reed meets Contra operator 'John Cathey'**

Terry Reed served from 1968-1975 in the U.S. Air Force. He did two tours of duty in Thailand as an intelligence gatherer, working in liaison with Air America and other CIA proprietaries during the Vietnam War. When he left the Air Force as an E-5 (staff sergeant), he went to work marketing computer-controlled heavy equipment and obtained a commercial pilot's license.

While working in 1980 for an Oklahoma City, Oklahoma company called Northwest Industries, Reed was recruited to work for the FBI and U.S. Customs Service "providing information on the international flows of computer technologies." Through FBI Special Agent Edwin Enright in Oklahoma City, Reed was introduced in 1982 to a man who presented official CIA credentials in the name John Cathey. Cathey asked Reed to carry out similar undercover work for the CIA. Reed later learned that the man he knew as John Cathey was actually Oliver North.

In March 1983, North, a.k.a. Cathey, approached Reed on behalf of a Contra support program that he called "Operation Donation." According to the papers in *Reed v. Young*: "The CIA had a program known as 'Project Donation' where people would permit their airplanes and other high-value items (such as boats) to 'disappear.' Then they could make an insurance claim for their 'stolen' property. These airplanes and other items were to be used in covert operations of the CIA in Nicaragua at a time when the Boland Amendment severely reduced funding for the Nicaraguan conflict. CIA agent John Cathey told Terry Reed that this project was for indirect funding for the Nicaraguan conflict. . . . In March 1983, plaintiff Terry Reed was approached by John Cathey about allowing his airplane to be 'donated' to the Nicaraguan indirect funding project, and plaintiff refused."

Nevertheless, Reed's Piper Turbo Arrow was stolen from a hangar at Joplin, Missouri Municipal Airport on March 23-24, 1983. Reed reported the theft to the Joplin police and to his insurance company and eventually collected \$30,000 for the loss.

In October 1983, Terry Reed and his family moved to

Little Rock, Arkansas. Shortly before the move, Reed was contacted by North/Cathey and told to expect a visit from another CIA "unpaid contract employee" upon his arrival in Arkansas. The person was identified by North as Barry Seal.

In December 1983, Seal did visit Reed at his Little Rock office and asked Reed to become involved as a subcontractor in a Contra training program that Seal was running on behalf of North and the CIA in the area of Mena in western Arkansas.

Barry Seal, a former commercial airline pilot, had been a narcotics trafficker from 1977-1982, after which he became an informant for the Drug Enforcement Administration. Through the DEA, Seal became an asset of the Reagan-Bush White House, working under North. Seal's most famous effort on behalf of the Reagan-Bush White House involved the clandestine filming of an alleged cocaine shipment being placed aboard an airplane at an airstrip in Nicaragua. An official of the Interior Ministry of the Sandinista government, Federico Vaughn, was filmed at the site of the cocaine shipment.

Seal was running a secret training program for Contra pilots and ground teams in an area 11 miles north of Mena near Nella, Arkansas. Reed agreed to assist Seal in that training effort and eventually trained about 25 "Latin Americans."

According to state and federal law enforcement officials, including Russell Welch of the Arkansas State Police and William Duncan of the Internal Revenue Service, Seal was simultaneously using the Mena Intermountain Airport facility as a depot for illegal narcotics being flown into the United States from South America. Rich Mountain Aviation, Southern Cross Airways, and other companies based out of Mena airport were also modifying airplanes with extra fuel tanks, special radar tracking devices, and other equipment specially required in the Contra resupply program and in long-distance drug runs between South America and the United States.

In November 1984, while working with Seal on the Mena training program, Reed was contacted by William J. Cooper, a former Air America pilot whom he had known in Thailand. Cooper was then employed by Southern Air Transport, a CIA proprietary. Cooper flew into Little Rock and met with Reed to discuss his possible involvement in other aspects of the Contra support effort. Reed rejected Cooper's initial proposal to move to Honduras and continue training the pilots and ground teams. In March 1985, Cooper again contacted Reed and asked him to conduct a feasibility study for moving his machinery sales operation to Mexico, where it would be used as a transshipment front for funneling supplies to the Contras in Central America.

In September 1985, Reed did go to Mexico to conduct the feasibility study. Upon his return to Little Rock, he was debriefed by Barry Seal, who told him that he would pass the report back to Cathey. Later Reed was contacted again



by Cooper. Through North, Reed was told that the Mexican project was being run by a man named Max Gomez. Reed met with Gomez in 1985, 1986, and 1987 concerning the Mexico project.

### **The move to Mexico**

In July 1986, Reed moved to Guadalajara, Mexico in the state of Jalisco. He established a company called Machinery International SA and arranged to lease a hangar at Guadalajara airport. Another former Air America pilot named Mitchell Marr was Reed's local contact point for the Contra resupply effort in Guadalajara.

On Oct. 6, 1986, a C-123 Southern Air Transport plane was shot down over Nicaragua. The pilot, who was killed in the crash, was William J. Cooper. A member of the crew, Eugene Hasenfus, was captured by the Sandinistas. As the result of the crash and the investigation it triggered back in Washington, Reed's Guadalajara resupply project was put on hold from October through December 1986.

However, in December 1986, Reed was asked to go to Mexico City to meet with Max Gomez. At that meeting, which was called to reactivate the Guadalajara effort, Reed was introduced to a man named Pat Weber. Reed later learned that Weber's real name was Amiram Nir. He was the Israeli government's liaison to Oliver North.

By early 1987, Machinery International SA was operating out of Guadalajara airport. U.S. military and Southern Air Transport cargo planes delivered and picked up containers at the hangar. With the death of Cooper, Robert Johnson of the Miami headquarters of Southern Air Transport became a contact man for Reed. While the transshipment program was being run under Machinery International's corporate cover, Reed was also using the firm as a legitimate sales agency for computer-controlled machine tools and other heavy equipment.

### **Witness to drug running**

On May 30, 1987, Reed arrived at the Machinery International SA facility to find a small cargo plane inside the hangar surrounded by four Mexican soldiers, a U.S. DEA agent and two DEA pilots who worked out of the U.S. consulate in Guadalajara. Reed saw a pallet of rectangular plastic packages filled with white powder. Reed presumed that the pallet was full of either cocaine or heroin.

In his Florida deposition, Reed described the incident:

One of the DEA agents "told me that what I'd seen, what I'd just witnessed, I shouldn't be upset about. That this was part of a government sting operation and that what I had observed I should pass on to no one. And I didn't feel like it was a very good explanation. . . . What concerned me the most was I had—the—through casual conversations with foreigners in Guadalajara, you're told—you're told with no firsthand evidence that I had, that the American DEA is very corrupt in Mexico. And you're told things that just are very,

very difficult to swallow as a foreigner or as an American. And you feel like you're finally witnessing your war on drugs firsthand in a foreign country.

"And, in fact, while I was there, while I lived in Mexico, the people that were flying the marijuana eradication programs out of Mexico City were all put under house arrest for spraying fertilizer instead of paraquat on the marijuana. And our tax dollars were paying for those sorties. So I felt like over the 18 months or so that I was there, I got a pretty good taste of what our war on drugs is really all about. And I didn't like what I saw."

On July 5, 1987, Reed arrived at the Guadalajara hangar and found two crates both marked "Machinery International SA." One of the two crates contained a piece of machinery that he had ordered for a client. To determine which of the two crates contained his piece, Reed and an employee named John Desko opened the seal on one of the containers. Inside, they found a large number of plastic packages containing white powder. "I believed it to be, if not cocaine, opium or some other valuable drug, valuable, illegal drug," Reed stated in the Florida deposition. The container marked "Machinery International SA" and loaded with what Reed believed to be illegal narcotics was resealed and loaded later that same day onto a cargo plane with a Southern Air Transport logo on the tail.

Reed went to Mitchell Marr, his local contact, and demanded a meeting with Max Gomez. By this time, the Iran-gate hearings were ongoing in Washington and Max Gomez's picture had appeared on the cover of *Time* magazine. Reed now knew that "Gomez" was actually Felix Rodriguez, a Bay of Pigs veteran and career CIA officer with longstanding ties to Vice President George Bush (the former CIA director) and Donald Gregg, Bush's adviser for national security and a former career CIA agent.

On Aug. 20, 1987, Reed met with Rodriguez, a.k.a. Gomez, in San Miguel del Allende, a town heavily populated by American retirees several hundred miles outside of Mexico City.

Reed described the encounter with Rodriguez in the Florida deposition:

"I presented my frustrations. I had not been sent down to Mexico, in my opinion, or I had not volunteered to go to Mexico, in my opinion, to be involved or associated in any way whatsoever in narcotics trafficking. And I felt like I had found myself in a very precarious position of probably being the fall guy if something happened."

At the end of the meeting, Reed and Rodriguez had agreed that Machinery International SA would be shut down and that Reed would return to the United States.

Reed spent the next six weeks shutting down the company and preparing to move his family back to the United States. They left to return to Little Rock in early October 1987.

According to the complaint filed by Terry and Janis Reed against Buddy Young and Tommy Baker, beginning on Oct.

1, 1987, Young, operating out of the governor's mansion in Little Rock, placed a series of pretext calls to the home of Reed's parents attempting to locate Reed.

## Enter Buddy Young

On Oct. 7, Young filed a request with the FBI's National Crime Information Center (NCIC) to determine whether an airplane with the registration number N2982M was listed as stolen property. This was the N number of the airplane that had been stolen from Terry Reed in March 1983. On Oct. 7, according to Reed's complaint, Young also contacted the Joplin, Missouri police and the El Paso Intelligence Center (EPIC), a federal police intelligence unit responsible for monitoring smuggling activities along the United States-Mexico border. Both calls also dealt with the stolen plane. Young also alerted EPIC that a suspected drug smuggler—meaning Terry Reed—might be crossing the border from Mexico into Texas.

The following day, Oct. 8, 1987, Tommy L. Baker claims that he was walking past a hangar at North Little Rock Airport when the wind suddenly "blew open the door." Inside the hangar, which was subleased by Terry Reed, Baker "found" Reed's missing airplane. Reed had subleased the hangar to store ultralight aircraft that he would sell. However, he had not been inside the hangar since Aug. 1, 1986. "On July 31, 1986, N2982M was not in the hangar, and plaintiffs had no knowledge of its whereabouts," the complaint states.

According to testimony given by both Young and Baker in a hearing to obtain a search warrant on the North Little Rock Airport hangar, the NCIC queries by Young and the calls to EPIC, Joplin, and DEA officials in Arkansas had not taken place until after the alleged incident on Oct. 8 when Baker "discovered" the stolen plane. Federal and state records produced for the Wichita trial showed that both men were lying. This prompted Judge Theis to accuse Young and Baker of showing "reckless disregard for the truth."

The Reed complaint summarized the Young-Baker effort:

"Between, on, or about Oct. 7, 1987 and continuing to on or about Oct. 6, 1989, Young and Baker conspired to unlawfully enter plaintiff Terry Reed's rented hangar and to cause the plaintiffs to be charged and tried with a federal crime over collecting the insurance proceeds for the disappearance of the airplane without probable cause. Defendants manufactured, altered, tampered, removed, and planted evidence against the plaintiffs. They also knowingly testified falsely to material matters in Pulaski County Circuit Court (to obtain a search warrant for the airplane hangar), submitted a report to be read to a federal grand jury (to procure an indictment), and testified falsely before a federal judge (in pretrial hearings) in the United States District Court for the District of Kansas (*United States v. Terry Reed and Janis Reed*, D.Kan. No. 88-10049)."

## Clinton's Contra connections

The factual chronology contained in the three court actions above strongly suggests that following Terry Reed's angry confrontation with Felix Rodriguez in San Miguel del Allende, the decision was made to silence Reed by having him framed up on federal charges relating to the disappearance of his airplane in 1983. The same chronology suggests that it was Buddy Young, the personal security chief for Gov. Bill Clinton, who was entrusted with the Reed frameup.

Is there any other evidence suggesting that Bill Clinton and his inner circle were part of the Iran-Contra secret team?

Terry Reed has told investigators that when he first arrived in Little Rock and was approached by Barry Seal to join in the Contra pilot training program at Mena, he attended planning meetings along with Roger Clinton, the governor's younger brother, and with a partner in the Little Rock brokerage house run by Dan R. Lasater, a longtime intimate and early campaign funder of Clinton's gubernatorial races.

Reed has also told investigators that shortly after Barry Seal's violent death on Feb. 19, 1986 (Seal was shot over 30 times allegedly by hit men for Colombia's Medellín cocaine cartel in Louisiana), he had discussed Seal's murder with Buddy Young and Gov. Bill Clinton. According to Reed's account (which does not appear in any of the court records obtained so far by *EIR*), both men were intimately familiar with the Mena program and with drug trafficker Seal's role in it.

On April 13, 1991, Larry Nichols, a former employee of the Arkansas Development Finance Authority (ADFA) told an interviewer for Geraldo Rivera's syndicated television magazine program "Now It Can Be Told" that he had been given a leave of absence from ADFA by Clinton in order to spend several months in Central America aiding the Contra effort.

To prove his point, Nichols produced a series of Arkansas Traveler honorary award certificates signed by Gov. Bill Clinton that had been given to Contra leaders Adolfo and Mario Calero and to Army Gen. John K. Singlaub (ret.), a well-known Contra secret team member.

So far, neither the national media nor any of Clinton's rivals for the Democratic presidential nomination have directly confronted the Arkansas governor on the Reed allegations about his or Buddy Young's role in the gun-for-drug program that ran between Mena, Guadalajara, and Central America. This despite the fact that incontrovertible evidence exists that a major Contra resupply operation was known to be ongoing in Arkansas for years. Cong. Bill Alexander (D-Ark.) made a public issue of this fact, and Governor Clinton was aware of these events.

Until Governor Clinton answers those charges fully, the spectre of a George Bush "Trojan Horse" stealing the Democratic Party presidential nomination will haunt the 1992 election.

# Citizen's group investigates Clinton role in Mena coverup

*Mark Swaney is a postgraduate student in engineering at the main campus of the University of Arkansas in Fayetteville. In 1989, he spearheaded the founding of a civic group called the Arkansas Committee, which has campaigned ever since to have the Mena scandal investigated. Swaney has personally visited Mena and assisted in several news agency investigations of the scandal. Swaney spoke with EIR's Jeffrey Steinberg on April 13.*

**EIR:** Can you give our readers a brief history of the Arkansas Committee?

**Swaney:** We held our first meeting in October 1989. I founded the group along with some folks who agreed with me that it was very upsetting that the Democrats had made no effort during the 1988 presidential elections to really get to the bottom of the Iran-Contra scandal. We wanted to force some of these issues to the surface, instigate debate, and hopefully cause some genuine reforms in our political system. I decided I couldn't just sit back and watch the TV. I feared that things would get worse under President Bush, that we were drifting towards a crypto-fascist system in the United States.

I went to Washington during the week of Bush's inauguration in early 1989. I spoke with some people there. I returned to Arkansas and enrolled in graduate school. The committee was set up at first as a university-based student group. Although we initially conceived of ourselves as a multi-issue group, by May 1991, we were focusing all of our efforts on getting to the bottom of the Mena scandal. We held a big demonstration when Ollie North came to speak in Arkansas. We were making headway in turning up new evidence. Our idea was to keep the scandal alive via demonstrations, letter-writing campaigns and petitions. When Governor Clinton declared his candidacy for President, we saw this as our last best chance to force the story to break outside of the state.

**EIR:** What about Bill Clinton's involvement with Mena?

**Swaney:** At the very least, he knew all along about Mena. It is possible, even highly probable, based on a mountain of circumstantial evidence, that he was directly involved.

It is important to realize that the activities at Mena, the illegal covert activities, predated Bill Clinton's election as governor. They predate Iran-Contra. Back in the 1970s, the

Mena airport was being used to train guerrillas who were being sent into Africa and other locations. This goes back to George Bush's tenure as CIA director. I should add that this situation is still ongoing. Last week, a deputy sheriff told us that 19 bricks of heroin had been recently moved through there. As of last December, C-130 cargo planes were still flying in and out of Mena.

The way I believe that the Mena business worked, as far as Bill Clinton goes, is that when he came in as governor, he was told: "By the way, there are national security operations being carried out in the Mena area, so please don't mess around with them." These were national security activities—illegal activities—involving American intelligence agencies. They would worry that federal and state law enforcement agencies might interfere. They would deal with that problem top down. It was necessary to have the top man on your side—in this case, the governor. In the 1980s, gubernatorial elections were taking place every two years. It would have been quite an inconvenience to have to re-do the deal every two years, so I believe a lot of money was funneled into Clinton's campaigns, once he made it clear that he would play ball, to see to it that he was reelected.

Any time along the way, but especially after 1987, Bill Clinton could have unleashed the state police and gotten to the bottom of the entire filthy scandal around Mena, drugs, Contra training, etc. He never did; and I have the gut feeling that this is why he was built up through the Democratic Leadership Council, and why he has been being groomed for a presidential run since 1988.

From the standpoint of the corrupt elements in the intelligence establishment, if you can pay off both candidates running for the White House, then you don't have to worry about who's elected.

There are other things about Clinton that also tie him into the most corrupt elements of the intelligence community. The Wackenhut Corporation has been involved in the Mena business—prominently. Stephens, Inc. is one very important link. Stephens, Inc. [a Little Rock investment firm] is implicated very deeply, at a very high level in the BCCI [Bank of Credit and Commerce International] scandal. They are the biggest supporters of Clinton! They funneled the most cash into Clinton's career, especially since 1988.

**EIR:** One of the reasons that the Mena scandal is attracting

so much attention today is because it suggests that Bill Clinton and George Bush are in bed together on at least these dirty goings-on in Arkansas. Are there some local angles on this worth mentioning?

**Swaney:** Remember that Mena is in the middle of the congressional district that has been held by John Paul Hammerschmidt for a long time. Hammerschmidt and George Bush go back a long time, to Bush's time in the U.S. Congress. Hammerschmidt was already a seasoned Republican congressman back in the mid-1960s when George Bush was first elected. Hammerschmidt took Bush under his wings and they have been close friends ever since. Hammerschmidt

ran Bush's 1988 campaign in Arkansas. Both Clinton and Hammerschmidt have been instrumental in blocking any official efforts to get to the bottom of the scandal.

You can take it from there. I'd just like to add, however, that our perspective at the Arkansas Committee is that we are less concerned about the 1992 presidential election than we are about seeing to it that the people of this country are told the truth about Mena and about every other similar dirty scandal involving our government agencies and our elected politicians.

Until all the dirty laundry is aired, meaningful reforms will be impossible.

## Mena and the media

As we go to press, the April 20 issue of *Time* magazine arrived at the newsstands, featuring a preemptive attack against Terry Reed, labeling him a liar and a con artist. The *Time* story was written by Richard Behar and dated Little Rock.

An article in the *Village Voice* of April 14 was only somewhat kinder to Reed, citing an investigator who has tracked the Arkansas scandal since 1987 and says Reed was "totally ignorant of the Mena situation" when they met in 1989. The *Voice* article was penned by Frank Snapp, a former CIA officer who has been recently reincarnated as an investigative reporter. Early this year, Snapp wrote a lengthy article for the *Village Voice* which, under the guise of exposing Richard Brenneke as a source of disinformation on the October Surprise scandal, sought to dismiss the entire allegation of Republican Party interference in the 1980 hostage negotiations with Iran as fabrication. In fairness to Snapp, his *Voice* article did spell out the Barry Seal drug-running and Contra-training project in Mena, and did put some heat on Clinton to own up to his lack of enthusiasm for exposing the scandal in his backyard and his efforts to lie his way out of that coverup.

One gets a strong sense of *déjà vu* about the media mobilization to trash Terry Reed. Beginning last November, when Congress was about to reach a decision on funding a serious probe of October Surprise, *Newsweek* and *The New Republic* ran cover stories aimed at burying the allegations before they could ever be seriously probed by the proper, unbiased authorities.

In attempting to discredit Reed, *Time's* Richard Behar did such a slipshod job, that even the *Washington Post* had to chide him for getting his facts all screwed up—which may have more to do with a brutal circulation war between *Time* and its leading competitor *Newsweek*, which is owned by the *Post*.

As in the case of October Surprise, some media outlets have gone forward with stories about Mena, including the Reed allegations. Beginning in February, the *Nation* ran a series of five articles by Alexander Cockburn, presenting a potpourri of evidence implicating Clinton and his friends in the Mena scandal. The *Nation* stories highlighted the Terry Reed case, prompting Behar to blast Cockburn as a "credulous journalist" who publishes "absurdly speculative accounts" of the Arkansas guns for drugs operation.

And on April 13, Geraldo Rivera's "Now It Can Be Told," television magazine, aired the first of a three-part series on Mena dubbed "Crimes of the Patriots." Though Terry Reed was not mentioned by name in the syndicated program, pages from the Reed Florida deposition were shown on the screen and the role of Bill Clinton in covering up a scandal implicating George Bush was highlighted.

Marilyn Trubey, Terry Reed's Federal Public Defender in the Wichita criminal case, to this day swears by her client's account of the events and swears by his innocence. Trubey, who describes herself as "not at all naive," conducted her own extensive investigation into all of Reed's claims in preparation for the trial. She says that she corroborated all the essential details.

That corroborating evidence never saw the light of day, as the government went into a panic once Reed filed a Classified Information Procedures Act (CIPA) notice in June 1990. In that notice, Reed announced that his defense would touch upon government secrets involving Oliver North, Felix Rodriguez, Barry Seal, Buddy Young, Southern Air Transport, etc. Trubey does not know whether the government ever submitted classified documents to Judge Theis for his *in camera* review. She asserts that from the moment the CIPA notice was filed, the federal government lost all interest in proceeding with the Reed prosecution. Reed was fully acquitted on Nov. 9, 1990.

*Item.* Trubey was contacted by Behar. She told him more or less the same thing she told *EIR*. For some mysterious reason, her remarks never made it into the pages of *Time*.

# Bush applies 'Chinese model' to welfare

by Kathleen Klenetsky

In the midst of a depression, when welfare rolls are skyrocketing because millions of people have been thrown out of work and can't find new jobs, George Bush has decided to make "welfare reform" a central theme of his reelection campaign. Pandering blatantly to the intensifying racial and economic tensions spawned by the collapsing economy, Bush is promoting welfare programs that are specifically designed to cut the number of children born to welfare mothers.

On April 14, Bush staged several widely publicized media events, including a press conference and a radio address, in which he touted his decision to waive federal regulations to allow an experimental Wisconsin welfare plan to be put into effect. Wisconsin has already slashed its welfare rolls by 44,000 in the past five years, and the new initiative is aimed at bringing down the rolls even more drastically.

Initiated by Wisconsin Gov. Tommy Thompson, the Parental and Family Responsibility Initiative is being sold as encouraging "family values" and "responsibility" on the spurious grounds that it permits married couples to receive AFDC (Aid to Families with Dependent Children), and to earn up to \$14,000 a year without losing benefits. But the core of the program is a mandatory cap on AFDC benefits to welfare recipients who dare to have more than one child. Said one critic of the plan: "You know, this isn't much different from the Chinese 'one-family, one-child program.' They might not yet be forcing abortions, but that's not far down the road."

The Bush-approved program would give only a half-benefit to the second child born to a welfare recipient, and none at all to any additional children. Under the plan, a woman with one child would receive \$440 a month (hardly a princely sum). However, payment would be capped at \$479 for this person, no matter how many additional children she might have.

An AFDC mother with one child who marries could see her grant increase by \$77 a month to \$517. But to qualify, the husband must participate in a jobs program or complete school, and so must the mother if the child is above age 2. The couple must also participate in sex education classes, obviously to learn contraception.

Bush not only gave his blessing to the program, but held

it up as a model for other states to follow. "It'll be a good example for the rest of the country," Bush said during a picture-taking session with Governor Thompson and Health and Human Services Secretary Louis Sullivan. "States often act as laboratories for innovation." The President added, "Nowhere is the need [for reform] more apparent than in our nation's welfare system. . . . Our current system allows welfare to be a way of life. We must try new ways to get welfare to yield to work."

Aside from the fact that it penalizes innocent children, the program has raised well-grounded concerns that it could force welfare recipients to undergo abortions out of fear that they would not be able to feed any more offspring. But Bush—who claims to be "pro-life" because he dropped his zealous advocacy of abortion when he decided to run for the presidency in 1980—dismissed these concerns when questioned on them at his press conference.

Asked if the plan wouldn't encourage abortions, Bush tossed the question off with the remark: "I haven't heard that allegation about the Wisconsin plan. What I say, is to let them try it . . . and see if it works to strengthen families and to break the cycle of dependency on welfare."

At a separate briefing, Health and Human Services Secretary Sullivan claimed that the program would encourage "family planning," not abortion.

## Not enough jobs

The program has also been criticized because it fails utterly to address the real causes of the welfare crisis: There are too few decent jobs available. "All of these reforms presuppose that there are enough jobs out there for people, jobs that are going to pay a living wage," noted Milwaukee's Roman Catholic Archbishop, Rembert Weakland, in an ABC television interview April 12: "And I'm just simply saying those jobs aren't there."

The Wisconsin program is part of an ominous nationwide trend that seeks to control the growth in welfare by dropping people from the rolls completely, as in Michigan, where 88,000 people were cut off from general relief this past winter; and by reducing benefits to children. Wisconsin is not the only state to push through programs targeting children; New Jersey put one on the books late last year, and California state officials recently decided to offer Norplant birth control implants to welfare recipients at virtually no cost.

That Bush should put himself in the vanguard of this movement should come as no surprise to those familiar with his background. As *EIR* documented in 1991, Bush has a long history of backing overtly genocidal population control programs; during his years in Congress, he played such a pivotal role in promoting such measures as setting up "family-planning" clinics in low-income areas, making population control a central element of U.S. foreign policy, and encouraging the view that blacks are intellectually inferior to whites, that he earned the nickname "Rubbers."

# Noriega verdict means Bush gets to keep him as political hostage

by Carlos Wesley

The outcome of the federal trial against Panamanian Gen. Manuel Noriega, who was declared guilty of 8 out of 10 counts by a Miami jury on April 9, shows to what extent the United States has moved toward becoming a dictatorial police state under the administration of George Bush. If there was one thing proven without a doubt during the seven-month-long railroad conducted by U.S. District Judge William Hoeweler, it is that Noriega is a political hostage of the Bush administration.

"This was not a drug case. This was a political case. It always was. It always will be," said lead defense attorney Frank Rubino after the trial. "We are now the world's policemen. We dictate policy to the rest of the world, let them kneel and pay homage," he said.

"This, in our opinion, is the modern-day version of the Crusades, as the United States will now trample across the entire world, imposing its will on so-called sovereign nations."

## Fraudulent indictment

From the beginning of the trial, it was clear that the indictment against Noriega was fraudulent, a fact that even the prosecutors tacitly admitted when they attempted unsuccessfully to rewrite the indictment after the trial was over. But, it was also clear that the government was not going to allow the truth to stand in the way of railroading Noriega. His conviction was needed to justify the illegal "Thornburgh Doctrine," which claims that the U.S. government has the right to intervene in any foreign country, and to assassinate or kidnap and bring to trial in the United States, anyone who U.S. government officials claim has broken U.S. law, even if the alleged violation occurs outside the borders of the United States. The Thornburgh Doctrine led to the murder of at least 4,000 Panamanians, many of them women and children, during the U.S. invasion of Panama ordered by Bush to snatch Noriega in 1989.

## 'Sweetheart deals' for the real traffickers

Prosecutors gave all manner of "sweetheart deals" to some of the world's worst criminals in order to obtain a conviction, said Rep. Charles Schumer, chairman of the subcommittee on Crime and Criminal Justice of the House Judiciary Committee on April 9. "The government was hell-bent

on convicting Noriega, no matter what the cost," he said as he released a report prepared by his subcommittee, "What Price the General?"

The report details the reduced sentences, early releases, immunity from prosecution, tax forgiveness, green cards for permanent U.S. residency, and millions of dollars in drug profits as well as the millions of tax dollars the government paid to convicted murderers, kidnapers, and some of the world's biggest drug traffickers, including former Medellín cocaine cartel kingpin Carlos Lehder, for testifying against Noriega. It focuses particular attention on the "narco-criminals" Schumer calls the "Felonious Fifteen," who were all convicted of much worse crimes than those Noriega was accused of, but whose sentences were reduced by *more than 90%* in exchange for their testimony.

According to Schumer, the extremely generous deals given to Lehder and the others who testified against Noriega constituted "a marked departure" from the usual pattern of federal prosecutors. Take the case of Max Mermelstein, who is walking the streets a free man and getting at least \$250,000 a year from the government after spending only two years in jail, although he confessed to several murders and to smuggling tons of cocaine and marijuana into the United States. Then there is Ricardo Bilonick, who was caught smuggling cocaine into the U.S., and was given green cards for himself and his family and allowed to keep millions of dollars in drug profits, tax free. Or take the case of drug pilot Floyd Carlton Cáceres, employed in Oliver North's drug-for-arms Contra resupply operations. Not only did the government drop drug charges against Carlton that could have meant a life sentence plus 145 years in jail; it let him keep his drug earnings, and *paid* him at least \$211,000 to testify against Noriega.

Said Schumer: "When you look at some of the Faustian bargains that were struck, you have to wonder: Did we really have to burn the village down to save it?"

Last Oct. 2, U.S. District Judge Scott O. Wright of Kansas City also denounced the wholesale buying of witnesses against Noriega in Miami. "They're cutting deals down there that are obscene," he said.

Attorney General William Barr, the reputed author of the Thornburgh Doctrine, said the verdict against Noriega was made possible "by President's Bush courageous decision to bring to an end the corrupt and lawless regime of the

dictator Noriega.”

President Bush said the verdict was “a major victory against the drug lords.” He also defended his sending of some 30,000 U.S. troops into Panama in 1989. “It was certainly worth bringing him to justice. It’s always worth it when you protect the lives of American citizens, and when part of the result of that is democracy, it makes it doubly worth it,” said Bush.

Besides the thousands of Panamanians killed, more than a score of American citizens lost their lives because of the invasion. U.S. government agencies ranging from the Drug Enforcement Administration (DEA), to the State Department, to the General Accounting Office (GAO), all report that since the time when Bush overthrew Noriega and installed the drug-banking triumvirate of Guillermo (“Honeybuns”) Endara, Ricardo (“Mad Nun”) Arias Calderón, and Guillermo (“Billy the Kid”) Ford as the government, drug trafficking, drug consumption, and drug-money laundering have skyrocketed in U.S.-occupied Panama. Panama is “a major transshipment point for cocaine destined for the U.S. and Europe,” says an official U.S. government report issued this past March.

### **Gag order**

Judge Hoeveler explicitly forbade Noriega and his attorneys from even mentioning the invasion during the trial. “I have decided that issue, and I have decided the court does have jurisdiction to try this case,” he said. “The manner in which the defendant was brought here,” Hoeveler warned the jury, “is not an issue in this case, and is not an issue for you to consider.”

Nor was Noriega allowed to present any evidence of U.S. government wrongdoing at the trial. “Let me assure you that there will be nothing about this case that has anything to do with politics,” Hoeveler said from the very beginning. Throughout the proceedings he barred the defense from presenting evidence that the administration went after Noriega because he opposed the drugs-for-weapons Nicaraguan Contra resupply operation run out of the Reagan-Bush White House.

Hoeveler blocked Noriega’s attorneys from even showing the jury a 1983 photograph of the Panamanian leader with George Bush.

### **LaRouche precedent**

Like the precedent of the 1988 Alexandria, Virginia, federal railroad of Lyndon LaRouche, in which LaRouche and six co-defendants were convicted after they were forbidden from introducing at trial any evidence of government wrongdoing against them, Hoeveler’s decision was intended to leave the jury with no alternative explanation for Bush’s insane actions, other than the one presented by the prosecution.

But, the pretext for the invasion itself was an indictment

based on false information, including the 1987 allegations by drug dealer Boris Olarte that he personally handed Noriega over \$4 million in bribes from the Medellín Cartel to protect a cocaine laboratory in Panama. As the government’s own witnesses testified at trial, Noriega was never handed a bribe from the cartel, and it was Noriega who ordered the destruction of the cocaine laboratory in Darién.

Olarte, who was paid \$199,000 by the U.S. government, was such an obvious liar that the prosecution never called him to testify at trial. In fact, apparently to avoid embarrassing disclosures, the Feds later had Olarte travel to Colombia—and then put out the word that he was a snitch, in effect setting him up for a hit.

The prosecution attempted to delete Olarte’s allegations from the jurors’ copy of the indictment after the start of the deliberations, but they were caught by the defense after the jury had already withdrawn for its deliberations. But Noriega personally demanded that the jury be allowed to see the original document. “Those were the same charges that led to in 1989, actions that we are not going to specify here,” said Noriega, referring to the unmentionable invasion. “They were the same charges that resulted in fire, blood, and tears between the two countries,” he added at the April 4 hearing, which took place outside the jury’s presence.

“It is alleged Boris Olarte claims he paid money to me personally. I am still waiting to see proof of that charge and to see proof of the other charges,” said Noriega in his dramatic intervention. “These were the charges that forced the Papal Nuncio to bring me out and turn me over to the United States,” he said.

### **No right to counsel**

Noriega’s constitutional Sixth Amendment rights to legal counsel were repeatedly violated by the government. His funds were frozen, stripping him of the ability to mount an adequate defense against the prosecution’s unlimited resources. In a blatant violation of the constitutional right to attorney-client confidentiality, Noriega’s prison telephone conversations with his attorneys were monitored and taped by the prosecution.

Even worse, there was a government agent on his defense team, Raymond Takiff, a Miami lawyer who became a snitch for the prosecution after he was caught cheating on his taxes. The defense contended that had it not been for Takiff’s bad advice, Noriega would not even have gone on trial. But the prosecution got away with the contention that Noriega, although he was arrested in Panama for allegedly violating U.S. laws, was not entitled to the Sixth Amendment’s constitutional protection because he is “a foreign national.”

### **Arm-twisting the jury**

For a while during the jury’s deliberations, it appeared that the case would end with a hung jury. At that point, Hoeveler called the jury back into the courtroom to urge them



## Chicago flood might be just the first disaster

Three days after the "Big Flood" started in Chicago on April 13, when the Chicago River surged through a retaining wall and flooded the downtown "Loop," Mayor Richard Daley nailed his fall guy. With much shouting and ceremony, Daley fired his acting Transportation Director John LaPlante. In turn, LaPlante said that hindsight will allow you to do everything right.

What hindsight would show is that the once-great Windy City has been falling apart, and maintenance and improvements that should have been routine have been bypassed because of the budget crisis. Who knows what disaster will befall Chicago next?

In the early hours of April 13, the Chicago River broke into a 50-mile unused tunnel system, originally opened during 1904-06 to haul freight and coal into Loop buildings, and take ashes and debris out. The tunnels were abandoned during the 1950s.

Soon water rose into the basements and lower floors of downtown buildings at a rate of two feet per hour. Thousands of stores and offices, including the Chicago Board of Trade and the Mercantile Exchange, were closed. Hundreds of buildings were evacuated, including 15,000 people from the Sears Tower (the world's tallest building), Marshall Field's flagship State Street store, and the huge Merchandise Mart—the world's largest wholesale buying complex with 93 acres of floorspace. It could take more than a week to resume activities in a two-square mile area of downtown Chicago.

The immediate background to the disaster began in January, when cable television crews, crawling through the old tunnel system to inspect their fiber-optic cable lines, observed a leak in the river retaining wall adjoining the tunnel. A videotape was made. The problem was brought before the City Transportation Department. Bids were solicited from contractors to repair the hole. All bids came in over

the department budget line for this maintenance cost—reportedly \$10,000. So a request for bids was put out again. Then reality roared in with a vengeance.

Similar disasters, not quite so dramatic, have struck over the past 12 months in New York City and Washington, where 100-year-old water mains burst in downtown areas. The "April showers" in Chicago again remind the nation that emergency economic infrastructure must be built—or else.

On the first day of the Chicago flood, engineers dropped rocks, mattresses, and other debris into the river trying to plug the hole. Nicholas Melas, president of the Metropolitan Water Reclamation District, declared a health emergency in case the brackish water standing in basements posed dangers of contamination. "God knows what's down there," he said.

The water stood as deep as 30 feet in some buildings, and firemen manning portable pumps capable of moving 500 gallons of water a minute were unable to keep pace with the incoming water. Mayor Daley took part by hand wringing. "We are trying to figure out anything possible to stop the flow of water into the system," Daley said.

Finally, the strategy devised—still awaiting successful implementation as of this writing—was to try to link the "Deep Tunnel" flood control system, built during the last 20 years to handle storm runoff, with the old freight tunnels, to drain the flood waters away. Initially, an estimated 250 million gallons of water had flooded the freight tunnels. Since the Deep Tunnel can hold 1 billion gallons, the problem came down to how to drill a hole to connect the two systems. The freight tunnels are 35 feet below ground and Deep Tunnel parallels them 215 feet deeper. Meantime, the Army Corps of Engineers was able to lower the Chicago River by two inches to reduce flow.

The flooding also required turning off the electricity to the affected region—about an 18-square block area. And because of water seepage, the Chicago Transit Authority shut down its Loop subway stations, rerouting some trains, including service to O'Hare International Airport.—*Marcia Merry*

to reach a verdict. "Let me assure you, you are not going home today." According to an April 8 Associated Press wire, after the harangue, "Hoeveler went to the jury room to make sure jurors understood his explanation."

The outcome showed the absurdity of Hoeveler's instructions to the jury that "politics and policy should play no part in your deliberations." Juror Jean Hallisey said that there was almost a mistrial for lack of unanimity, because one or two of the jurors insisted on Noriega's innocence. "They wanted to get up and walk out," said Hallisey, according to the April

11 *Washington Post*. Hallisey explained how the jurors in favor of acquittal were arm-twisted into going along with the majority. "I said, 'The whole world is waiting for this verdict. President Bush is waiting for this verdict. How can you say you want to go home?'" That statement alone about Bush should have been sufficient to throw the entire trial out the window as the farce everyone knows it is, since jurors must take an oath only to consider evidence presented in court—and that does not include the deranged obsessions of George Bush.

## Hamilton calls for curb on government secrecy

Rep. Lee Hamilton (D-Ind.), chairman of the House Foreign Affairs Subcommittee on Europe and the Middle East, called for greater openness in government, and criticized the Bush administration for not doing enough to reduce government secrecy here at home, in a commentary in the April 13 *Washington Post*.

"Current classification policy was set by President Reagan in 1982," wrote Hamilton. "As a result, the volume of classified material increased throughout the 1980s. . . . Almost 7 million new documents are now cloaked in secrecy each year." Hamilton noted that intelligence overclassification decreases accountability and "allows the Executive branch to control the policy agenda, to structure debate, and to release or withhold critical facts."

Among the reforms recommended by Hamilton are a "systematic, across-the-board declassification of older classified material" and a reduction of "black" defense programs.

## Full NASA funding looks slim, says Mikulski

Speaking on April 9 at the annual Goddard Memorial Symposium sponsored by the American Astronautical Society, Sen. Barbara Mikulski (D-Md.) reported that unless Congress is able to overturn the 1990 budget agreement which created a "firewall" between defense, foreign aid, and domestic spending, there will be no possibility to increase the FY 93 NASA budget by even the paltry 4.5% requested by the Bush administration. On the same day, by a 62-36 vote, the Senate failed to waive that section of the Congressional Budget Act which

prevents Congress from moving funds cut from defense to domestic discretionary programs.

Mikulski, who chairs the Senate subcommittee which appropriates funds for the space program, National Science Foundation, and veterans, said that without a "peace dividend," there will likely be a \$1 billion cut in the total funds her subcommittee has to appropriate, compared to FY 92.

In response to a question, Mikulski stated that she does not "believe the Congress will fund the Moon/Mars initiative in this decade," because even existing programs, and specifically Space Station Freedom, are in danger. Describing Freedom as "the NIH [National Institutes of Health] in the sky" because it will focus on biomedical experiments, Mikulski said we might have to "shrink or rethink" the program, and said it is likely NASA would oppose building it if that were to happen.

## GOP attempt to cut entitlements defeated

The Senate staved off an attempt to cut entitlements, while passing by a vote of 54-35 on April 10 a \$1.5 trillion budget. A proposal sponsored by Sen. Pete Domenici (R-N.M.), the ranking Republican on the Senate Budget Committee, to curb future spending for entitlement programs such as Medicare, Medicaid, and veterans benefits, was blocked by a vote of 66-88.

Domenici justified the measure, saying, "Everyone in this country has to understand there is no money left in the Treasury." The measure was a complement to the campaign of the Bush election committee, which is claiming that mandatory spending is running out of control. Sixteen Re-

publicans were joined by Jeff Bingaman (D-N.M.), Chuck Robb (D-Va.), Sam Nunn (D-Ga.), and David Boren (D-Okla.) in voting for the resolution.

Sen. Donald Riegle (D-Mich.), chairman of the Senate Banking Committee, said that the supporters of entitlement cuts were "taking this out of the hides of sick and elderly people in this country." He characterized the measure as "outrageous." The final budget included an increase of \$1.8 billion for welfare.

## Baker attempts to sneak in IMF quota increase

In testimony before the Senate Foreign Relations Committee on April 9, Secretary of State James Baker III pleaded with the committee to pass the Freedom Support Act, announced the same day by President Bush at the American Society of Newspaper Editors, announcing the administration's contribution to a \$24 billion fund set up by the Group of Seven to aid Russia. Included in the bill, however, is the \$12 billion U.S. quota increase for the International Monetary Fund (IMF).

The package is not as generous as it sounds. Baker indicated that \$620 million was technical and humanitarian assistance, which was requested last year, and \$3.75 billion was credits for the purchase of grain, which was already spent last year.

The attempt to sneak through the IMF quota increase was questioned by Republicans who traditionally have opposed the IMF as a "one world" institution. Sen. Hank Brown (R-Colo.) asked Baker if it wasn't true that the \$12 billion which the United States must contribute to the \$60 billion IMF quota increase was only marginally aid to the republics, since they would only "receive" \$18 billion from the

IMF over the next three years. "The point being," said Brown, "that it appears that IMF is being increased more than three times as much as the total amount that could go to the former Soviet Union."

Sen. Jesse Helms (R-N.C.) was concerned that IMF aid to Russia would simply be used to pay off old debt owed to Germany. Helms indicated that the Japanese seemed interested in doing business with the former republics, with or without the IMF.

The administration is trying to rush the program through Congress in time for the Bush summit with Russian President Boris Yeltsin in Washington in June. Despite criticism, the "freedom support" label seems to have gained support for the program. Sen. Joseph Biden (D-Del.) bragged that the program would go through Congress "like a hot knife through butter."

## **P**ressure builds for Bush to attend Earth Summit

The Senate passed a resolution by a vote of 87-11 on April 7, increasing the pressure on President Bush to attend the Earth Summit in Brazil in June.

The summit is aimed at establishing an international treaty of environmental restrictions on the basis of alleged "global warming." The United States has been willing to impose controls on all countries except itself. This has led to a growing resistance on the part of Third World countries to accept what they rightly view as restrictions imposed by the industrialized nations on the developing nations.

Sen. Albert Gore (D-Tenn.), quoting from such diverse sources as the Bible and the rock group Dire

Straits, railed at the Bush administration for not doing enough on the environmental front. Unfortunately, Gore was not alone. With the increasing psychological warfare of the environmental gurus and the growing clout of the environmentalist lobby, many legislators are paying homage to the myth of "global warming." A congressional delegation will be going to Rio de Janeiro in connection with the summit.

## **S**enate would curb nuclear export to Third World

The Senate passed on April 9 the "Omnibus Nuclear Proliferation Control Act of 1992," which seeks to curb the export of nuclear technology to Third World nations.

The bill would impose sanctions on any country, firm, or individual which has "materially and with requisite knowledge" contributed through the export of goods or technology "to the efforts by any individual, group, or non-nuclear-weapon state to acquire unsafeguarded special nuclear material or to use, develop, produce, stockpile, or otherwise acquire any nuclear explosive device, whether or not the goods or technology is specifically designed or modified for that purpose."

The bill would prohibit U.S. support for multilateral aid that would promote the acquisition of unsafeguarded nuclear materials, and would reward "informers" who provide information on any country's surreptitious nuclear program.

The resolution backs efforts by the Bush administration to impose the new world order based on an explicit policy of "technological apartheid" toward the developing sector as a whole. It places in a position of "po-

tential adversary," U.S. trading partners, like Germany and Japan, and the countries of the former Soviet Union, if they export to Third World countries anything which could in any way be interpreted as contributing to a nuclear weapons program.

Because of the dual-use (civilian and military) nature of most high-technology exports to Third World countries, the restrictions effectively condemn most nations of the world to a below-subsistence existence.

## **H**ouse panel: AIDS policy a 'national disgrace'

In a report issued by the House Select Committee on Children, Youth, and Families, the Bush administration was lambasted for an "underfunded, uncoordinated, and largely unsuccessful" effort in dealing with the AIDS epidemic.

The report reveals that the number of teenagers who have contracted AIDS increased by more than 70% in the past two years, with AIDS being the sixth-leading cause of death among youths aged 15-24. The report also found that AIDS among teenagers "is spreading unchecked" regardless of geography or economic status, although blacks represent 37% and Hispanics 19% of reported AIDS cases among teenagers.

The report, however, failed to recommend any positive steps. It accused the administration for placing "moralistic restrictions" that prevented explicit information about high-risk sexual practices and the effective use of condoms from being disseminated.

A dissenting Republican report disagreed with the findings, claiming that AIDS is a "behavioral problem" rather than a health issue, and that the solution, therefore, is to strengthen the family and promote sexual abstinence.

# National News

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## Medical murder issue put on Calif. ballot

California Secretary of State March Fong Eu announced April 9 that sufficient signatures had been filed to place the "Death with Dignity Act," sponsored by "Californians Against Human Suffering," on the November ballot. Random samples by county election officials established that nearly 428,000 valid signatures of registered voters were filed, exceeding the 385,000 required.

The measure would allow any mentally competent adult, with supposedly less than six months to live, to sign a statement asking a doctor to end his or her life. The statement must be witnessed by two doctors, and could be revoked. A physician proceeding under such a statement would be exempt from all civil and criminal liability. It is currently a felony under California law for a doctor to help a patient commit suicide.

Robert Risley, chairman of the right-to-die group which led the petition drive, is concerned that the murder trial for "assisted suicide" of Michigan's "Dr. Death," Jack Kevorkian, might hurt public support for the California initiative. Backers include the National Organization of Women, the California Senior Legislature, and the Gray Panthers, according to UPI.

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## Unità interviews U.S. civil rights heroine

The April 6 issue of the Italian daily *Unità* ran an interview with Amelia Boynton Robinson from her home in Tuskegee, Alabama. The famous 80-year-old civil rights veteran has been campaigning tirelessly to have Lyndon LaRouche freed from jail, and to support him for U.S. President. She told the Italian paper: "Third World children don't have the right to life because the banks impose a world equilibrium based on usury." The full-page interview, conducted by Antonio Cipriani, made the point that usury is the cause of much of today's evil. Said

Robinson, "Today the world is like an Alabama plantation, only the slaves are entire nations in which millions of children starve to death.

"In 1929, there was the plantation system with the owners who kept the workers as slaves through usury. But the same mechanism that we fought in Alabama is the one that rules the world today. There are those who produce wealth, and those who own paper money. The Third World countries produce for the rich countries and do not have food to feed their starving children. All this happens because of the debts that, with usurious interest rates, go on for decades. Today, the world is an international plantation where the powers that rule decide what is right and what is wrong, drawing unacceptable ethical principles. Nobody will ever have me believe that it is right that in Brazil or in an African country, children must starve to death . . . that those children do not have the right to life because the empire of paper money and of the banks established that the equilibrium of the world must be based on usury."

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## British pan Hollywood promotion of satanism

Recent commentaries in the British press have attacked Hollywood for promoting satanism and murder, as exemplified in the Oscar Awards presentations to the movie "The Silence of the Lambs."

On April 1, Geoffrey Brown of the *London Times* wrote, under the headline "Hannibal the Cannibal Opens Floodgates of Gore," that Hollywood's recent action is in contrast to what was done with Alfred Hitchcock's "Psycho" 31 years ago. That movie was nominated for four Oscars, but won none. "Silence" won all four nominations. But this year, the 5,000 members of the Academy of Motion Picture Arts and Sciences have enthroned a film that "harnesses technical brilliance to despicable material," thereby threatening to "encourage more high-powered directors to follow suit, pander to the lowest human instincts, and debase their art. Given the world around us,

that would be unhelpful, to say the least."

On April 5, Philip Norman of the *Sunday Times* noted in an article, "Eating People Is In," that actor Anthony Hopkins had won his award "for portraying a cannibalistic mass-murderer in a movie about profligate killing, torture, transvestitism, decapitation, the flaying of young girls' bodies and dressmaking with human skin. . . . For murder to be big business is, of course, nothing new. But 'The Silence of the Lambs' was the first all-out blood n' guts, hide-under-the-seat horror movie ever to sweep the Oscars board." Norman worries that we will soon see several sequels to the movie ("The Silence of the Lambs 2," etc.), and that " 'Hannibal the Cannibal' muzzles will doubtless soon be in the shops, and eagerly worn by children everywhere."

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## Teamster leader removed in union-busting move

The federal overseer of the International Brotherhood of Teamsters barred Teamster leader Robert Sansone for life from holding any IBT offices in early April, in another vendetta against organized labor. Sansone heads St. Louis Local 682, Joint Council 13, and the 60,000-member Missouri-Kansas Conference of Teamsters.

The government trustee, former federal judge Frederick Lacey, ruled that Sansone should have launched lie-detector and private detective investigations of Local 682 Vice President Anthony Parrino, although the government has proven no organized crime ties against Parrino, and Sansone says investigations by his own lawyers yielded nothing. If corporations were held to Lacey's standard, a lot of top jobs would "open up in a very big hurry," and "any time a member has a gripe against a union official, all he's got to do is . . . get an article published that he's a member of organized crime," said Sansone's lawyers, according to the April 8 *St. Louis Post-Dispatch*.

Former IBT president and FBI informer Jackie Presser had made charges against Parrino, stated Lacey, who has removed 54

Missouri Teamsters for alleged organized crime links, 16 of them for "failure to investigate." Sansone will appeal the ruling.

The Young Democrats of Missouri have accused Lacey of "McCarthyism." "When our government can, under contrived pretext, deny citizens their livelihood without the due process of law or evidence of actual wrongdoing, the very notion of individual freedoms and rights becomes a farce," declares their unusual April 4 resolution.

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## Bush attacks unions' political organizing

President George Bush intends to take steps to prevent labor unions from using money collected from non-union workers for political activities, the April 12 *New York Times* reported. The measures are intended to limit the activities of unions in support of Democratic candidates this year.

Bush issued an Executive Order requiring federal contractors to post notices telling employees of their right to object to unions using their money for political activities. Additionally, Bush will order the Labor Department to require unions to report separately on the amounts they spend for political activities, lobbying, and contract negotiations, so workers can identify spending for any political purpose they oppose. Further, Bush is urging the National Labor Relations Board to set up new procedures for swift handling of workers' complaints about union spending.

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## AMA condemns coerced use of Norplant

The board of the American Medical Association (AMA) has condemned the court-ordered use of the long-acting contraceptive Norplant for women convicted of child abuse. The AMA has also objected to state proposals to pay women on welfare for using Norplant.

The AMA position is that forcing child abusers to use Norplant "probably violates multiple constitutional problems" and for the courts to do this "raises serious questions about a person's fundamental rights to refuse medical treatment, to be free of cruel and unusual punishment, and to procreate."

Two states, Kansas and Washington, have defeated legislation that would have paid women \$500 to have the Norplant inserted and another \$50 a year for as long as they remained on the contraceptive. A similar bill is pending in Tennessee.

The U.S. Supreme Court has confirmed the "existence of a federal constitutional right to refuse medical treatment."

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## ACLU attacks ADL 'hate crimes' laws

Kevin O'Neill, the Ohio legal director of the American Civil Liberties Union (ACLU), is challenging the Anti-Defamation League's (ADL) local hate crime statute. According to O'Neill, "the basic argument . . . is that it creates a thought crime." The Ohio Supreme Court is scheduled to review challenges to the law in May in three cases involving whites who allegedly taunted and threatened blacks.

According to an article in the April 6 *Washington Times*, the ADL's hate crimes laws have been challenged in many states, and in some cases have been overturned and rewritten. O'Neill fears the laws could be turned against critics of the government.

Most such statutes increase the penalties for criminal acts committed with "hateful" intent against a racial or religious group, such as vandalism that involves racial slurs. The ADL, which has acted as a private police force for federal and state governments, is fostering such laws in states, and soliciting support from *bona fide* civil rights organizations. Under the aegis of federal "hate crimes reporting" statutes, the ADL has been training local police departments on how to be "sensitive" about gathering hate crimes statistics and reporting them to the federal government.

# Briefly

● **LAROCHE** presidential campaign organizer Mark Nafziger had charges against him dismissed stemming from his arrest during the nationally televised Democratic presidential campaign debate in Maryland. During the open microphone question period, Nafziger had attempted to ask the other candidates about the fact that Lyndon LaRouche remains a political prisoner.

● **JERRY BROWN**, a "friend" of American workers, was accused by the April 4 *San Francisco Examiner* of "aggressively [seeking] cheapland and labor for an American company in southern China." Brown, who received \$20,000 a year as a director of ICN Biomedicals Inc., visited Hong Kong and China in May 1989. At the time, Brown told an *Examiner* reporter that he was seeking a location for an ICN factory in China's Guangdong Province where some 70 million workers vie for factory jobs at wages that average \$200 a year.

● **REP. JILL LONG** raised the issue of a loss of U.S. sovereignty to the General Agreement on Tariffs and Trade bureaucracy, the April *Journal of Commerce* reported. The Indiana Democrat pointed to a recent Congressional Research Service report which concluded the U.S. would lose the right to block many GATT findings under a proposal by GATT general director Arthur Dunkel.

● **'NEW WORLD ORDER'** is a phrase with a history, according to political analyst and author Dennis Cuddy. "It was the title of a 1940 book by H.G. Wells, and it described precisely the idea of world government." Cuddy reveals that as a congressman in 1969, George Bush "introduced a resolution that would have transformed our Atlantic Alliance into a 'federal union' within the framework of the U.N."

● **DENVER**, Colorado will be the site of a youth event, during the trip of Pope John Paul II to the United States next year, according to recent U.S. television news broadcasts.

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## Editorial

# *End the embargo of Iraq!*

At his weekly audience on April 15, Pope John Paul II issued an appeal to the leaders of the international community: Stop the suffering in Iraq! The pontiff made clear that this should be done by stopping the causes of that suffering, the United Nations-run embargo against that defeated nation. It is our hope that this action will mobilize a broad array of moral and political forces in this world, to finally end this barbaric policy.

There have been many studies on the destruction which is being wreaked by the continued imposition of the embargo on Iraq, all of which are coherent with one another. They uniformly tell the story that, while much repair has been done to the shattered infrastructure system, there is a woeful lack of medicine, food, and other prerequisites for medical care. As a result, huge numbers of children are dying.

The current Vatican call comes as a result of two new cries for help. First, was a visit to Europe by the Patriarch of the Chaldean Church in Iraq, Rafael Bidawid, last month. The patriarch and his spokesmen have consistently argued that there is no way in which humanitarian aid alone can relieve the suffering in Iraq, but that the sanctions must be lifted. But, on this trip, he added the charge, in an interview on Vatican radio, that what is being done to the 18 million people of Iraq can only be described as genocide. After the patriarch's visit, Pope John Paul sent a fact-finding mission to Iraq to report back to him. That group returned to give an accounting on April 12. They told the pope that there is no basic medicine in Iraq, nor food for infants, and said that the Holy See should continue to send humanitarian aid, "at least what is needed for the children."

The pope, however, went further in his request. He stressed that the peoples of Iraq, and of the Christian community, are "expressing their gratitude to everybody, whether it be persons or institutions, who are working to end their suffering, but are imploring that there be a stop, as soon as possible, to the causes of their suffering."

In the United States, at the very least, there has been a virtual blackout on the plight of the majority of

Iraqis. U.N. Ambassador Thomas Pickering, who has rammed these measures through the United Nations and insisted upon their maintenance, has argued in the national media that the Iraqis have just as much medicine as they had before the war! This is quite a testament to his arrogance, since it is well known that the U.N. is now preventing production of medicines, on the basis of their "dual use" qualities—i.e., their potential to be used for military purposes.

Yet there is no question but that both hunger and illness are rampant in the country that was once the most prosperous and fast-growing in the Arab world. A U.N. exemption for food and medicine does not provide the monies to import these much-needed goods. And the U.N. will not release the monies to permit their purchase.

Those who say that the supplies are available and are just being sequestered by the army, are being "absurd," in the words of one recent visitor. Even outside agencies, which are hardly trustful of Saddam Hussein, have testified to the egalitarian nature of the food distribution system in the country.

In fact, what is going on in Iraq is what Malaysia's Prime Minister Mahathir Mohamad alluded to last fall during his speech at the United Nations. The embargo is a modern-day medieval siege, in which a helpless population is cut off and starved into submission. What enrages the authors of this inhuman tactic, is simply that the Iraqis refuse to bow their heads, despite the viciousness with which the embargo is being applied.

It is time that the world community realized that it is destroying its own humanity, as well as that of Iraq. The values of a humane civilization, not to mention respect for national sovereignty, were being ripped to shreds by the application of the principle that "might makes right." Pockets of resistance have been maintained in the Arab world, Europe, and the U.S., including some noble efforts of American farmers to share American milk powder with Iraqi children. But now, with the pope's call, we must settle for nothing less than the embargo to be dropped.

# LaROUCHE

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YOU MAY HATE HIM

**BUT**

YOU'D BETTER

KNOW WHAT

HE HAS TO SAY



**The Power of Reason: 1988**

an autobiography by Lyndon H. LaRouche, Jr.



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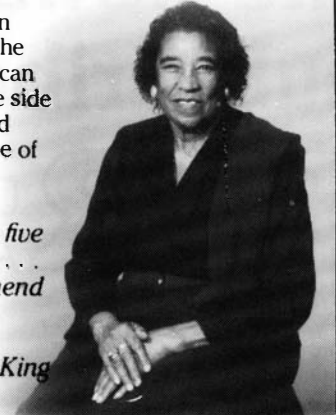
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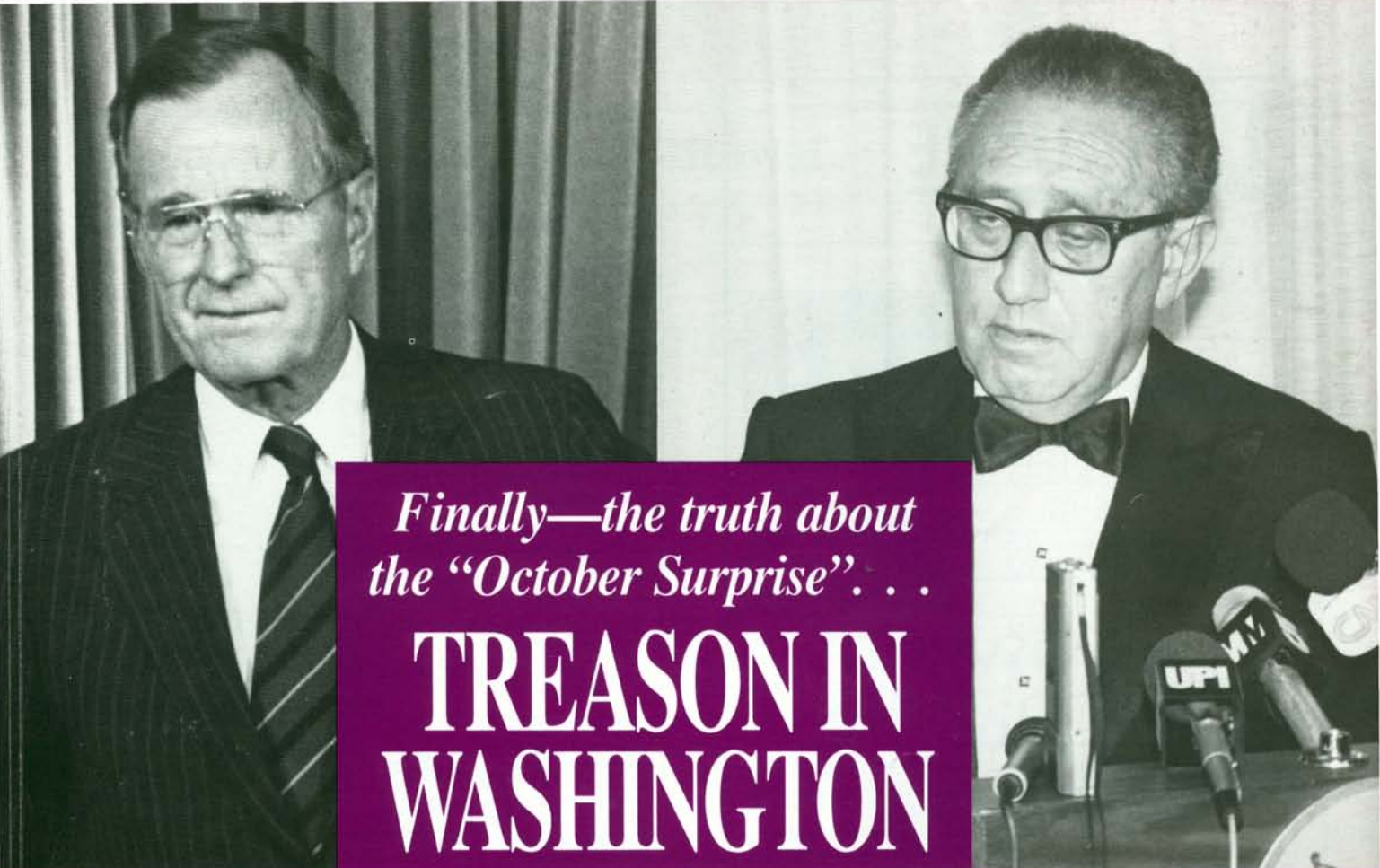
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