

# EIR

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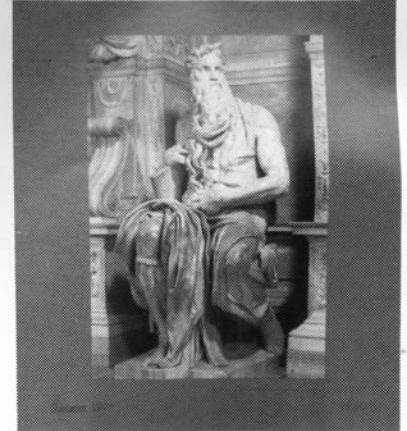
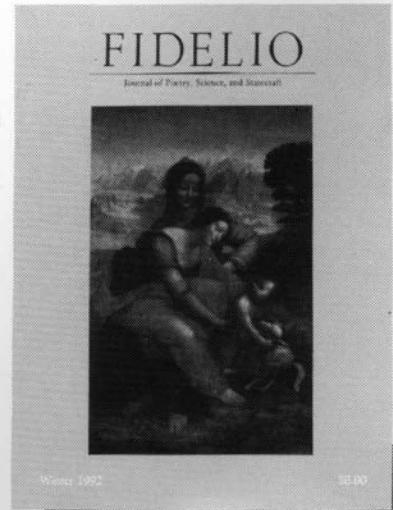
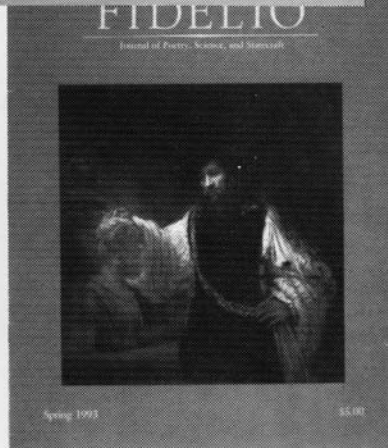
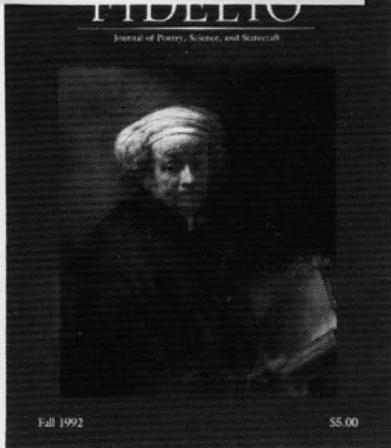
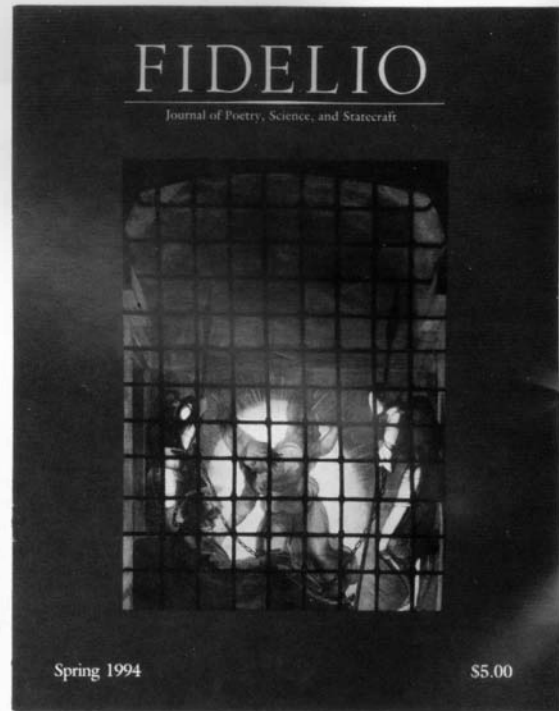
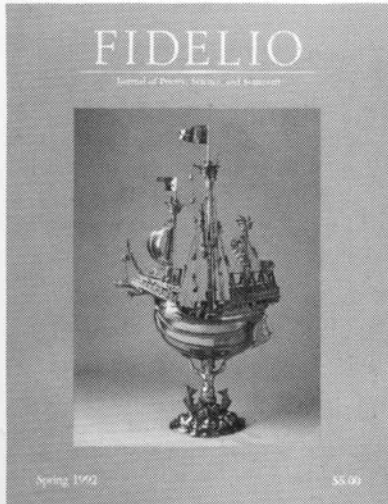
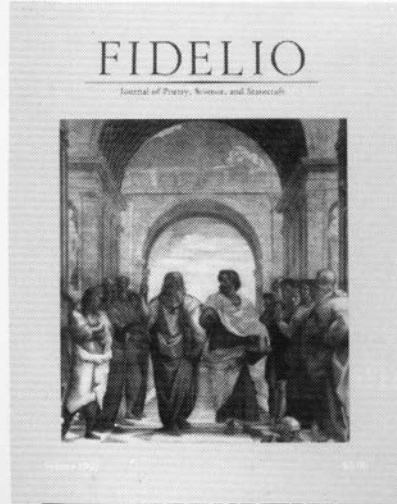
Nigeria's search for national reconciliation  
U.N. population fraud has 250-year-old roots  
LaRouche hails end of U.S.-British special tie

**Bloodthirstier than ever:  
the ghosts of Bretton Woods**



*"I hope to convince you that, in order to solve the political problem in experience, one must take the path through the aesthetical, because it is through Beauty that one proceeds to Freedom."*

— Friedrich Schiller



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## From the Editor

**F**ifty years ago at Bretton Woods, the bankers who had created Hitler and then were forced to fight him, set up a new monetary system to loot the world “democratically.” But they didn’t get everything they wanted, because some Americans resisted. Now, they are moving to set up the one-world fascist machine they first planned: the Nazi nightmare, on a world scale.

There is only one month left to cut off a major tentacle of this octopus, the United Nations International Conference on Population and Development in Cairo. Its precedents don’t come just from Bretton Woods. The model for what the U.N. calls “appropriate demographic policies” can be found in an earlier period. To wit:

“In the areas in question we have to push a deliberately negative population policy. With the propaganda campaigns, especially in the press, radio, movies, leaflets, short brochures, educational presentations and the like, the population must be convinced over and over again how harmful it is to have many children. We must point to the costs which children entail, and then it should be pointed out what could have been bought instead. The great dangers to the health of women which can emerge in births can be pointed out, and the like.

“Along with this propaganda, generous propaganda in favor of means of birth control must be spread. An industry specialized in such means has to be created. Neither the approval or dissemination of birth control devices should be punishable, nor abortion. The establishment of abortion facilities should be positively promoted. Midwives and medics can be trained to give abortions. The more professionally the abortions are carried out, the more the population will gain trust in this respect. Also physicians must of course be permitted to carry out abortions, without a violation of his medical oath coming into question.

“. . . Once we have converted the mass of the people to the idea of a one- or two-child system, we will have reached the goal we are aiming at. . . .”

Add the phrase “sustainable growth” and it could have been written by a U.N. or State Department bureaucrat. But these quotes are translated from a 1942 commentary written by the racial administrator for Hitler’s *Generalplan Ost* in eastern Europe.

*Nora Hamerman*

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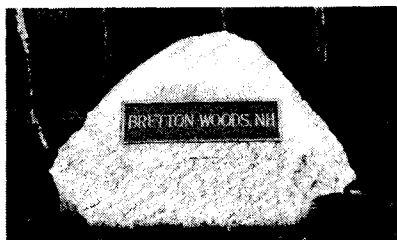
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**Correction:** In the July 29 issue on page 55, the correct name of the magazine which is publishing Mr. LaRouche's article is *Fidelio, Journal of Poetry, Science and Statecraft*. It is published by the Schiller Institute, Washington, D.C., and the single copy price is \$5.

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## Bankers' 'safety net' won't avert derivatives blowout

by Anthony K. Wikrent

Seeking to allay rapidly growing public and government alarm over losses running into the billions of dollars, regulators in the United States, at the Bank for International Settlements (BIS) in Switzerland, and elsewhere are furiously racing to put in place some semblance of a regulatory structure for the speculators' casino called the financial derivatives market. At the same time, the banks and derivatives dealers themselves are moving to establish what they describe as a "safety net" for the largest segment of the derivatives market. In both cases, the public is about to be stuck with a situation far worse than "too little, too late."

Derivatives are financial contracts that have their market values based on another, underlying security, or even an index of securities. Examples would be a futures contract to buy Japanese yen, a stock option, or a futures contract on the Standard and Poor's 500 Index of the U.S. stock market. But over the past few years, derivatives trading volumes have become many times larger than trading in the securities that underlie them. The largest part of the derivatives market is in foreign exchange, where an estimated \$1 trillion *a day* changes hands, according to a December 1992 estimate by the BIS. Earlier this year, it was reported that derivatives now account for a greater percentage of this currency trading than spot transactions. Ever since the market meltdown of October 1987, derivatives have been growing at the explosive rate of 40-50% per annum, up until the end of last year, when losses in derivatives at the Italian conglomerate Ferruzzi began to unravel the market. Three successive interest rate increases by the U.S. Federal Reserve earlier this year accelerated the unraveling.

The long-awaited guidelines for "managing risk" in derivatives activities were finally released by a committee composed of central bankers and other financial regulators, op-

erating under the auspices of the BIS, on July 26. The guidelines merely rehashed the recommendations made by the private Group of 30 in its report *Derivatives: Practices and Principles*, in July 1993. The Group of 30 is composed of top executives from the money center banks (Dennis Weatherstone, chairman of J.P. Morgan, Inc., heads the group) and retired regulators (such as former chairman of the U.S. Federal Reserve Paul Volcker). Not surprisingly, their report concluded that there's really not much to worry about.

According to the London *Financial Times*, the BIS guidelines urge banks to minimize credit risk by carefully scrutinizing the creditworthiness of the companies and institutions they sell derivatives to. Banks dealing in foreign exchange derivatives should be able to figure the value of their portfolios every day, and the largest institutions should be able to do so at any moment during the day. Finally, because the creation, marketing, and valuation of derivatives are so dependent on complex statistical modeling that can be done only with sophisticated computers, dealers should have contingency plans in place to deal with computer breakdowns.

The BIS guidelines also suggest that banks carefully review the laws governing derivatives in the countries in which the dealers intend to operate, to be sure that the customer's obligations under the derivatives contracts can be legally enforced.

### Coordinated moves

The same day that the BIS released its guidelines, the technical committee of the International Organization of Securities Commissions (IOSCO) also issued guidelines. The virtual convergence between the two sets of guidelines demonstrates the total lock the derivatives dealers have on so-called regulatory agencies.

The following day, eight of the largest banks in the United States and Canada joined with the Options Clearing Corp. to announce that they were applying for regulatory approval to expand their Multinet International Bank (MIB)—a bilateral clearing house for foreign exchange transactions which was set up in 1992—to do multilateral clearing. Apparently the banks, which include First National Bank of Chicago, Chase Manhattan Bank, the Bank of Montreal, the Royal Bank of Canada, the Toronto-Dominion Bank, and the other three large banks that monopolize the Canadian banking system, want to be able to move beyond clearing currency trades bank-to-bank, to a system similar to that found in the regulated exchanges, such as the Chicago Board of Trade, or the Chicago Mercantile Exchange. These serve as clearinghouses by acting as the buyer to every seller of a futures contract, and the seller to every buyer. Such clearinghouses exist for standardized contracts such as futures and options, but not for over-the-counter derivatives, such as forwards and swaps.

If the MIB is granted regulatory approval, then the banks will begin settling spot and forward currency trades through the MIB, rather than among themselves, and would later expand the MIB to include swaps and other, more exotic derivatives. According to the bankers, this would facilitate the ability to “net out” their market risks. Chase Manhattan, for example, would be able to say that its risk from contracts sold to Company A in yen, is offset by a yen contract Company A had with Toronto-Dominion Bank. In the event Company A defaulted, the MIB would calculate the difference between the two contracts, and credit to either Chase Manhattan or Toronto Dominion the balance in its favor, thus closing out both contracts.

Doing this, the bankers maintain, reduces “counterparty credit risks,” the euphemism for default by their customers. “We’re building a safety net under today’s \$1,000 billion daily currency market,” claimed Garrett Glass, senior vice president of First National Bank of Chicago.

### More loot

The key to what is really going on here is provided by a footnote in the May 1994 report by the U.S. General Accounting Office (GAO), “Financial Derivatives: Actions Needed to Protect the Financial System,” which states, “Multilateral netting reduces the amount of money subject to settlement risk (the risk that funds and/or financial instruments will not be exchanged as anticipated) *by releasing capital currently used to support derivatives transactions*” (emphasis added).

As usual, the bankers are speaking with forked tongues. They’re not as interested in erecting a safety net as they are in squeezing out more money to keep their bankrupt system going a little longer. Not only will multilateral netting give the banks more money to play with; the GAO also suggested that multilateral netting actually *increases* risks in the derivatives markets. The same footnote in the GAO report goes on

to argue that such a scheme “has the potential to increase systemic risk by concentrating risk in a central counterparty and *increased incentives to expand derivatives activities to lower credit counterparties*” (emphasis added).

### LaRouche: ‘It’s a dog-and-pony show’

The question that should present itself to any thoughtful observer of this insanity, is why the bankers are attempting to portray this as a means of increasing the “safety” of the derivatives bubble. Addressing the question of the new BIS and IOSCO guidelines, U.S. physical economist Lyndon LaRouche said in an interview on July 28: “The problem is, these guys don’t want to stop derivatives. They would like to regulate them privately, but they don’t want to step on anybody’s toes, among their crowd, in doing so. They’re not that stupid, to imagine that they’re actually trying to control derivatives. What they’re trying to do, essentially, is to *pretend* that they’re going to control derivatives.

“The reason for pretending, is to . . . enable [U.S. Federal Reserve Chairman Alan] Greenspan to say to the government of the United States: Look, don’t meddle in the market. You mustn’t meddle in the market. If there’s any regulation to be done, of the private banking sector, let the private banking sector and us do it, and don’t let the U.S. government, or other governments, get involved.

“So essentially, the BIS put on some token measures of regulation, and told some of the boys, ‘Don’t be quite so crazy as you’re being, because you’re getting us into trouble.’ What they’re trying to do, is simply put on a dog-and-pony show, to keep the U.S. government and others from moving in, to regulate this market.”

Even if the bankers succeed in finding more money to pump into their derivatives madness, their system is ultimately doomed, LaRouche stressed. “In a world economy which is less, in terms of total output, than \$20 trillion, we are turning over, probably, \$300 or more trillion a year in these kinds of derivatives market. And, the total value outstanding of the derivatives, which is certainly over \$16 trillion, may be running, on the secondary and tertiary markets, even double that, or more.

“So, these derivatives can only be sustained by an increase in fictitious capital gain, through leverage, which means that to maintain the fictitious derivatives market, you have to squeeze more blood out of the real economy, income-to-leverage; and that means that your pensions are gone, that means that your governments are being looted, through indebtedness, to help fund this thing. It’s really a mess, and this whole system is going to blow. It is now in the process of blowing. You see the events in Venezuela, you see it in other parts of the world. *This thing is going to blow, and soon.* Nobody knows exactly when, because there are political factors involved. But, what is certain, is that *this bubble is going to pop.* And, if we don’t regulate it out of popping first, it’s going to pop on us, and blow the whole system out.”

# Caldera clashes with Congress over war against banking 'mafia'

by Valerie Rush

Venezuelan President Rafael Caldera has escalated his ongoing war against the financial "mafia," which has been draining the lifeblood from his country's economy, by ordering the first seizure of illegally held assets *abroad*. Properties worth \$50 million were seized on the Caribbean island of San Martín, by order of a Netherlands Antilles court acting in response to a petition by the Venezuelan Attorney General's office. The properties were owned by Gustavo Gómez López, the fugitive president of Banco Latino, the first Venezuelan bank to be shut down by the government last January for its criminal banking practices.

It is well known that tens of billions of dollars are held abroad by Venezuelans who spirited their money out of the country to avoid confiscation and/or prosecution. With this measure, President Caldera has sent a dramatic message that neither these vast illicit fortunes nor their owners are now beyond the reach of Venezuelan law.

## A clash of powers

In escalating his war, Caldera has been forced to go head to head with an opposition-dominated Congress. On July 21, that opposition voted to restore a series of constitutional guarantees that President Caldera had ordered temporarily suspended a month earlier in order to facilitate the raids, arrests, and asset seizures which were loosening the mafia's stranglehold on the country's banking system. Those rights included protection from arrest without court order, protection against expropriation, freedom to travel, and freedom to hold and transfer property. These rights were suspended to prevent the kind of "financial engineering" that has repeatedly enabled corrupt bankers and their business allies to transfer illegally held assets to invisible trusts or fronts, and to escape arrest.

The next day, the President made it clear that he could not allow Congress to strip him of his weapons in mid-battle. And so, in a nationally televised speech, Caldera once again suspended those constitutional rights, explaining:

"We are now beginning to discover what is behind this mafia network. The Attorney General has begun to take preventive measures to confiscate properties, actions that will be handled by the judicial authorities. . . . With the country's

money, with the people's money, they attempted to use those properties for their personal benefit through a series of maneuvers that have been discovered by [government-appointed] intervention officials at banks. It would be disastrous to interrupt this task, this much needed and urgent task, by reestablishing constitutional guarantees. It would be a measure in favor of those who have enjoyed public confidence and who have abused collective rights."

## 'Dictatorship,' or leadership?

Even before his speech hit the airwaves, radio and television programs were inundated with calls of support for the President and with denunciations of the Congress's treasonous defense of the nation's enemies. In response, Venezuelan legislators representing threatened financial and political interests began to sling the charge of "autocrat" and "dictator" at Caldera in hopes of forcing him to retreat. Instead, he counterattacked. In answer to those who accused him of violating the Constitution, the President responded that he had helped *write* the Venezuelan Constitution. It "has very effective provisions for abnormal situations. We have been forced to resort to these provisions," he said.

He added: "During my first term in office, I governed five years without suspending guarantees for one single day. On the other hand, President Romulo Betancourt practically kept guarantees suspended for his entire term in office. . . . On the very day that we signed the Constitution of the Republic, President Betancourt called the cabinet to Miraflores to ratify suspension of constitutional guarantees. And we supported Mr. Betancourt because we were aware that beyond the interests of groups, beyond partial interests, lies the interest of Venezuela. . . . The country elected me to face this crisis, and it would be irresponsible of me not to act in accordance with the seriousness of the situation. It will undoubtedly become more dangerous each time if it is not handled properly."

To prevent this clash between the Executive and Legislative branches from paralyzing the government, President Caldera issued a kind of ultimatum. Let us hold a referendum, he proposed, on whether the population backs my emergency measures. If I lose, I will resign. But, he added, "if the



## President Caldera blasts 'new imperialism'

In a speech on July 23 before Venezuela's national convention of journalists, President Rafael Caldera denounced those who have "trampled all the moral principles and ethical norms" in their lust for money and power. Identifying the enemy as a financial "mafia" which is using the banking crisis caused by years of neo-liberal or free trade economic practices to destabilize the country, Caldera declared:

"I must say that a large portion of the Venezuelan financial system was managed without scruples, trampling all moral principles and ethical norms, and they are the ones who have dislocated the economic situation, triggered capital flight and a devaluation, creating a situation, an inflationary pressure, which was criminally exploited and multiplied by speculative sectors in the trade area. This had to be confronted. This must be confronted. . . .

"The partisans of neo-liberal economics, those who view the market as a god who is going to resolve all

problems, those who maintain that it is sufficient to give them the freedom to conduct their business as they see fit and this will solve hunger and all the difficulties facing the great majorities of the population, are hateful enemies of any measure which the state, representing the Venezuelan society and as the guarantor of the nation's health, must adopt. . . .

"Sometimes they invoke the example of Chile as an model of a neo-liberal economy which has produced a bonanza, a relative superiority in relation to the other countries of Latin America. . . . General Pinochet assumed absolute power in Chile in 1973; he established a rigorous and severe dictatorship in the political sphere, but at the same time a liberal economy inspired by the teachings of Milton Friedman and the Chicago Boys. They gave the fullest breadth to the economic bosses to do what they would. And nine years later, in 1982, the crisis of the banking system was as severe as that which Venezuela faces today. It was necessary to intervene against banks which held 60% of the nation's banking deposits . . . and several directors of the most prominent banking institutions were sent to jail.

"In Venezuela, the neo-liberal experiment was, in large measure, that which caused the banking crisis we are battling today."

referendum shows the government is right, it is the congressmen who should put their jobs on the line."

Caldera's bold proposal triggered howls of protest. At the opening of an extraordinary session of Congress on July 26 attended by the President, Democratic Action (AD) Congresswoman Paulina Gamuz accused Caldera to his face of pursuing "totalitarian" and "personalist ambitions." She went on: "Suppose the referendum is held, what are we going to ask the people? That measures which the government itself has acknowledged to be temporary and undesirable should become permanent? Perhaps it would try to convince an anguished people that with a suspension of guarantees their unemployment, poverty, and lack of housing will be resolved?"

It is no accident that former President Carlos Andrés Pérez, political godfather to the criminal banking networks now under assault, and himself deposed and imprisoned on fraud and embezzlement charges, praised Gamuz's speech as "illustrious." Nor is it an accident that Gamuz is known to be close to the Anti-Defamation League of B'nai B'rith, the nominally Jewish organization which has long-standing links to organized crime and has long been active in defense of Pérez's dirty financial circles.

Caldera responded to Gamuz: "The people need to be fought for, not to be abandoned as victims to . . . usurers

who have sunk their claws into the flesh of the republic, and don't want to let go."

### More congressional fits

The AD was by no means the only political party to throw a fit. Top leaders of the Causa R (Radical Cause) party, a member of the Cuba-spawned and pro-terrorist São Paulo Forum, threatened to withdraw from Congress unless Caldera agreed to convoke a Constituent Assembly to redraft the Venezuelan Constitution and, presumably, to reduce Executive powers. Causa R, like the brainwashed former Army colonel Hugo Chávez now touring the country to organize armed "indigenous" uprisings, has repeatedly called for a Constituent Assembly on the model of Colombia's 1991 abomination, which destroyed the sovereignty of Colombia's national institutions and ushered in a New Age cultural paradigm that culminated in June in the tragic election of a narco-President.

The social-Christian Copei party also attempted to expand the conflict by dragging yet a third branch of government, the Judiciary, into the fray. Copei proposed that it be left to the Supreme Court to resolve the issue of the suspended constitutional guarantees. This went too far even for the AD and Causa R, which voted to defer all debate on such an option indefinitely.

# LaRouche economics key in anti-Cairo drive

by Nora Hamerman

Mexico's daily *El Herald* reported on July 27 that the Ibero-American Solidarity Movement (MSIA) is leading a campaign to gather 1 million signatures to stop the United Nations International Conference on Population and Development (ICPD) in Cairo this September. The daily also ran an editorial on Sunday, July 24, supporting the MSIA campaign against the Cairo conference. The MSIA is inspired by the ideas of American economist Lyndon LaRouche.

Meanwhile, in Lima, Peru, the daily *Gestión* published the third commentary on the Cairo meeting by LaRouche associate Sara Madueño. Her column cites LaRouche's book *There Are No Limits to Growth* and names LaRouche as the one who, from the first, and consistently, took the point in attacking the genocidal proposals of the Club of Rome and Adam Smith. The article was published on July 23 and circulated widely at an international conference in Lima on the family.

*El Herald's* July 27 article reported on a July 21 news conference and seminar in Mexico City: "The Ibero-American Solidarity Movement presided over by Marivilia Carrasco said that it has already received the backing of several groups, among them clergymen from the states Guerrero, Jalisco, and Hermosillo."

Carrasco "said that the conference is based on contempt for human life, and for that reason, Pope John Paul II himself has expressed his concerns about the conference," the paper reported. "She stressed that on the pretext of sexual liberation and the rights of women, the conference aims to destroy the institution of the family and population growth through abortions, sterilizations, and euthanasia."

In Lima, the LaRouche movement was in high profile at the International Congress on the Family held from July 22-24, sponsored by the Catholic Church and the Vatican's Pontifical Commission on the Family. Besides Peruvians, the meeting drew participants from the Holy See, and a U.S. delegation which included a congressman and church leaders, to challenge the anti-growth philosophy behind the ICPD.

In his keynote speech, Cardinal Alfonso López Trujillo, the head of the Pontifical Commission on the Family, criticized the "crazy world view that prevails, where they even talk about an 'anti-baby' vaccine, because the child is seen as an unjust aggressor, a virus, and maternity is an illness

that puts the mother's health at risk."

The cardinal derided the overpopulation myth "before which our impoverished countries must bow their heads, and the rulers and the parliaments must do it often, because that is the fashion." The promotion of this myth, and the various "family planning" remedies proposed along with it, constitute "contraceptive imperialism," he charged.

Cairo is a step backward from the Mexico City population conference of 10 years ago, he said. Anyone who opposes its agenda is accused of undermining "the fundamental rights of a democracy." But "we are not in the realm of democracy, but in the realm of the worst sort of totalitarianism. A democracy without morality is dangerous, it is a threat, as is a society that says that everything is possible under pluralism and that one must counterpose the rights that are supposedly granted women, against those of the child."

The next day, the cardinal gave his audience a sense of the broad anti-Cairo strategy of the Vatican. Pope John Paul II plans to meet with the Catholic bishops of eastern and western Europe, to mobilize them to move their governments against the Cairo agenda, in much the same way as he has worked with bishops in the United States and Ibero-America to lobby against Cairo. After Cairo, John Paul II's U.S. trip in October will also raise the heat on the depopulators, López Trujillo indicated.

## Letter to Fujimori

Denver's Archbishop Francis Stafford said that the fight against the genocidal forces will be won, not in Europe or the United States, but in the South, where nations still retain some common sense and have not lost their souls. He praised the Ibero-American bishops for having spoken out the loudest against Cairo. Rep. Chris Smith (R-N.J.) warned the meeting that Cairo would lead to the foisting of China's "one child per family" policies on the world. The hostility to human life that dominates the Cairo agenda has reached such a pitch in the U.S. that pregnancies are viewed as "a sexually transmitted disease requiring treatment," he said.

Smith said he had met with Peruvian President Alberto Fujimori and given him a letter signed by 70 American congressmen, asking him to resist demands from the United States and the U.N. to change the provisions of the Constitution barring abortions. Fujimori assured him there will be no such change, Smith reported.

At a news conference, *EIR* correspondent and president of the Schiller Institute in Peru, Sara Madueño, asked Smith about NSSM-200, a once-secret population-control plan developed by Henry Kissinger as U.S. national security adviser in 1974. Smith replied that he was ashamed that his government had prepared such a document, and related it to the Club of Rome's "limits to growth" drive. He praised the Schiller Institute's full-page ad in the *Washington Post* calling for the Cairo conference to be stopped. Copies of it circulated at the Lima meeting.

# U.N.'s population projections: continuing 250 years of fraud

by Paul Gallagher and David Shavin

At this moment, the entire human population, and the sovereignty of, especially, the nations of the Third World, are threatened by the false and vicious doctrine of "carrying capacity." This term, referring to the maximum population potential of brute beasts, is being applied to *human* populations by the United Nations and its "expert demographers."

Their sick, but influential, pronouncements and policies claim that the Earth can only sustain 4 billion people (WorldWatch Institute); or only 2.5 billion people (Norman Myers, U.S. State Department adviser on population affairs); or only 1-2 billion people (Cornell University Prof. David Pimentel); or even fewer.

The U.N. in the official preparatory document for its International Conference on Population and Development, scheduled for Cairo in September, stated that it considers it "desirable" to impose upon nations a "low scenario" reducing the human population below 3 billion over the course of the 21st century. The U.N. has pushed this "low scenario" since it issued its 1992 U.N. Population Fund report. Assuming that Hitler managed to kill 50 million people in six years, the U.N. scenario would mean 100 years of killing at an intensity three times greater than that of World War II.

These people deny that they are genocidal depopulators of nations, by claiming to be "expert demographers," relating population to human productivity and natural resources, and making forecasts. Actually, the most famous such forecast, the 1971 book *Limits to Growth* of the Club of Rome and Massachusetts Institute of Technology, has since become so notorious that even its own sponsors in the Club of Rome admit that it is fraudulent.

This fraud of the U.N.-sponsored, malthusian population projections is not 25 years old, however. The fraud of claiming to calculate the Earth's "carrying capacity" for the human species at different living standards, with fixed technologies, has not been promoted because of some recent discovery of "resource depletion." *Truly scientific demographers knew 250 years ago that the human population could and would reach more than 5 billion, at a higher cultural, physical, and technological standard of living.* And continuously over that 250 years, Venetian and British oligarchs and their hired pens have claimed that the Earth could never support more than 2.5-3 billion people!

Eighteenth-century "malthusianism" actually began with the Venetian ex-monk Giammaria Ortes (see *New Federalist*

newspaper, June 20, 1994). Ortes invented the fraud of "absolute limits" on human populations, decades *after* a Prussian political economist, Johann Peter Süssmilch, had forecast a human population higher than 5 billion. Süssmilch's 1741 published work forecast a *quintupling* of the population as estimated at that time, by the development of foreseeable technologies—as Lyndon LaRouche and his collaborators today forecast that technologies foreseeable today can support 25 billion people on Earth.

Giammaria Ortes and Thomas Malthus in the 1775-1800 period were acutely aware of Süssmilch's figures. Ortes invented his "carrying capacity" fraud to attack the school of political economy that Süssmilch represented, and to claim that God would never allow the human species to exceed 3 billion people—just as the descendants of Ortes and Malthus claim today. Ortes and Malthus were wrong, discredited decades before they wrote, by the "populationists."

## Forecasts represent policy

Moses Mendelssohn, the founder of modern Judaism, was the most celebrated of those Prussian and Austrian "populationists," who founded scientific demography from the 1740s to the 1780s. Mendelssohn's thesis, according to the Mendelssohn scholar Alexander Altmann, was that "men increased in numbers and accumulation when free rein was given to their activities. Increase in population continued so long as people's ingenuity discovered new means of earning livelihood." Mendelssohn wrote: "How can one speak of a people who are of no use to the state, of no practical value to the country! This kind of language seems to me unworthy of a statesman."

Joseph von Sonnenfels, the Austrian government official who was part of the "populationist" economic movement from the 1770s, had this view: "The increase in the population of a society stands above all details, as a law to promote the general welfare. The principle of the largest possible population is the common law of all four state sciences."

These political economists, known as the cameralists, shaped the economic and other reform policies of Prussia's Frederick the Great from 1740 onwards, and Austrian Emperor Joseph II in Mendelssohn's time; Mendelssohn in addition restored and reformed the religious fervor of Judaism for the perfection of mankind. Prussia and Austria's combined population, in the century after Süssmilch's 1741 forecast,

grew from 4 million or so to nearly 20 million, an unprecedented rate of growth for that time.

The cameralists established that population increase was at the basis of national greatness and sovereignty, as well as national wealth. The Prussian government official and economist Johann von Justi said: "If you were to seek the main argument of the cameralist, by which he must make and judge all rules: then we must shout—Population! . . . One million people living on 2,500 Austrian miles is much stronger than one million living on 10,000 Austrian miles. . . . Each child must be welcomed as a valuable addition to the future population."

### Leibniz's influence

The populationists, from Süssmilch to Moses Mendelssohn, all represented the influence of the philosopher and universal genius Gottfried Wilhelm Leibniz; he died in 1716 after founding the scientific academies of Berlin (Prussia) and St. Petersburg (Russia), and stimulating others. All of those who continued Leibniz's tradition into the 18th century—including Benjamin Franklin—wrote on the necessity of *increasing population* as a sign of human progress and self-perfection of nations.

The Venetian oligarchy's Ortes was attacking Leibniz, and specifically Süssmilch, who had established scientific demography 30 years before Ortes started his book *Reflec-*

*tions on Population*. Ortes and Malthus used Süssmilch's statistics in trying to attack the populationist school, since Ortes's own "calculations" on population were crazy algebraic constructs based on no research at all.

Ortes's assertion that there could never be more than 3 billion people because of Earth's limited "carrying capacity," was nothing but a claim, copied pathetically by the British malthusians. But Süssmilch's 1741 forecast, in his book *The Divine Order*, of more than 5 billion people, was a scientific forecast. It was based on 1) an accurate calculation of the rate of growth of the human population, then about 1 billion; and 2) a projection of the growth of population *potential* from the development of foreseeable technologies of agriculture, energy, and industry.

Süssmilch, Mendelssohn, and the populationists were right; Ortes, Malthus, et al. were viciously wrong.

The cameralists based themselves on the biblical instructions of God to man, beginning with the Genesis commandment to "multiply, fill the Earth and subdue it, and have dominion," which opens *The Divine Order*. Süssmilch had calculated, in collaboration with others, the 1740 world's population of just over 1 billion—with an accuracy with which today's U.N. Population Fund does not bother itself.

More important, he demonstrated that human population was *growing*, most strongly in the European nation-states which had emerged since the 15th-century Golden Renais-



# Why U.N. plans for world government must be stopped

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sance, based on the dignity of the individual citizen. The upward course of human population since the Renaissance had been doubted or denied, particularly by British "authorities." Süssmilch estimated that the human population was doubling per century—not then accurate, but approximately true as of about 50 years after he wrote.

### Growth without limits

Still more crucial, Süssmilch demonstrated the thesis that this growth *had no determinable future limits*, would easily surpass 5 billion, and (quoting Frederick Crum's summary of their views): "The power, prosperity, and happiness of a state or nation depends upon the number of its inhabitants and upon the rapidity of their increase."

This truth—recognized by great national leaders up to the present—was precisely the target of Ortes's obsessive attacks in his *Reflections on Population*. Ortes railed incessantly against "a school of political economy" he would not name, which he describes as believing exactly what is quoted above from Süssmilch.

Ortes and Malthus not only used the cameralists' figures for world population. Ortes even appropriated Süssmilch's estimate that the *population density* of Europe should rise to 200 persons per square mile. But Ortes would only allow that this population density was possible for a few *very small city-states modelled on Venice!* And Ortes maintained the absurdity that there was nothing sovereigns or governments could do to affect this growth of population, or to increase wealth per capita.

Süssmilch had shown 40 years earlier that population growth depended, above all, upon the intervention of sovereign governments to build their nations—by opening land, by improvements, fostering technological development, incentives for family formation and child-bearing, lightening the burden of taxation and prices, and improving public health and medicine. He recognized that "the pleasures of a people are enhanced by their being in close relations with each other. . . . The exchange of products, and the satisfaction of varied needs, can be more easily accomplished when the population is compact [densely settled]."

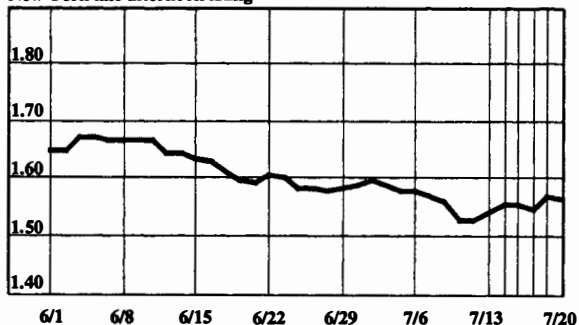
Süssmilch insisted that "the ratio of births to marriages is a state barometer" which statesmen must know, and "in it is reflected the true gains and losses in the wealth and power of the state." Giammaria Ortes's heirs, today's neo-malthusians, *are still insisting on the upper limit of 3 billion people today, when it means the genocidal elimination of half the existing human population.*

Today, Lyndon LaRouche's attacks on the U.N.'s Cairo '94 "killer conference" are in the tradition of Leibniz's political economy. LaRouche has forecast that the foreseeable technologies of the 21st century can support 25 billion people, and has defined the great projects of economic reconstruction for the nations and continents of the Earth which reopen the pathway to rapid population growth.

## Currency Rates

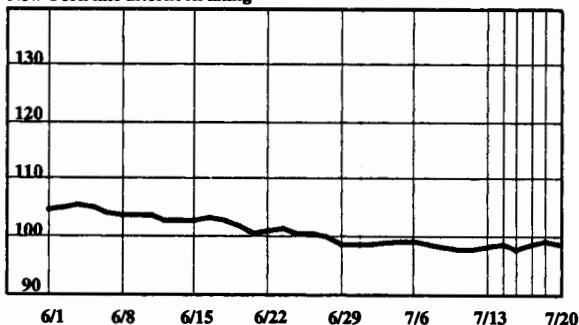
### The dollar in deutschemarks

New York late afternoon fixing



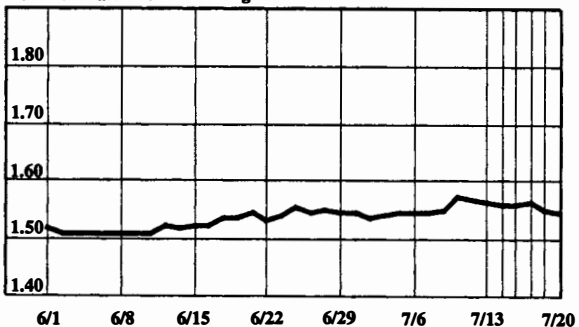
### The dollar in yen

New York late afternoon fixing



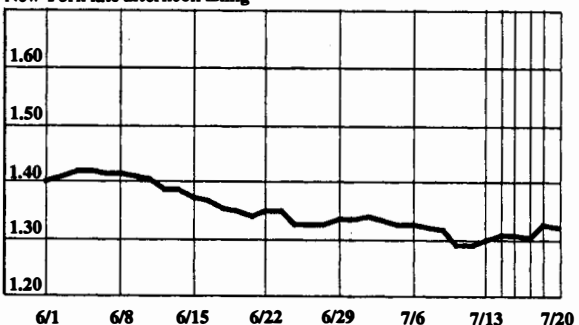
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



# Business Briefs

## Investment

### Bavaria embarks upon high-technology program

The Bavarian state government will invest DM 450 million (\$280 million) in a new nuclear research reactor, as part of a state investment program that is unmatched in the rest of Germany, where the influence of the radical environmentalists is very strong.

The funding of the reactor is the biggest item in the new medium-term state budget for technology and science. Another DM 300 million will be spent on various regional engineering colleges, which state Gov. Edmund Stoiber said are an "absolute must for a high-tech state like Bavaria that has an interest in playing a role in the next century." Stoiber said the planned nuclear research reactor, a "neutron-source" project, is "an indispensable precondition for any top-level productivity in science and technology."

Bavaria will also establish a technology transfer center, to promote the application of new technologies in industry, and a new state "risk capital" agency, to act as a guarantor for small and medium-sized firms in credit negotiations with banks.

## Industry

### Russian production falls by half since 1989

Since 1989, Russian industrial production has fallen by half, according to the Swiss daily *Neue Zürcher Zeitung*. During the first six months of 1994, official figures from the Russian Economics Ministry showed a decline in industrial production of 26%.

The ministry attributed this to the 70% decline in orders from the military-industrial complex and the 65% fall in capital investment over the last 30 months. The *Neue Zürcher Zeitung* argued that the decline in production, especially in the military-industrial complex, is not necessarily a bad sign, as long as new economic "elements" are emerging out of the

"ruins of planned economy." But it admitted that, in reality, these new "elements" are nothing but trade and service activities of the Russian shadow economy.

In its latest report, "Transition Countries: The Economic Situation in Early 1994 and Outlook 1995," the Vienna Institute for International Economic Comparison presented figures on the decline of gross domestic product in the former East bloc. Using 1989 as the base, the GDP at the end of 1993 was: Czech Republic, 78.9%; Hungary, 80.0%; Poland, 86.2%; Slovakia, 74.3%; Slovenia, 82.1%; Bulgaria, 71.0%; Romania, 71.8%; Croatia, 46.0%; Russia, 60.8%; and Ukraine, 58.5%. Given the fact that an increasing part of GDP is from the service sector, the decline of industry is much sharper. In all central European states, unemployment will stay high or increase, the report said. Unemployment in Poland and Bulgaria will rise to 20% by the end of 1995.

## Ukraine

### Kuchma invites new IMF 'restructuring package'

Ukraine's new President, Leonid Kuchma, met International Monetary Fund Managing Director Michel Camdessus in Kiev on July 26 to work out an IMF "restructuring package" for Ukraine. In a speech the week before, Kuchma outlined the austerity and unemployment to which he intends to subject the already-devastated Ukraine economy: "Between 20 and 25% of our factories must be closed down. They are barely operating and what they do produce they sell to themselves. Our main task now is to figure out how to transfer state factories to private ownership." This posture is similar to the privatization schemes to enrich the *nomenklatura* and mafia worked out in Russia by Anatoli Chubais.

Industrial production in Ukraine in the first six months of 1994 was down 40% compared to the same period in 1993, according to Interfax, based on information from the Ukrainian Ministry for Statistics. In only one month, June 1994, industrial production fell 10%.

Machine and metal processing sectors are most problematic, but production in the first six months of 1994 compared with 1993 fell: steel pipe, 64%; machine tools, 72%; tractors, 74%; automobiles, 30%; color TVs, 63%; tape recorders, 84%; vacuum cleaners, 58%; and washing machines, 42%. Meat and milk production have fallen by about 30%.

## Space

### Europe, Japan plan to go to the Moon

Missions to revisit the Moon are in preparation in Europe and Japan, European dailies reported on the 25th anniversary of the first manned landing on the Moon.

The European Space Agency (ESA), on the basis of a 1992 report by a new Lunar Study Steering Group, is calling for a four-stage approach: 1) station a polar orbiter above the Moon to conduct high-resolution remote sensing and mapping; 2) surface stations and roving vehicles to look in more detail at selected sites; 3) sample returns from the lunar far side and upland regions not visited by the manned U.S. lunar missions; and 4) a permanently occupied lunar base.

The European project for a lunar base early in the 21st century will create 60,000 new high-tech jobs, ESA Director Roger Bonnet said in Paris. The jobs will be in the serial production of the new Ariane 5 space carrier, which is scheduled to go into full operation next year, in research and development; and in the construction of a base on the Moon.

The first lunar orbital mission and the exploration of the lunar surface by satellites will be carried out in 2003; exploration with robots on the ground will be done by 2010. The construction of the Moon base is scheduled between 2015 and 2020.

In Japan, 20 aerospace firms recently formed a Lunar and Space Exploration Group which, along with the state's official Space Activities Commission, unveiled a long-term plan for a permanent human presence on the Moon. The deployment of lunar orbiters, surface rovers, and the return of samples to Earth



is scheduled within 15 years after the first robotic station is established on the lunar surface in 1997. Plans are for robots to construct the lunar base and an astronomical laboratory from prefabricated components, and the first team of researchers to arrive by 2023 or 2024.

## Oil

### Iraq embargo kept over fears of price drop

On July 18, the U.N. Security Council extended the embargo against Iraq for another two months. Although there is neither "measure nor reference in Resolution 687 to the need to take into account the condition of the oil market to lift the embargo," this is the real reason for continuing the blockade, the Paris daily *Le Monde* said on July 20.

An unnamed high-level U.S. official told journalists in Paris that Iraq's production within six months after the embargo would rise to 1.5-2 million barrels per day, and reach 3 mbd within 18 months. This would plunge the oil price to \$12 a barrel. This, *Le Monde* said, is viewed by Washington as "a catastrophe for the main regional allies, Saudi Arabia and Kuwait in particular."

A literal reading of Resolution 687 means Iraq has fulfilled the conditions as soon as a long-term surveillance system on disarmament is put in place. But the Security Council members are pussy-footing around this issue. U.N. official Rolf Ekeus, in his last report to the U.N., said such a system could be in place by September. France and Russia are calling for a six-month trial period, whereas Iraq wants one month. The United States is thought to favor a 6- to 12-month period. A U.S. official in Paris said the trial period would be "considerable."

The *New York Times* reported on July 26 that the embargo would likely be lifted by March 1995, citing the erosion of support for it by France, Russia, and China.

Washington and London are demanding additional conditions which are not contained in Resolution 687: Baghdad's recognition of Kuwait's sovereignty and new, U.N.-drawn borders; liberation of and/or information regarding missing Kuwaitis; respect for human

rights inside Iraq; and "facilitation of U.N. humanitarian efforts." The United States is justifying the new demands on grounds that they are implicit in the resolution's preamble, which calls on Iraq to prove its peaceful intentions.

## Asia

### Natural gas pipeline gets new impetus

Plans for construction of an 8,000-kilometer natural gas pipeline, which would link all the member states of the Association of Southeast Asian Nations (ASEAN), are being pushed again by Italy's Ente Nazionale Idrocarburi (ENI), which is leading a French-Italian combine that first proposed the pipeline in 1989, the July 11 *Philippines Business Chronicle* reported. ENI representatives believe the time has arrived to press ahead with the \$1 billion project, with the aid of the European Union.

The pipeline could mean an entry into the chemical business for several nations, providing chemical feedstock and spawning a range of chemical industries that would aid domestic economies immediately. Some chemical operations are already in place, but they are confined to oil refinery sites and export most of their products. Many officials regard the availability of natural gas as a key to "instant industry," because it would provide a needed domestic fuel and decrease dependence on imported oil.

In 1991, ASEAN ministers officially approved the idea and a feasibility study was expected to have been completed by the end of 1993. The system would stretch from Thailand, down the Malayan peninsula to Singapore, and then to Sumatra and Java. It would then turn north to Kalimantan (Indonesia Borneo) and the Philippine islands of Palawan, Mindoro, and Luzon, ending in Manila.

ENI and its partners (Gaz de France, IMI, TransEner, and Indosuez) are putting together a gas reserve inventory to be used with the feasibility study. The capacity of the system would exceed 1.8 billion standard cubic feet per year.

● **TURKEY AND RUSSIA** agreed on July 19 that Moscow would repay close to \$500,000 of outstanding debt mainly through a transfer of military equipment to Turkey. Russian First Deputy Prime Minister Oleg Soskovets and Turkish Deputy Prime Minister Murat Karayalcin signed a protocol in Ankara.

● **3,000 FARMERS** and the mayors of 11 drought-afflicted towns in Spain marched on the provincial government of Murcia to demand that the National Hydraulic Plan finally be put into effect. When the Socialists came to power in 1982, they cancelled virtually all the major water projects for "financial" reasons.

● **GERMAN** Finance Minister Theo Waigel warned in Munich in July that if the Berlin-Hamburg Transrapid route is sabotaged, "we will build the Transrapid between two other major cities." The upper house of Parliament has so far failed to approve the route.

● **23% OF STUDENTS** at a middle-class high school in La Quinta, California tested positive for tuberculosis, in the worst outbreak of drug-resistant TB ever reported in the United States, the July 18 *New York Times* reported. Orange County plans to begin testing students entering kindergarten, sixth, and ninth grades.

● **BANK OF ENGLAND** Gov. Eddy George told the July 24 *London Observer* that if people only get used to the fact that now they get 2-3% wage increases instead of 10%, "they will eventually find they feel pretty good—in fact they ought to feel better." The absence of the "feel-good factor" is responsible for lack of investment, he said.

● **1 MILLION MEXICAN** children, one-quarter of all children in Mexico not in school, are involved in the narcotics traffic, according to Andrea Barcena, director of the Mexican Center for Children's Rights.

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## A large-scale Rhine-Rhône canal for France, and Europe

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*A canal connecting the Rhine and Rhône rivers would vastly upgrade both Europe's inland and international transport and augment the capabilities of the European Productive Triangle. Eric Sauzé reports.*

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An ambitious program, originally outlined in the early 1960s period of economic growth and cultural enthusiasm, to build canal works connecting the Rhine River along the French border with the Rhône-Saône waterway, would play a major role in France's contribution to the European "Productive Triangle" project of Lyndon LaRouche. Such a canal project, bringing the Rhône-Saône Valley up to the navigable scale of the newly opened Rhine-Main-Danube liaison, would complete a large-scale waterway system for Europe linking the North Sea, the Black Sea, and the Mediterranean with the heartland of Europe.

The opening on Sept. 25, 1992 of the German Main-Danube Canal, which links the North Sea to the Black Sea, shows that this type of undertaking is both desirable and possible. Bringing the Saône-Rhine link into conformity with the European scale (which permits the passage of 300-ton barges, or *péniches*, and barge convoys of 4,000 tons and up) is a crucial project, despite its relatively modest dimensions. This canal is no mere technocratic instrument to add to a technological arsenal, all the better to engage in "cutthroat international competition," nor is it a huge financial boondoggle, as its detractors would argue. Moreover, we can calculate that the construction of the Saône-Rhine connection, seriously carried out in a sustained way, could generate, in five to seven years, 30,000 jobs, which counts only those directly employed in the operation.

From this point of view, the lack of real political will to implement such a project has a threefold irony. First, because what seems for the moment to be impossible: to have a large-scale waterway cross the summit at 336 meters above sea level, does not represent the kind of challenge that was posed by putting a man on the Moon in 1961. Fluvial technologies are nothing revolutionary. Second, the German example shows us that "where there's a will, there's a way." Third,

and this is the crowning point, the first official text launching a project to modernize the Rhine-Rhône Canal dates from 1961, the same year the Apollo program was launched.

The history of France's canals begins with Leonardo da Vinci's work for King François I in the early 16th century, designing a canal system that linked the governmental and commercial center of the country to the interior through trade and transport routes.

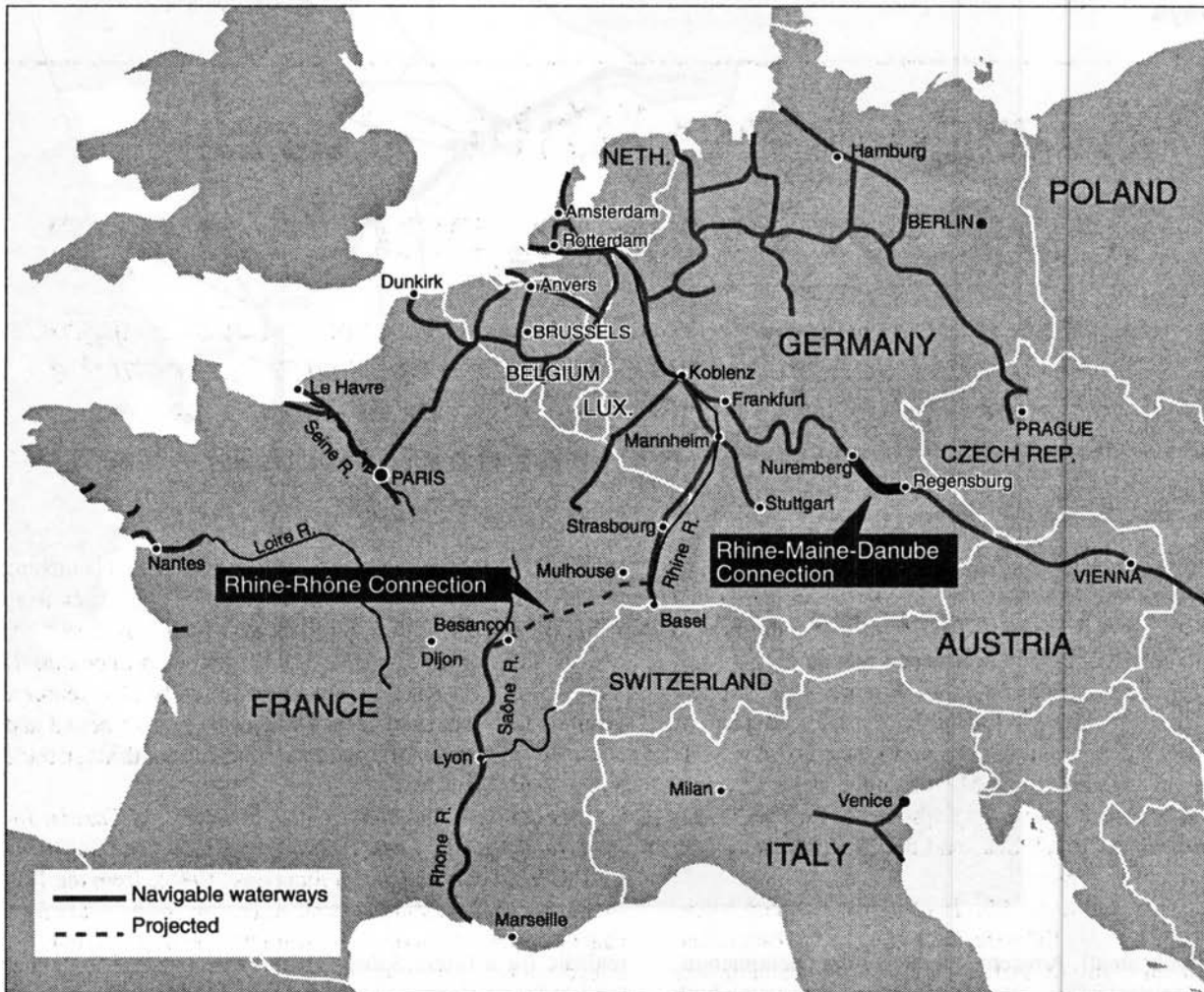
According to the authoritative book *World Canals: Inland Navigation Past and Present*, by Charles Hadfield (Oxford, U.K.: Facts on File Publications, 1986), from the 17th to the mid-19th century, inland water transport centered on canal-building. He writes: "Toward the end of the period . . . a predominantly river age began. . . . Canals now needed to be built or rebuilt to dimensions that would allow craft able to navigate the big rivers to use them—craft which were themselves becoming bigger as channels improved. . . . More than one historian and politician has failed to realize that the modern river age is not a continuation of the older canal age: It is different in kind, and with far wider possibilities. Therefore, it also came about in our period that railways, more efficient as freight-carriers than the old, small canals, were by no means necessarily so as against rivers and river-sized canals." As **Figures 1** and **2** show, the Rhine-Rhône project would, via an assortment of canals, canalization of rivers for depth and/or current control, and locks and dams, bring the Saône-Rhône river system up to the same scale for heavy barge transport as the Rhine and the newly opened Rhine-Main-Danube.

### Waterways for an industrial revival

Jacques Bonnot, chief operating officer of the National Rhône Co. (CNR), during an interview with *Le Progrès de Lyon* of May 8, 1993, argued in favor of going ahead with

FIGURE 1

**Major European inland waterways**



the connection, figuring the cost of the startup at FF 17 billion, and demonstrating the benefit such a connection has for all the regions involved. The chambers of commerce and industry for these regions, after the March 1993 elections, also reopened the debate for the work to go ahead. In addition, the congestion on the highway along the Rhône has moved some administrations to rethink the possibility of restarting river transport projects. The Rhine-Rhône connection will not be viable unless France and Europe go back to a policy of industrial production, because waterways do not have an essential place in a service-dominated economy. *Péniches* may not be needed to transport pocket calculators, but when it comes to the bulk transportation which all basic industry needs (heavy industry, materials for infrastructure, etc.), waterways are most useful.

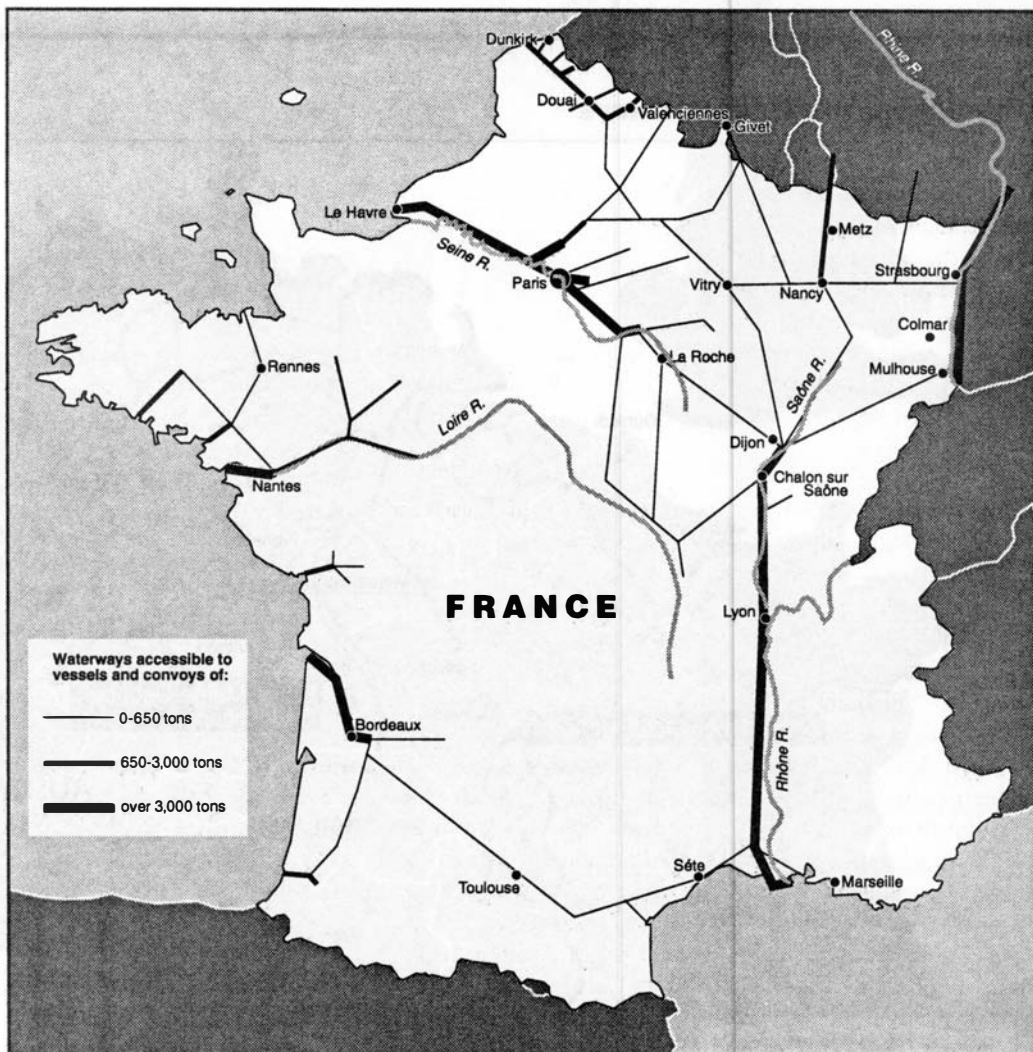
In the domain of large-scale waterways (convoys hauling 4,000 tons), France has, at present, dead-end infrastructure,

because there are no connections between the various hydrological basins. The large-scale river routes such as the Seine, or the Saône-Rhône, outside of the Paris or Lyon regions, end up nowhere.

To properly outfit France with a modern network of river routes, it would be necessary to bring at least three links up to European scale: the old canal connecting the Mediterranean to Bordeaux; the Seine-Saône connection; and the canal from Paris to the north of France. As for the Saône-Rhine project, it takes on even more importance because the Saône-Rhône axis would be the only navigable corridor going directly from North Europe to the Mediterranean.

Even though river transport is presently marginal in France, the Rhine-Rhône project, according to the CNR, aims at cornering 22% of the freight traffic, as is the case in Germany and the Low Countries. Currently, given the cul-de-sac, traffic on the Rhône has risen to 4,000 million tons,

FIGURE 2  
**France's  
 navigable  
 waterways**



which is rather small. A recent and interesting phenomenon, oceangoing river traffic—vessels capable of navigating both on the ocean and on major rivers—is tending to develop along the routes that go from the Lyon region toward Italy, Turkey, Tunisia, and Israel. The Rhine-Rhône would open up new perspectives for this type of transport.

One can imagine the horrendous state of highways in the Rhône Valley if a portion of the goods didn't go by river. When it comes to hazardous materials, environmental preservation, and working conditions, river transport offers far better safety conditions, and at less expense, than heavy trucks whose function is not so much to go long distances as to assure close-haul transport, above all for bulk.

The ever-increasing flow of trucks in Europe will probably cause France to follow the lead of Switzerland, Germany, and Austria which are organizing "railway highways" or redirecting traffic toward other means, such as waterways, since highway transport costs are going to climb. The main advantage of transporting goods by navigable waterway is the low cost due to low energy consumption: 5.5 grams of coal equivalent (gce) per ton-km for a 5,000-ton convoy, which is

realistic for a future Saône-Rhine canal, against 5.95 gce/ton-km for an electric train and 23.8 gce/ton-km for a truck. As for the time involved, it can be considerably accelerated by the large-scale waterway and a sustained pace of transport. Thus the current average time to cross the Paris-Lyon route is 13-15 days, depending on the season, while the trip from Le Havre to Paris takes only three days for a motor-barge and only 1.5 days for a barge convoy under way night and day. For equal amounts of bulk transported, the modernized waterway has all the advantages.

Further, from the standpoint of geography and physical economy, if the flow of goods and people in relations between North and South, East and West, are organized in the way that the economic program of the Schiller Institute proposes, ("Europe, Vector of a Global Economic Recovery" published by the Schiller Institute), then the Rhine-Rhône canal would be more necessary than ever. In September 1992, the Germans inaugurated a large-scale connection linking the Rhine-Main-Danube, which will open the ports of the Black Sea to the North Sea and the Baltic. This will create a considerable opportunity for development of the new countries of East

Europe: the Czech Republic, Slovakia, Hungary, Romania, and also the nations of ex-Yugoslavia (at least, as soon as true peace is reestablished).

In France, at the same time, the 1992 austerity budget (which did not change in 1993) projected no more than FF 100 million for the waterway compared to nearly FF 1 billion in better years. The funds of the Navigable Waterways of France (the public entity responsible for managing riverways and their tributaries) will only serve as stopgaps for a shrinking budget. As for European financing, it is compromised by the lack of a clear-cut policy in France itself. In the absence of a firm political will, discussions on the projects are bogged down in "pillow fights," and the Rhine-Rhône project is stagnating or being built at a snail's pace:

- The bypass for the bridge at Mâcon is already operational; what's needed is to dredge the Saône.
- Construction work has begun between Mulhouse and Niffer in Alsace, and should take three years.
- The large-scale waterway is under way from the Mediterranean to St. Jean de Losne (Nord de Chalon).

What remains is to complete the bulk of the work.

At this rate, if no political decision overcomes the torpor into which the project has fallen, it will take 20-30 years to finish. And yet, the project, although of large dimensions, is not exactly herculean.

### **Transformation of the economy**

The large-scale waterway on the Saône-Rhône would link the Rhine, transport axis for the world's most important riparian waterway, and now open to the Black Sea, to the Rhône Valley transportation axis. Completion of this project would contribute to connecting the different basins and to standardizing the canal network, currently comprised of a series of dead-ends for the large-scale waterway (Figure 2). The large-scale waterway would allow access to modern transportation linked up to the main axes of European transport, such as those in Germany and the Low Countries: The Rhine-Rhône would open up 760 km of navigable waterways between Marseille and the Rhine, and would provide access to the roughly 3,500 km of the waterway going from Rotterdam to Izmail in Ukraine.

Considerable increases in productivity have been made in water transportation: Indeed, a single 4,400-ton barge convoy transports the equivalent of 110 forty-ton railcars or 220 twenty-ton trucks, and that under appreciably higher safety conditions. And, as we've already mentioned, the speed of the convoys has greatly increased, thanks to the advent of barge convoys pushed by powerful engines and large motor-barges (large-scale *péniches*), which means:

- lower costs per ton;
- an increase in the unit capacity of transports—a convoy can carry 4,000, or even up to 6,000 tons, whereas the smaller-scale canals of the Freycinet type from the last century, can only handle convoys of up to 350 tons;
- better operating conditions and improved material;

- greater maneuverability (wider waterway, etc.);
- greater use of containers, which would also permit the development of multimodal transport (water-rail route), would increase the role of the Edouard-Herriot Port just below Lyon, would increase the speed of transport, and would help undermine the stupid competition that currently dominates transportation.

### **Benefits throughout the Mediterranean Basin**

The Saône-Rhône canal is a major transit corridor between the Paris-Berlin-Vienna Productive Triangle and the Mediterranean Basin and from there to the West and to the Middle East. From Port Said on the Suez Canal to Strasbourg, one must travel 6,855 km via the Rhine and Rotterdam, 5,070 km via the Danube, and only 3,840 km via the Rhône. It is easy to see the extraordinary potential for activity such a route would offer if the Oasis Program for Middle East development of Lyndon LaRouche and the Schiller Institute were put into action. This infrastructure will in fact bring about a crucial increase in the ties between western Europe and the east of the continent, as well as with the south of the Mediterranean, and will surely allow them, in the context of a mutual development project, to be brought closer together. Communications and transport routes are necessary for economic activity, for raising living standards, and for the progress of civilization through the exchange of goods, peoples, and ideas.

Trade routes are naturally dependent on geographical conditions, but there is always the possibility of leapfrogging the natural obstacles, as the Panama and Suez canals show us. Europe, and especially France, have advantages in overseas trade: long coastlines in the north, the west, and the south. Inland, the European rivers form the axes for advantageous penetration. The Rhine is very heavily used up to Basel: At the German-Dutch border, traffic density is greater than the entirety of French river traffic. For the Rhône-Saône axis, over the 1,580 km covering the Rotterdam-Fos connection, there remains a hiatus of roughly 229 km between Mulhouse and Dole, which comprises no more than 14% of the total, and which means overcoming the physical elevation between the Rhine and Rhône basins.

As for the Danube, opening up a large-scale waterway connection should speed up the process for France. This connection, started well before the Saône-Rhône, also means overcoming an elevation between the northern slope and the Mediterranean (southern) slope of Europe, whose altitude is only 70 meters higher than the elevation that separates the Saône from the Rhine. The technical difficulties and the cost per kilometer of the two linkages are quite comparable for the two routes. If all the necessary earth-moving work were done, the three great European rivers would be linked to each other and that at a time when construction of continental Europe is recognized as an urgent need. Via a Rhine-Rhône connection, the southern tier of France, which would be galvanized by a large-scale canal toward Sète and Marseille, would become profitable.

## What it will mean for France

Since 1961, the Rhine-Rhône project has been part of the economic geography of France. Getting the Rhine-Rhône project under way would mean: bringing the network of the major French waterways up to the standard of the major European waterways (Germany and Benelux); and harmoniously developing the territory of our country as a whole. As an extension of the Rhine, the canal would turn the east of France, which has been, up until now, off the path of the major axes of heavy European transport, into one of the intersections for international traffic; this would contribute to completing development of the Atlantic region, the Parisian region, the North, and the Mediterranean.

This project covers six regions, that is, roughly 30% of the national population: Alsace, Franche-Comté, Burgundy, Rhône-Alpes, Provence-Alpes-Côte-d'Azur, and Languedoc-Roussillon. In accordance with local wishes, which the chambers of commerce and industry of the respective regions have recently supported, the new waterway would allow employment to be stabilized through consolidating already-established industries, and even to increase by creating the conditions that favor establishment of new industries.

The new navigable waterway would be 229 km long, connecting the grand canal of Alsace to the Saône via the Ill Valley, the Burgundy gorge, and the Doubs Valley. It would be made up of 24 locks, of which seven would raise traffic 106.20 meters from the Rhine as far as the diversion canal, and 17 would lower traffic down the Franche-Comté slope as far as the Saône, over a descent of 157.75 meters. The largest convoys projected on the connection would be 183 meters long, comprised of a tug 30 meters long and two barges placed end to end and capable of transporting 4,400 tons deadweight to a depth of 3 meters. The waterway would be comprised of a new canalization of the Doubs along 140 km, the rest of the route, some 89 km, being cleared by an artificial canal. The canal will have a depth of 4.5 meters and a waterline of 55 meters, except in the curves (wider) and in certain urban crossings (narrower).

The work, far from being excessive, contrary to what some of its detractors have been saying, is completely comparable to the works built for the Rhine-Main-Danube (Bamberg-Kelkheim sector) linkup, as **Table 1** shows. In 1978, the CNR estimated that with modern methods, the work could be completed in less than 10 years. "The work, according to the National Rhône Co. (in *The Rhine-Rhône Connection*, 1980) is just the right size for our country if the economic stakes are judged high enough to merit our commitment to it." The undertaking, which actually should have been launched in 1978, remains just as much a reality 16 years later.

## Positive impact on the pace of life

The harmonious integration of the work within the natural setting is completely possible and has already been the subject of several studies. The navigable waterway would have

TABLE 1

### Comparison between the Rhine-Rhône and Main-Danube projects

	Rhine-Rhône	Main-Danube
Route (km)	229	171
Descent (meters)	264	243
Diversion canals (number)	23	16
Earthworks (million m <sup>3</sup> )	74	93
Cement works (million m <sup>3</sup> )	2.6	2.6

an impact on the water, human activities, and the quality of life. Insofar as the flow of water is concerned, the navigable waterway will do more than preserve it; it will improve it, which, in view of the recent devastating floods, deserves to be underlined. Any well-built canalization will improve the control of output of water flows.

For the surface waters in the artificial canal, the dammed waters will be pumped at night to avoid imbalances between one basin and another; on the Doubs, the spare basins must avoid too great a drop in the water level in the curves and maintain a minimum output of 6 m<sup>3</sup>/second. The works are conceived such as to never worsen the outflow of flood waters; quite the opposite, the dike works and the dredging carried out to complete the navigable waterway would indirectly make major agricultural, urban, or industrial development of many sectors safe from flooding.

For agriculture, the canal would be an opportunity for restructuring farmland, or for building and repairing rural roadways, reclaiming land, providing sanitation, etc. Whenever it crosses through agricultural regions, the navigable waterway would help to modernize agriculture, especially through irrigation. Furthermore, water transport, heavily utilized for cereals and grains, can contribute to agricultural development. Since the waterway also traverses industrial regions, existing industries could easily use it, especially at Tavaux, Montbéliard, Burgundy, and Mulhouse. It would also be possible to create new industrial zones or to extend existing ones along the route. As for existing communications lines, the large-scale canal, which is very close to the current canal, will give the towns it crosses the opportunity to modernize their communications systems. Finally, several regulations have been projected in order to preserve the natural and human patrimony, such as the quality of architectural treatment of cement works. As far as traversing cities is concerned, keep in mind that water traffic causes a minimum of noise. Eight convoys per day allow 20 million tons of goods to be transported per year.

Several kinds of traffic are possible on the Rhine-Rhône:

- domestic transportation transferred to the waterway coming from existing economic activity;
- new national traffic resulting from the development of



industrial and port zones;

- international traffic generated along this Rhine-Rhône axis; the Mediterranean economic sphere of influence will be extended for certain flows of goods (heavy nuclear equipment, industrial goods, etc.) as far as the Rhine basin above Koblenz, and toward Austria and beyond via the Rhine-Main-Danube; and vice versa from north to south.

In 1978, the project's planners calculated that the route would reach capacity by the year 2000. Obviously, the economic crisis has taken its toll since then. From the intensity of the projected traffic, according to CNR, "the profitability of the project can be seen on the balance sheet by comparing investment and operating costs with the expected advantages. These correspond to unitary gains of cost of transport measured in tons/km by the difference between the future situation (large-scale navigable waterway) and utilization of existing modes of transport (especially roads and rail)": The balance is heavily on the side of waterways.

### So, why the opposition?

What is striking about all the opponents of the Rhine-Rhône project is the convergence between the ecologists and the "economists," especially those who reason in strictly financial terms. Let's take the case of Alain Bonnefous, director of the laboratory for transport economics in Lyon. He states: "If we apply to this canal the same instruments for evaluating the economic efficacy as for all other modes of transport, we end up with catastrophic results." It is shocking enough that he makes an evaluation without differentiating the modes of transport which do not have the same role or the same characteristics. It's like comparing, according to profitability criteria, a supermarket and the neighborhood greengrocer, or, to use the same norms, a long-distance runner and a sprinter.

This same "specialist" issued a statement violently against the Rhine-Rhône project because, according to him, the transport would benefit foreign operators. The major argument is the "scarcity of financing." In 1980, France devoted 1.5% of its GDP to investment in transportation infrastructure, against 0.7% today. Bonnefous's reasoning is dangerous, because he condemns *a priori* any new initiative, under the pretext that it is not profitable. We would find ourselves robbing Peter to pay Paul, such that it's inconceivable that Peter and Paul together could create greater wealth. Hence, says Bonnefous: "In the final analysis, the funds devoted to such infrastructure are taken away from somewhere else. . . . We live in a completely competitive world. Could one gain anything by directing investments toward declining sectors?"

The rejection of anything that up-ends accepted wisdom is also characteristic among ecologists. They claim that well-planned great projects are not compatible with preservation of the environment; in fact, such projects improve man's mastery over nature and his relationship to it, and the most advanced technologies are always the least polluting. Phil-

ippe Lebreton, regional councillor for the Rhône-Alpes, who, among others, acted as a spokesman for the Rhône-Alpes Federation for the Protection of Nature (Frapna), during his presentation to the Rhine-Rhône conference in Strasbourg on Oct. 22, 1991, did not hesitate to demand the dismantling of the National Rhône Co.

There is a philosophical coherence between the arguments of the monetarists and the ecologists, in their obsession with maintaining the status quo: The first talk about the sacrosanct "economic equilibrium"; the second, about the minutiae of nature, which they see as an inviolable receptacle.

For its part, the collective "Living Saône, Living Doubs," run by Béatrice André, has declared that building large-scale waterways would be a "massacre." They are not stingy with their words. Frapna Chairman Monique Coulet said at the end of 1991: "Waterways are the only mode of transport that almost completely destroy the surroundings in which they operate."

Who are these people who are hostile to industrial projects that consume long-term investments, who prefer short-term financial profits and promote a green economy in which agriculture and industry would be marginalized? The World Wide Fund for Nature (WWF), for example, which is run by Britain's Prince Philip, supports the "Living Saône, Living Doubs" collective. It is true that, for the leadership of this organization, the fate of species of mosquitoes counts more than those unemployed and abandoned in Europe or the starving in Africa and elsewhere. Aside from the local agitators, there are other interests at play. Lebreton is demanding a European ecological impact study for the Rhine-Rhône Canal.

There are other opponents; e.g., the report of the group chaired by the commissioner for the June 1992 Plan, stated that the "mode of transport" by navigable waterway "is ill-served by the low profitability of investments."

Simply put, the very existence of the CNR as a public undertaking is threatened by free-market dogma and ill-advised privatization. In the course of earlier debates on privatization of electricity production in the European Community, then within France, the chief operating officer of Péchiney stated his desire to merge his company with CNR, apparently in order to control the electricity from hydroelectric power which is managed by a public enterprise. The uncertainty that surrounds the future of CNR shows clearly that the law of the economic jungle threatens to eventually dismantle the very foundation of the management of France's hydrologic system.

It is astonishing to realize that all the great projects in our country (Train à Grande Vitesse—TGV, the Concorde, Aérospatiale, Airbus, nuclear energy, etc.), in which the Rhine-Rhône project is far from the most revolutionary item on the list, were conceived in the 1960s and early 1970s. It is high time that our country return to a healthy ambition for such undertakings, in the way General de Gaulle so ably expressed: Whenever the President was reproached for allowing France to live beyond its means, he replied: "Would you have de Gaulle make France live beneath its means?"

## Croatia needs an alternative to IMF shock therapy

by Michael Liebig

*This speech was given at a Schiller Institute conference in Zagreb, Croatia on July 8:*

Exactly 50 years ago, during June-July 1944 in Bretton Woods, New Hampshire, an international conference of “financial experts” took place, headed by Harry Dexter White and Lord John Maynard Keynes. At that conference, the International Monetary Fund was founded. The IMF is the supranational institution *par excellence*, with far-reaching powers to intrude into the national sovereignty of its member states. The IMF’s board of directors is, together with the United Nations Security Council, the most powerful supranational body on Earth. And, as indicated by the just-published report of the Commission on the Future of the Bretton Woods Institutions, headed by ex-Federal Reserve chief Paul Volcker, the powers of the IMF are to be further enlarged. The IMF’s policies are the policies of the Anglo-American financial establishment, not those of the American government. The control of these private financial elites over the IMF is so solid, that they can afford the tradition of having a Frenchman as IMF director. To my knowledge, neither Japan nor Germany has ever challenged IMF policies.

Croatia, since its hard-fought achievement of independence, has been the victim of an informal, but ruthlessly enforced, embargo on foreign credits by the IMF. Croatia was told that the lifting of that credit embargo depended on its acceptance of the diplomatic schemes of the U.N., Lord Carrington, Cyrus Vance, and David Owen. The Tujman government went far, much too far, in adapting to these demands, yet Croatia is still receiving no substantial foreign credits.

### **Monetarism against the real economy**

The IMF’s policies are not *market*, but *free market*, monetarist policies. The “enemy image” for the IMF is the *dirigist* market economy, which the IMF describes as “neo-mercantilism.” Economic policies in the tradition of Jean-Bap-



Croatians, returning to their homes in Lipik after a Serbian bombardment in 1992, found nothing but rubble. Now, the government faces the task of rebuilding the nation, but is subject to a credit embargo by the International Monetary Fund.

tiste Colbert, Alexander Hamilton, Friedrich List, or Lyndon LaRouche are an anathema for the IMF. The IMF's clearly stated policy aims, which are being dictated, with devastating consequences, to countries in transition to a market economy, are these:

- servicing the foreign debt, irrespective of the debt service's percentage of the state's foreign exchange earnings;
- fiscal austerity and the elimination of budget deficits, irrespective of the productive or unproductive use of state funds;
- reduction or elimination of capital controls and trade tariffs, irrespective of the national economy's level of productivity and international competitiveness;
- privatization or liquidation of state-owned industrial and infrastructure enterprises.

The so-called IMF shock therapy, based on these aims, has led in eastern and southeastern Europe to a shock-reduction in industrial output, infrastructure performance, and living standards. These IMF free-market policies are simply incompatible with rising outputs of capital and consumer goods through technological and organizational improvements in industry, the *Mittelstand* [medium-sized enterprises], and private farming; the repair and expansion of hard and soft infrastructure (energy, transportation, water and waste management, health, social services, education); and the improvement of the standard of living. It is an indisputable historical fact that successful market economies have *never* developed through a free-market policy. No national

economy anywhere could ever be reconstructed and develop under these policies. That holds true not just for ex-communist economies, but equally so for the members of the Organization for Economic Cooperation and Development (OECD), the Third World, or the "newly industrialized" states of Southeast Asia.

The IMF policies are a categorical refutation of the "physical-economic causality" which is the basis of any developing, growing economy. IMF policies ideologically proclaim a financial and monetary *equilibrium* as the economy's supreme aim. Behind the formulas of monetary/financial equilibrium and "fiscal discipline" lies a very different reality: Not only is the underlying physical-economic reality being abstractly negated by neo-liberal IMF policies, but the productive activity of the physical-economic base of society is actually being suffocated. The fact is, that only under conditions of *rising physical-economic output*

- can monetary stability be achieved, since inflation always signifies the gap between monetary and financial aggregates and available physical-economic wealth;
- can the state budget be consolidated through a rising tax revenue based on rising industrial and agricultural turnover and increasing incomes;
- can the foreign debt be serviced and decreased as domestic savings and foreign trade with manufactured goods rise;
- can capital controls and trade tariffs be slowly reduced as international competitiveness, based on higher labor skills

and technology, improves.

## The global financial collapse

It is impossible to understand what went wrong in the post-1989 economic transition processes in the former communist countries, if one does not adequately comprehend how and why the OECD's financial system has descended into the present crisis. The actual depth of the global financial crisis is in general profoundly underrated. Here in Croatia, the economic-financial crisis in the West seems minuscule compared to the vast economic problems at home. One often hears the words, "We would very much like to exchange the West's economic 'problems' with ours." While that view may be understandable, the objective facts tell a very different, dramatic story.

In June 1994, Lyndon LaRouche wrote: "The presently existing global financial and monetary system will disintegrate during the near term. The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly occur during President Clinton's first term in office; it will occur soon. That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization." (LaRouche's statement was published in *EIR* on June 24.) Only days later, Roland Leuschel, the chief economist of Banque Bruxelles Lambert, told *Le Monde*: "The countdown to the crash has begun. . . . We are paying the price today for the creation during the past two years, notably in the United States, of the most extraordinary financial bubble in human history." On June 22, the highly respected City of London financial analyst Stephen J. Lewis was quoted in the London *Daily Telegraph*, that during the first months of this year, "the steepest bond market fall since 1914" occurred. In the first six months of this year, the international stock markets have massively declined: New York -6%, Frankfurt -11%, Paris -18%, London -19%, Mexico -27%, Honkong -32%, Tel Aviv -41%, Warsaw -45%, Shanghai -48%, Istanbul -59%.

However, one may say, this is just Cassandra-like talk. Aren't the West's leaders, Helmut Kohl or Bill Clinton, proclaiming the exact opposite? Aren't the OECD's central bankers, economics and finance ministers passionately speaking of an "economic upswing" and the "stability" of the financial system? Well, I would suspect, that what Kohl says publicly and what he knows privately are not necessarily the same. There will be Bundestag elections in Germany on Oct. 16, and Kohl thinks that saying unpleasant things about economic-financial affairs before elections is not a good idea. So, Kohl, until October, will proclaim that things are just fine and well under control. And, he hopes that the ongoing financial "mudslide" or "meltdown" will not accelerate into a financial breakdown before October. I would bet, however, that after October, Kohl will talk very differently. He is

already now, in close collaboration with European Commission President Jacques Delors, preparing for a vast European high-speed rail infrastructure program to create jobs for the European Union's 20 million or more unemployed.

Kohl knows that Germany's premier bank, Deutsche Bank, one of the pillars of Germany's economic strength, has probably experienced in the past six months more financial losses than during the past 40 years. You may have heard that Deutsche Bank, as shareholder and/or creditor, lost massively due to the financial speculation at the giant Metallgesellschaft, at the real estate firm Schneider, and at the Balsam/Procedo firms. Together with speculative losses with its bond futures operations and other derivatives trading, Deutsche Bank may have lost up to DM 10 billion [\$6.5 billion] in the past six months. If that can happen to a bank which for decades, under Hermann-Josef Abs and Alfred Herrhausen, shaped decisively Germany's industrial might and abhorred Anglo-Saxon financial speculation, then one may get a sense of what the actual financial condition is of other financial institutions in Great Britain, the United States, France, Italy, Sweden, or elsewhere.

Coming back to the IMF, one may confidently forecast, that the IMF will not survive the 51st year of its existence, at least not in its present form.

## Speculation in derivatives

What are the reasons for the ongoing financial collapse? In the summer of 1988, the French economist and Nobel Prize laureate Maurice Allais published a remarkable series of articles in *Le Monde*. He contrasted the daily volume of physical world trade at that time, approximately \$12 billion, with the daily volume of international financial transactions, approximately \$420 billion. He wrote that "the essential parameters of the world economy are fundamentally unstable. . . . The world economy rests on a gigantic pyramid of mutually interlocked debts. Never in previous history has there been such an accumulation of financial titles. . . . Speculation has decoupled the parameters of real economy from the (financial) nominal values."

The chairman of Deutsche Bank, Alfred Herrhausen, who was assassinated in November 1989 because he wanted a "Marshall Plan" for Europe's East, had said in February of that year: "In earlier times, international movements of capital formed a cloak over international commodity movements. . . . This connection no longer exists today, or only in an extremely loose form. . . . International capital flows today are 25 times larger than the flow of goods. . . . The movement of international capital has assumed a powerful dynamic of its own."

In essence, the "scissor gap" between the global physical economy and the aggregate financial superstructure (credit, stocks, bonds, futures, options, swaps, etc.) has been dramatically widening since the early 1980s. We can speak of financial speculation or "fictitious capital" when the growth

of financial titles surpasses the growth of the real economy, or financial expansion occurs while the real economy stagnates. In its final phase, speculation, cancer-like, “eats up” the physical economic assets. That condition has been reached since summer 1993, primarily through the explosive growth of derivatives. The deregulation of financial markets, along with the use of computers and worldwide electronic data transmission, had led to “financial globalization” and a day with 24 business hours. The “game theory” developed by John Von Neumann and Oscar Morgenstern was applied for *computerized speculation techniques*. The result was the creation of “innovative,” “synthetic” financial instruments. These so-called financial derivatives are futures, options, or swaps based on price fluctuations of “notional aggregates” of stocks, bonds, stock/bond-indices, or currencies.

Financial derivatives are the ultimate negation of real economic causality. They are speculation in its purest form, totally decoupled from physical economic activity. In 1992, the daily turnover volume of derivatives transactions reached \$1,100 billion, according to the official data of the Basel Bank for International Settlements (BIS). Many of these transactions are conducted “over-the-counter,” i.e., there are no reserve provisions for them and they do not appear in the balance sheets of financial institutions, and thus the supervisory agencies don’t know about them. In 1993, huge business collapses due to failed derivatives speculations set in: the vast Canadian real estate conglomerates Olympia & York and Edper; the large Italian food/chemical firm Ferruzzi; the Spanish bank Banesto, linked to J.P. Morgan in New York. In the first two quarters of 1994, the large Wall Street banks, investment houses, and leading “hedge funds,” such as Soros’s and Steinhardt’s, suffered major losses. The German situation was mentioned already. The derivatives-based, speculative “emerging” financial markets in Latin America, Asia, and eastern Europe collapsed. But, this is all only the beginning of the general process of collapse of the global derivatives-centered speculative bubble. This vast contraction will likely not be a one-time “crash,” but is already taking the form of a giant financial mudslide or a “creeping crash.” This accelerating collapse process will inevitably erode the position of the principal international financial institutions, especially the IMF.

### **Life after the bubble has burst**

The fundamental issue before us, therefore, is: What will life be like after the inevitable financial breakdown? What emergency measures will have to be adopted to ensure that the financial breakdown does not bury the real economy under it? How can productive assets be protected? What needs to be done to prevent and reverse uncontrolled production breakdowns and a further mass unemployment?

I want to demonstrate that the basic principles of emergency policies in an economic-financial crisis in the West are, while obviously different, not fundamentally different

from the policy principles that need to be applied for economic reconstruction and development in transitional economies. It is useful, I think, to approach the matter of reconstruction in a historical perspective.

In 1991, the proceedings of a conference on Sept. 16-17, 1931, at the German central bank, the Reichsbank, was published by two German academic economists. That conference had been held in secrecy, and its proceedings remained unpublished for 60 years. The conference was sponsored by

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*It is an indisputable historical fact that successful market economies have never developed through a free-market policy. No national economy anywhere could ever be reconstructed and develop under these policies.*

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the then-influential Friedrich List Society, and was headed by Reichsbank President Dr. Hans Luther. Its participants included some 40 government officials, bankers, and economists. Among the economists were Walter Eucken and Wilhelm Röpke (who, during the 1950s, became the leading theoretician of Germany’s “social market economy”). The conceptual basis for the secretive conference was a memorandum written by Dr. Wilhelm Lautenbach, a senior official at the German Economics Ministry.

Lautenbach’s memorandum, about which there were two days of intense discussion, had the title, “Options for an Economic Recovery through Investment and Credit Expansion.” Lautenbach wrote, “The natural way for overcoming an economic and financial emergency is not economic contraction, but the expansion of economic activity.” Lautenbach differentiates between two types of emergencies. One derives out of what he calls extraordinary “production tasks” like the war economy, the conversion of a wartime to a peacetime economy, or reconstruction programs after great natural disasters. The other category of emergencies are those in which the financial system breaks down and the real economy sinks into depression, with mass unemployment and large-scale production standstills. Under economic emergency conditions, there would be a general understanding that “we should and we want to produce more. The market, however, the only regulator in a capitalist economy, obviously gives us no directive at all.” The reactivation of the “significant unused production potential” is “the central and most pressing task of economic policy.” The state must generate a “new economic demand.” But, and this is a fundamental condition, this demand must represent a genuine “economic

capital investment.” It must be productive, not consumptive! Thus the overriding necessity for the state is to act in a manner such that “public or state-supported projects and investment programs are realized.” These programs “must result in additional real economic value.” Lautenbach thought mostly of public investment programs in transportation infrastructure, such as roads, highways, and railway construction as well as modernization.

Naturally, says Lautenbach, the fundamental question is how to finance these productive investments which expand the nation’s real economic wealth. That question has to take into account that “long-term capital is available neither on the foreign nor on the domestic capital markets,” the latter because the domestic saving rate is too low. Moreover, the state coffers are empty, because the tax revenue is too low. These are precisely the constraints for reconstruction today in transitional economies. The great danger is that “in times of the deepest depression, perfectly reasonable, necessary public works are being cancelled” for lack of financial resources. So, how can these state investment programs be financed? Lautenbach soberly notes that “liquidity, first of all, is a technical-organizational question. The private banks can be made liquid when they have the necessary backup with the central bank.” The “actual credit issuance by the central bank” necessary to facilitate a “credit expansion with the private banks” can be rather limited. Lautenbach proposes that the central bank provide the private banks with a rediscount guarantee for that category of credit that is, exclusively, used for defined “economically reasonable and necessary infrastructure investment programs.” Thus, the central bank’s credit generation to facilitate the financing of infrastructure programs by the private banks is just a margin of the total credit volume necessary for these projects.

The credit financing, through central bank-discountable and prolongable letters of credit for such investment programs, has both immediate and indirect effects in activating the economy: an immediate expansion of production through the productive utilization of idle workers, machinery, and raw materials. With the improvement of the financial condition of firms involved in the projects, the financial condition of their banks improves as well. Thus the demand for capital goods rises and wage payments for newly employed workers lead to an expansion of the demand for consumer goods. Lautenbach says that the “trigger effect of the primary credit expansion” for infrastructure projects has the “effect to stimulate production as a whole.” This, in turn, is leading to an enlargement of the state’s tax revenue, which allows the state to make payments to the central bank for the long-term consolidation of the original credit-generation.

The improvement of the infrastructure and an upgrade of the technological quality in industrial production leads to a rise in physical output and the average productivity of the economy as a whole. Thus, the economy can be stimulated without creating inflation.

Lautenbach categorically denies that credit-financed in-

frastructure projects would lead to inflation. He says that the projects are not consumptive; rather, they represent “in a material sense, genuine economic capital formation.” But, says Lautenbach, he would not oppose, as a reinsurance against inflationary anxieties, that the wage level be reduced by a certain degree, if the “economic saving thus achieved” would exclusively be used for the creation of new productive workplaces. “That saving and the productive use of what is saved” must be combined. “Positive action, making credits available for investment, are in every respect primary. . . . If we refrain from adopting such a policy, we will inevitably suffer further economic collapse and the ultimate and total ruin of state finances and the economy as a whole. In such a condition, in order to avert a domestic policy catastrophe, a strong demand will arise to go for new short-term public indebtedness for purely consumptive and not productive purposes. Today, we can still decide that through the employment of this credit policy for productive purposes, both our economy and our public finances can be brought back to stability and growth.”

In his concluding statement to the 1931 conference, Reichsbank President Dr. Luther said that the vast majority of the participants agreed with Lautenbach’s argument. Interestingly, Rudolf Hilferding, the Marxist economist and former Social Democratic finance minister, opposed Lautenbach most fervently. Luther wanted the conference to remain secret until a formal government decision on it, because he feared the violent opposition of Germany’s Anglo-American creditors against Lautenbach’s policy package. When in 1932, Chancellor Kurt von Schleicher began to implement the Lautenbach program, he was forced out of office. As his successor, with the active support of powerful Anglo-American financial interests, Hitler came to power in January 1933. In July 1934, the Nazis murdered von Schleicher. The Israeli economic historian Avraham Barkai is on the mark, when he writes that the Nazis’ takeover could have been averted, had an economic policy shift, as proposed by Wilhelm Lautenbach, occurred in the 1931-32 period.

### **The Hamilton/LaRouche ‘National Bank’ model**

In Europe, to my knowledge, the Lautenbach policy package is the closest approximation of the Hamilton/LaRouche model of “national banking,” i.e., productive credit generation to finance physical economic reconstruction and modernization. Alexander Hamilton was the first treasury secretary of the United States. In his *Report on a National Bank* (1790), *Report on Public Finances* (1790), and *Report on Manufactures* (1791), Hamilton laid down the principles of that credit policy through which the U.S. economy, devastated after the seven-year-long War of Independence, was reconstructed in a short period of time. In the economic history of the past 200 years, such “unorthodox” methods of financing infrastructure and advanced technology projects have repeatedly been implemented and provided the



basis for actual industrial development. During the 1970s, Lyndon LaRouche took up and theoretically advanced the concept of national banking for productive credit generation.

Croatia is faced with a "Catch-22" situation that is rather similar to the dilemma described by Lautenbach. In order to achieve the urgently required macro-economic productivity increase and the modernization of the production apparatus, infrastructure—hard and soft—has to be rebuilt and modernized. But, declining production, the indebtedness of industrial enterprises, low incomes, and inflation do not provide the state with the tax revenues to pay for infrastructure reconstruction. This holds true especially for Croatia, which has to achieve economic reconstruction and development *under conditions of war*. State borrowing from private capital sources is no option either. The domestic savings rate flowing into the domestic private banking system, is too low, due to the low incomes. That condition is not really offset by the capital transfers from Croatsians living abroad and the revenue from foreign tourists in Croatia. Foreign private (or state) creditors are not willing or able to provide the financial resources to pay for the reconstruction and general modernization of Croatia's national infrastructure. Beyond the above-mentioned politically motivated IMF credit embargo, the IMF's economic-financial policies do not encourage the buildup or maintenance of a state-owned national infrastructure. As mentioned above, the opposite is the case. Even if we hypothetically assume that foreign capital would flow into the reconstruction of Croatia's infrastructure, the capital costs and the debt service would probably be, in most cases, unaffordable. Under conditions of national reconstruction, there is a pressing necessity that the national economic surplus product be reinvested directly and to a maximum extent. If a country in transition has to pay 20, 30, or 40% of its export earnings for debt service to foreign creditors, then any domestic economic development must be stifled. Thus, when neither sufficient tax revenues nor domestic savings nor foreign capital is available to finance the reconstruction and development of infrastructure and advanced technologies, a Hamiltonian national banking approach becomes a pressing necessity.

Private entrepreneurship is fundamental for any functioning economy, but privatization must proceed organically. Because of the lack of domestic savings, and thus domestic private capital formation, the shock privatization of large firms can have only three undesirable results: Foreign capital buys them up far below their value; they get simply liquidated, if state ownership is abolished; or a corrupt *nomenklatura*, if not organized-crime figures, seize control. One should keep in mind, that many of the most efficient large corporations in France and Germany have been state-owned for decades, while managed as private enterprises. And the same goes—still—for most of the infrastructure enterprises in the OECD sector.

The communist economic system, with its rigid, command system of "economic planning," has understandably

created a fundamental aversion against any type of economic planning. It must be understood, however, that successful economic performance in the West was always based on some type of economic planning by the state.

A useful model of economic planning, which is radically different from that in communist economies, is "indicative economic planning," developed in France during the 1950s and 1960s. Indicative economic planning signifies the definition of infrastructure projects and strategic technologies. For the overall economy, no "imperative" targets were set;

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*In Europe, the policy package developed by Dr. Wilhelm Lautenbach in 1931-32 is the closest approximation of the Hamilton/LaRouche model of "national banking," i.e., productive credit generation to finance physical economic reconstruction and modernization.*

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that remained fully the domain of private entrepreneurship. The undertaking of infrastructure projects was mostly financed directly out of the state budget. In the undertaking of strategic industrial projects, the state played a more indirect role through tax preferences, subsidized capital costs, and related economic-financial policies, which the French call "encouragement." General de Gaulle saw *planification* as the alternative to both liberalist laissez-faire capitalism and totalitarian communism.

The French state planning agency was founded by Jean Monnet and perfected under de Gaulle between 1958 and 1968. The General Planning Commission was by no means some vast bureaucratic structure, but had a staff of less than 200. These experts were closely collaborating with selected qualified representatives of the ministries, businesses, trade unions, scientists, and Parliament. They provided the basic strategic parameters for the economic development of France.

### **An economic reconstruction strategy for Croatia**

An emergency strategy for Croatia's economic reconstruction and development would reasonably combine the LaRouche/Hamilton model of national banking for productive credit generation with indicative economic planning. We can sketch here only the general principles, not the specific characteristics of an economic emergency strategy for Croatia:

First, the planning institution defines certain urgently necessary national and multilateral infrastructure projects: high-speed rail/maglev lines; highways; inherently safe, high-temperature nuclear power plants of the Jülich type; housing projects; technical universities; multilateral aerospace projects, and so forth. For Croatia, high-speed rail and highway links to western Europe through Germany and Italy, to central eastern Europe through Hungary and Austria, and to the Middle East, are of vital importance. The June summit of the European Union in Corfu accepted the program for a European high-speed rail network that had been pushed by European Commission President Delors. The planned rail network is a nearly complete adoption of LaRouche's 1990 "Productive Triangle" plan for an all-European infrastructure-vectored reconstruction program. LaRouche foresaw high-speed rail "development corridors" from Paris to Berlin to Warsaw and from there to St. Petersburg and Moscow. A third corridor should go through Wrocław, Krakow, and Lviv to Kiev. A fourth corridor should go from Vienna to Budapest and on to the Black Sea coast.

A fifth corridor should go from Munich to Villach, Ljubljana, Zagreb, and from there to Istanbul. The first four corridors are included in the EU rail network plan, but the Munich-Zagreb-Istanbul line is *not!* The devastating impact for Croatia's economic future should be obvious, were Croatia's exclusion from a high-speed rail connection to central-western Europe not reversed. The Corfu rail map reveals a lot about how Croatia's medium- and long-term economic development is seen abroad. It reveals a lot about the "understanding" of Croatia's present government of the economic-strategic significance of infrastructure projects.

Second, the planning institution defines strategic technological areas both for industry and small or medium-sized enterprises that have a high potential for productivity growth. This may include advanced civilian/military technologies in the realm of directed, electromagnetic radiation, like lasers, or electromagnetic hydrodynamics.

The state-controlled national bank generates, on the basis of the nation's financial sovereignty, the credit necessary to finance these infrastructure and technology projects. Only these defined projects, and nothing else, will be financed by the national bank. The available credits are to be long-term and low-interest in the realm of infrastructure. Concerning technologically advanced investment projects of private enterprises, the credits may have a slightly higher interest rate, but any interest above 5% becomes absurd under conditions of developing pioneer technologies.

Those credits can be directly allocated by the national bank itself. Probably, the Kreditanstalt für Wiederaufbau in postwar Germany, which played a key role in financing infrastructure, housing, and technology projects during especially the 1950s, could be a model. Direct credit allocation is most appropriate for large-scale infrastructure projects.

A second mode of credit allocation has the national bank

providing credits to the private banks and savings and loan institutions. They in turn make it available to private enterprises which are involved in the above-defined infrastructure and/or technological investment programs. The private banks usually have a good knowledge of small and medium-sized enterprises and their investment needs. Thus, an efficient, flexible relationship can be established. That second approach was adopted during World War II in the United States for the financing of the gigantic armaments programs. It should be noted that no significant inflation was created through this process.

The flow of credit into the private enterprises involved in the defined infrastructure and technology programs, means that they can pay their workforce and hire additional labor. They are in a financial position to buy new capital goods, pay their suppliers, and make profits to be reinvested. Such "jump-start" financing for infrastructure and technology projects effects a general expansion of demand for capital goods and secondarily also for consumer goods. National banking implies a "two-tier" credit (and taxation) system, with a clear preference for productive, physical economic investment and soft infrastructure, as well as productive, necessary services. Non-productive investments are not administratively prohibited, but their financing will be rather expensive, and they are thus discouraged.

During the realization of infrastructure projects, the state's tax revenue base expands. Thus the state comes into a position to pay private enterprises involved in infrastructure projects after their completion. The national bank may also transform the credits directly or indirectly loaned to these firms which financially started and sustained the projects' realization, into grants. The state's expanded tax revenues allow for the long-term consolidation of the national bank's credits loaned out directly or through the private banks. Once infrastructure projects are realized, overall economic productivity is raised and economic growth is achieved. This again means that the tax revenue is increased without an increase in the tax burden. The national bank's credits for technology programs in industry and the *Mittelstand* are to be carried by those at their own private risk. Here, we have a stimulating effect through the minimum financing costs for these projects, while on the other side, the technologically advanced goods that are produced have naturally the best chances on the market.

It is to be emphasized here that the Hamilton/LaRouche model of productive credit generation is axiomatically different from Keynesianism. John Maynard Keynes never envisioned productive credit generation by the state. His policy was that of "deficit spending," i.e., rising state indebtedness (and debt service) to the private capital markets. Keynes never set the condition that employment programs must increase capital intensity, energy density, the transportation throughput factor, and the quality of labor power. Instead, Keynes created the IMF.

# The Orwellian vision of the new Bretton Woods commission

by Richard Freeman

In 1944, in the White Mountains of New Hampshire, at a resort town called Bretton Woods, the world's finance ministers and central bankers adopted a new international monetary system. Though there was much bitter acrimony, and some compromises, the new system established a fixed exchange rate system, anchored to the U.S. dollar, which itself was pegged to gold.

But first and foremost, the system embodied the malthusian ideas of John Maynard Keynes. Keynes, a British intelligence and financial world insider, a notorious homosexual, and member of the British Eugenics Society, had been admitted in 1903 at Cambridge University to the Apostles, a Satan-worshipping sect which prepared young men to rule the world for the British crown. In the first edition of his celebrated economics textbook *General Theory of Employment, Interest, and Money*, published in Berlin in 1936, Keynes characterized his own economic theory as fascist.

The 1944 New Hampshire conference spawned two institutions, which became known as the Bretton Woods institutions: the International Monetary Fund (IMF) and the World Bank. A third institution proposed by Keynes, an International Trade Organization (ITO), died in the cradle when the U.S. Congress repeatedly refused to authorize America's joining it, since the Congress rightly viewed it as an encroachment upon U.S. national sovereignty.

The IMF and World Bank evolved into two of the world's leading institutions for evil. Especially after the fixed exchange rate system broke down in August 1971, and a second phase of the Bretton Woods system based on floating rates was ushered in, the IMF and World Bank relied increasingly on imposing harsh conditionalities, particularly on Third World countries, but also on the advanced sector. Much mass starvation, breakdown of health systems and infrastructure, and intense looting of physical economies, can be traced directly to these IMF and World Bank's conditionality and "adjustment" programs. Today, 1.3 billion people live at an income level of less than \$1 per day—a poverty so grinding that it denies the physical and spiritual qualities and humanity of the afflicted persons. This, too, is the deliberate handiwork of the IMF and World Bank.

On July 20-22, a group of 400 British-run central bank-

ers, private bankers, and think-tankers, met at the Loy Henderson conference room of the U.S. State Department in Washington, to celebrate the 50th anniversary of the Bretton Woods system. Convening the meeting, and directing its agenda, was an elite bankers' group called the Commission on the Future of the Bretton Woods Institution. This was no sentimental anniversary bash put on in order to dispense gold watches. Both at the conference, and in an accompanying 380-page book released in early July, the commission set forth the most radical, top-down restructuring plan for the world economy and financial system since Keynes and his friends conspired 50 years ago.

"But why should the financiers change anything, since they're making so much money already?" one might ask. For two reasons: First, the world financial elites are finding that in order to keep afloat their current financial bubble of upwards of \$40 trillion—the biggest bubble in human history—requires that they secure new sources of loot by extending into new areas of the world, including the advanced sector, but particularly former eastern Europe, and into parts of the Third World. As a result, the purpose of foreign investment becomes degraded as the "emerging market"—as the Third World and former East bloc combined are called—becomes the target for advanced sector investment looking for purely monetary gains, since advanced sector yields are no longer high enough. In 1993, according to the International Finance Institute, a record \$181 billion of such non-productive investment flooded into the "emerging markets."

Second, these same financiers wish to establish an iron-clad economic dictatorship which could rule both the advanced and developing sectors. To that end, they seek to rip up the sovereignty of individual nations. Back in October 1942, Keynes had sought something similar with his original proposals for a world central bank and related matters, which he hoped to see pass at Bretton Woods in 1944. But Keynes's package of proposals, which included a world central bank, was successfully blocked by the U.S. insistence on sovereignty.

A half-century later, the proposals now being advanced go a long way toward establishing what Keynes had originally called for, but with a "free market" twist. They are a plan

for a global fascist dictatorship, coupled with a decidedly Thatcherite slash-and-burn orientation.

Roughly speaking, the commission plans to bring about, from the outside, a reform of the IMF and World Bank, making these two institutions even more deadly than they are at present, while creating a third institution, the World Trade Organization, to collaborate with the first two. The radical restructuring of the IMF and World Bank would have an implied division of labor: The IMF would handle affairs with advanced sector nations, while the World Bank would deal with the rest of the world. In the past, the IMF has been heavily involved with Third World nations, lending emergency funds and setting down conditionalities. The commission would still have the IMF enforce conditionalities on the Third World; but it wants the IMF to draw back its currency and loan stabilization lending to the Third World, and to concentrate much more on applying itself to advanced sector nations. One plan, advanced at the conference by Bank of Tokyo chairman Toyoo Gyohten, would give the IMF power to dictate policy to advanced sector nations on fiscal, monetary, credit, and trade matters, thereby, as one participant said, "giving teeth" to IMF surveillance powers.

The World Bank's current focus is lending to the Third World, and also setting conditionalities for such lending. The commission's thrust here is to have the World Bank cut back on direct lending, instead having this increasingly done through its subsidiary, the free market-oriented International Finance Corp. (IFC), while the World Bank itself brings in the private sector markets. Deryck Maughan, the chairman of Salomon Brothers, argued that in this way, the private markets will discipline the Third World better than the Bretton Woods institutions have done. It would also make the looting more ferocious, because the lending terms will be even more stringent. The World Bank would play an institutional role in bringing this to fruition.

The commission has planned out a campaign to induce the U.S. Congress to pass legislation this year authorizing the creation of a World Trade Organization, which in effect would run a dictatorship over foreign trade.

An imperial triangle, composed of the IMF-World Bank-WTO, is the commission's plan for the financial-economic side of a one-world government.

Throughout the proceedings, this reporter was struck by the participants' refusal to face reality, as that reality was pointed out by Lyndon LaRouche in his "ninth economic forecast" (see *EIR*, June 24, "The Coming Disintegration of Financial Markets"). LaRouche has warned that "the near-term disintegration of the presently bloating global financial and monetary bubble is unstoppable by any means alternative to governments acting to place the relevant institutions into bankruptcy reorganization." The conference participants, for the most part, hysterically refused to hear of this. For example; *EIR* attempted to raise the question of reality at the end of a panel on "Development and the Private Sector." But

instead of allowing an answer, the moderator closed the panel down.

One is reminded of the story of the *Titanic*. The reason why the *Titanic* crashed into an iceberg and sank in 1912, killing over 1,500 passengers, was not the ship's construction, but rather the *bad decisions made by the ship's captain*. The captain was intent on setting a new world speed record for an Atlantic Ocean ship crossing from Europe to America, and chose as the shortest great-circle route from Southampton, England, heading west-northwest. He knew that there were ice floes in those waters, but proceeded through them, despite the fact that he knew that the ship was not equipped with enough lifeboats to safely transport all passengers in the event of an accident. As the ship progressed and the icebergs grew more frequent, he had several opportunities to turn back; but all the captain cared for was his *idée fixe* of setting the world record, regardless of the possible cost in human life.

The organizers of the Bretton Woods anniversary conference are blotting out reality in a similar way. They spoke obsessively about the endless spread of "global capital markets," *even as these markets are just about to vanish*. Crash or no, they intend to blindly pursue their plans for global dictatorship.

### **A bankers' private club**

The conference was held thanks to generous support from some of the world's biggest financial institutions and foundations. Among the commission's funders are: Nestlé, Crédit Suisse, the Ford Foundation, ABN-AMRO Bank of the Netherlands, Deutsche Bank, Dresdner Bank, the German Marshall Fund, Morgan Guaranty Trust, Morgan Stanley, Banque Paribas, Nomura Securities (Japan), and Goldman Sachs.

Members of the commission's board range from Viscount Etienne Davignon, who did so much in the 1970s to shut down the European steel industry; Fritz Leutwiler, former president of the Bank for International Settlements; and Dr. I.G. Patel, former director of the London School of Economics; to Sir Jeremy Morse, KCMG, director of the Bank of England; and Felix Rohatyn, senior partner of Lazard Frères investment bank. The convenor and chair of the conference was Paul Volcker, current chairman of the James Wolfensohn investment bank, and former chairman of the U.S. Federal Reserve Board (1979-85), who implemented what he called the "controlled disintegration" of the U.S. and world economies.

The commission has an extensive overlap of its board with the Group of Thirty, which shares its Washington, D.C. offices with the former. The Group of Thirty, composed of many current and former central bank heads, and led by Morgan chairman Dennis Weatherstone, is the leading force behind various (in fact, futile) proposals for bankers' "self-regulation" of the ballooning financial derivatives market.

For example, a May 1994 report on derivatives by the General Accounting Office quotes extensively from the Group of Thirty's recommendations.

### The reform plans in detail

We now proceed to examine in succession the commission's plans to reform the World Bank and the IMF, and to create a World Trade Organization. Many of these schemes are way beyond the planning stage, and have already made serious inroads into the "emerging markets" of the Third World and former East bloc.

Moreover, the commission's plans have zeroed in on smashing the real economic growth and nation-building policies of Alexander Hamilton, Friedrich List, and the French Ecole Polytechnique. This is the dirigistic tradition of mercantilism or cameralism, in which the state, by directing credit, building infrastructure, aiding industry and agriculture, etc., fosters high rates of growth. The commission is outspoken in its attacks against all forms of "dirigism."

On July 8, the commission released a its book-length study, *Looking to the Future*, which consisted of three sections: a) the commission's findings; b) its staff review; and c) 33 background papers, written by economists, bankers, and so forth. A key background paper, on the transition from planned to market economies, is by University of California at Los Angeles economist Deepak Lal, who labels dirigism as a form of "Platonic guardian state." He complains that the idea of "benevolent Platonic guardians has been more tenacious," and harder to get rid of. Lal quotes a British authority claiming that the problem of dirigism and the idea of seeing "a moral purpose to the state," as well as "protecting the general welfare," "goes back to the Judeo-Christian tradition." In Lal's view, the problem in the developing world is not underdevelopment, but how to get rid of the infiltration of the "religious roots of the West," which bring with them "centralized institutions" such as the sovereign nation-state. Instead, Lal champions what he understands to be eastern religions and eastern cultures, and what he calls value-free "civil associations." As the best representation of non-dirigist, non-Judeo-Christian thinking in the West, Lal identifies "the Scottish Enlightenment—particularly David Hume and Adam Smith."

### Free market nightmare

The reform of the World Bank has a twofold purpose: to disintegrate the Third World, making it more pliable to looting; and to attempt the near-impossible: to sustain the global financial bubble with new sources of loot.

The World Bank is being radically changed. Some of the functions it has performed even in a limited way in the past, will now be eliminated. The World Bank currently makes concessional loans to the poorest countries, through its International Development Agency, and also direct loans. The former will be contracted, while the latter will be slashed.

Instead, countries will be thrown onto the usurious world capital markets, or else they will be told to borrow from the IFC, the World Bank's "free enterprise" financing arm.

The World Bank is already directly cutting its direct lending. This year, the Bank has the capacity of making approvals for direct lending in the amount of \$18 billion, but it will make only \$14 billion in loan approvals—22% less than what it could have lent.

In a background paper written for *Looking to the Future*, Sir William Ryrie details the commission's strategy. Ryrie, who for many years was in charge of the IFC, is now executive director of Barings, one of Britain's imperial banks and today a central force in building the marketing of "emerging market debt." In his paper, Ryrie identifies his enemy in the following terms: In its earliest phase, "The [World] Bank's role was to provide resources for capital investments believed to be essential for economic development: power generation, transportation, irrigation systems, and the like. It was taken for granted that the Bank should finance capital expenditure and not current expenditure. Because the Bank was dealing with governments, these investments were generally in the public sector. . . . The Bank did not concern itself much with the general economic policies being followed by its borrowing member countries."

But, Ryrie fulminates, "There can be little doubt that the flow of official funds on a huge scale through the 1960s, 1970s, and 1980s had the effect of making developing countries more state-centered than they would otherwise have been. Because capital came from official sources, especially the World Bank, many industries developed in the public sector. . . . The prevailing view was that it was appropriate for the government to direct credit to investments it believed should have priority." Furthermore, "Government-owned development banks proliferated. Often created on the Bank's initiative, these institutions were used to channel funds to domestic businesses."

It is such Hamiltonian dirigism that Ryrie identifies as his chief enemy.

Contrary to Ryrie's assertions, the World Bank's policy was in fact never to promote growth. What really concerns Ryrie is that some enterprising nations, following their own dirigistic growth policy, have been able to divert or even hijack a share of World Bank funds to their own purposes. Ryrie wants to make sure that that never happens again.

Ryrie spells out the different approach that the World Bank must follow:

"The market economy requires that the state restrict its activities and its financings. . . . In the case of many developing countries, where the role of the state . . . has been very dominant, a very substantial cutback is required. . . . The Bank has a large influence in this matter mainly because it has been the financier of so much state activity in developing countries. . . . It should be using its influence to bring about a reduction in state activity."

The last two sentences contain an unmistakable blackmail threat, saying, in effect: "The World Bank will use its control over the purse string to force Third World countries to open up to the 'free' or 'private' markets. Any country that disagrees, will receive no money from the World Bank or anywhere else."

Ryrie demands that the World Bank lend only on condition that the borrower country execute "free market" or "private market" reforms. To back this up, the UCLA's Deepak Lal comes forward with a Thatcherite list of draconian reforms: a) "the removal of price controls and all forms of industrial licensing"; b) "the liberalization and rationalization of domestic capital markets, with the removal of interest rate ceilings and centrally planned direction of credit"; c) "privatization of state enterprises"; d) "the removal of exchange controls and the maintenance of realistic exchange rates"; and e) trade liberalization with tariffs "reduced to as close to zero as possible" (emphases added). What goes unsaid, is that any country which manages to do all that, will be entirely defenseless and open to looting by foreign capital.

### The IFC's intended role

While the World Bank curtails its direct lending, that of its "free enterprise" division, the IFC, is being increased. The IFC often also lends in tandem with the "private markets." We consider each case in turn.

The IFC generally engages in co-financing, putting up usually in loans one-sixth or one-seventh the value of a project. The IFC loan serves as seed money, both because the IFC can often give partial loan guarantees to a project, and because it means the World Bank has given its seal of approval to a project. This in turn attracts private financial sources to put up the remainder of the loans. In 1988, the IFC made \$1 billion in loan approvals. That figure rose to \$2.5 billion in 1994, and is projected to rise to \$5 billion in 1998—a fivefold-increase in 10 years. While \$5 billion is a modest sum by global standards, through co-financing that sum could be made to leverage a total financing of projects worth \$30 to \$35 billion in 1998.

The IFC's lending objective is nothing less than the destruction of economies through Thatcherite privatization. Recently, the IFC led in the sale of a large part of Peru's entire electricity distribution network, Perú Electrolima. The IFC also assisted in the privatization of agricultural lands in Russia's Nizhny Novgorod region, which is now a model for privatizing and looting land throughout Russia. But the IFC loans, while involving the World Bank as an institutional force in the "private markets," represent only a fraction of the private markets as a whole. It is those "emerging markets" which are supposed to "save" the financial bubble.

Bretton Woods commission member Felix Rohatyn, senior partner of the Lazard Frères investment bank, laid bare the plan to make the Third World totally dependent on the liquidity and the will of the "global private capital markets." In an article in the July 14 *New York Review of Books*, Rohatyn

wrote: "A genuine worldwide market in stocks, bonds, currencies, and other financial instruments has emerged, tied together by modern data-processing and communications technology, and operating 24 hours a day. . . . The continued growth and stability of this market is vital for the . . . developing world as well as for the western countries. For the last 50 years, the Bretton Woods institutions, the World Bank and the IMF, have been directly involved in financing economic development in the emerging economies. This role will, more and more, be taken over by the global capital markets. The *cold-blooded selection process* by which world capital is invested will determine the economic progress [by which he means not production, but purely financial flows—ed.] of many nations."

Deryck Maughan, chairman of Salomon Brothers, told the commission conference in a menacing and threatening tone, that the banks will carry out "restructuring in the Third World that will cause the loss of jobs . . . and resistance and revulsion. So what. . . ? This is Wall Street." He predicted that private markets will discipline the Third World better than the IMF and World Bank ever could.

The speculative stakes that the financiers have placed on the "emerging markets" are immense. The banks' conceit is that these markets will keep growing, producing super-profits—when in fact, they are on the verge of exploding.

Most money flows actually go to only 10-15 countries. A few facts give the parameters:

- The IFC says that the capitalization of 25 Third World and eastern European stock markets which it tracks, has exploded from \$485 billion in January 1993, to \$875 billion in May 1994, a near-doubling in size. Five-sixths of this is artificial appreciation in stocks' prices. This run-up in prices is insane: The recently privatized Mexican telephone company, for example, has a stock valuation of \$32.9 billion, which is bigger than all but a handful of American companies, even though many American companies are many times its physical size.

- In 1993, there were \$181 billion in capital inflows into "emerging markets," mostly into stocks and bonds.

- In 1981, fully 60% of all money extended to the Third World was through commercial bank loans, whereas in 1993, bank loans accounted for a mere 13% of all monies extended. Investment banks and insurance companies now manage much of the investment into the Third World, but a good percentage of that isn't their own money: It is money taken from American mutual funds and pension funds.

- Worldwide, over the past 10 years there were \$100 billion worth of privatization sales; over the next five years, there is expected to be a whopping \$300 billion. This is the "big potato" which every financial institution is now betting on for a future payoff. It is the single most important, and in many cases, the sole reason why Third World and "emerging market" stock markets are functioning at all. Advanced sector stock markets heavily depend on this same "big potato," because their financial worth is based on the share price of



companies, which are deriving an increasing percentage of share price from their portfolio investments in the Third World.

This gigantic house of cards, enmeshing the Third World and advanced sector together, is what the Bretton Woods commission is betting on in order that its "new world financial order" may succeed. "Lunatic" is too mild a word to describe such expectations.

### **IMF to pull out of Third World**

In the findings section of its study, the commission states that "the time is ripe to restore the original focus" of the IMF. The commission recommends that the IMF lend less for currency adjustment problems in the Third World, and instead concentrate more on managing the problems of the advanced sector nations—"its original focus."

To that end, the commission recommends that two objectives be pursued: first, an orderly exchange rate system, which it felt could be established only after the economic policies of the advanced sector nations had converged somewhat. C. Fred Bergsten, a former Carter administration official who is now the director of the Institute for International Economics in Washington, D.C., delivered the commission's views on this topic. Bergsten made no recommendation for a fixed exchange-rate system as existed prior to Aug. 15, 1971. Rather, he presented a case for an exchange-rate system with "currency zones" or "currency bands," in which a country's currency would be set at a notional midpoint relative to another country's currency, and would be allowed to vary by some range on either side of that midpoint. Bergsten recommended a range or zone of 10% on either side, for a total zone of 20%.

Bergsten said that ever since the 1987 Louvre accords, the world has been acting on a de facto zone system: a dollar-deutschemark zone of DM 1.4-1.8 to the dollar, and a dollar-yen zone of 120-160 yen to the dollar. The dollar-yen zone only broke down this year.

Toyoo Gyohten, chairman of the Bank of Tokyo, who in the past co-authored a book with commission convenor Paul Volcker, advanced a proposal which made clear how, by using a currency zone system, the IMF could gain dictatorial "surveillance" power over almost all the policies of advanced sector nations. Several conference participants had said that the problem was that unless an advanced sector nation needed to borrow from the IMF, it usually disregarded fund recommendations and directives. One person summed up, "IMF surveillance power lacks teeth."

Gyohten conceded that when the IMF was set up, they had "the castle of the Bretton Woods system," but "no captain of the garrison" had been installed in the IMF to run certain things. Therefore what is necessary now, he suggested, is a captain of the garrison, a "forum inside the IMF that will first monitor the situation in the exchange markets and see if it needs action, and second, to urge countries to determine action." His proposed "forum" would be "a committee of

three countries," the United States, Japan, and Germany, representing the world's three major currencies. It would be staffed by people who "are senior enough so that their views and advice can carry through." He said that the forum and committee would have the power "to dictate policies to the central banks and to the governments. That is why they would have to be senior people, whose decisions would be followed." If liquidity were needed to stabilize currencies, then the three-person committee would draw on funds from the IMF, either from the IMF's General Agreement to Borrow

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*The commission's third prong of recommendations is that now is the time to revive the still-born International Trade Organization of John Maynard Keynes, this time renamed the World Trade Organization . . . But the U.S. Congress must vote on it, and could still reject it.*

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(GAB) or other funds that are created. The forum or committee would then command structural adjustment policies—changes in money supply, budget policy, trade policy—for an advanced sector nation whose currency was out of line. This, Gyohten claimed, would give the IMF dictatorship powers it has long sought.

### **A bad idea gets worse**

The commission's third prong of recommendations is that now is the time to revive the still-born International Trade Organization of John Maynard Keynes, this time renamed the World Trade Organization (WTO). The idea of a WTO was approved at the December 1993 negotiations meeting in Geneva, Switzerland of the General Agreement on Tariffs and Trade (GATT). But the U.S. Congress must vote on it, and could still reject it.

John Jackson, a University of Michigan law professor who is one of America's leading experts on GATT and the WTO, in a paper published by the commission, states that the new WTO would have the delegated authority "to range broadly into policies which may be having damaging effects on trading partners and neighbors, *even though they are not inconsistent with any treaty obligations*" (emphasis added). I.e., the WTO may intervene, regardless of whether or not a country is in violation of multilateral trade treaties—virtually a blank check to set trade flows and override sovereignty. Jackson states that the WTO would correct the flaws which limited the previous GATT's power.

## Solzhenitsyn's comeback and the 'Slavic core'

by Konstantin George

The Russian writer Aleksandr Solzhenitsyn arrived by train in Moscow on July 21, completing a 55-day journey across the breadth of Russia which had begun in the Far Eastern port of Vladivostok. Solzhenitsyn, returning home after a 20-year exile abroad, has profiled himself as the "conscience of Russia" in its modern-day "Time of Troubles," attacking the disastrous and criminal shock therapy policies of the Russian leadership in the past three years. The numerous speeches and remarks he delivered at each rail stop on the way to Moscow were subject to a nearly total blackout by the state-run media.

At his arrival in Moscow, this abruptly changed. Reflecting a decision by the Russian elite, above the level of Boris Yeltsin, Solzhenitsyn's arrival was a highly celebrated media event. Covered live on Russian television were Solzhenitsyn's scathing attacks on the regime's shock therapy policies, and on the demographic and moral destruction these have brought to Russia. This media about-face marked the beginning of a shift in the Russian political-cultural realm, which will become more visible through the second half of this year.

Timed with this electronic media prominence was the publication in the July issue of the multimillion-circulation magazine *Novy Mir*, of an essay by Solzhenitsyn, "The Russian Question at the End of the 20th Century."

The real issue here behind the policy shift is not Solzhenitsyn himself, but the breakdown of the Russian physical economy, and the accompanying moral breakdown and demographic holocaust. According to the Russian Economics Ministry, during the first six months of 1994, industrial production fell by 26%. Since 1989, it has fallen by one-half, and there is no end in sight. In industrial plants all over

Russia, production has ground to a total halt this summer. The workforce has been sent on forced "vacations" for July and August, and told to report back to work on Sept. 1.

### The Third Rome tendency

A large part of the Russian elite has, after collaborating with the austerity demands of the International Monetary Fund (IMF) and enriching itself at the expense of the population, decided that, to preserve their own capacity as ruling caste of a new Russian Empire, Russia must move away from shock therapy. The shift is toward a break with western influences, toward Moscow re-emerging as the center of a Slavic empire, in a modern-day version of Russia's historic "Third Rome" imperial ideology. Solzhenitsyn, a critic of both the corrupt leadership of the Bolshevik era and of the *nomenklatura* that has ruled since 1992, and the clear exponent of a new Slavic empire based on what he calls "traditional Russian moral values," has become extremely useful to the elite.

*Nomenklatura* figures who in the past couldn't have cared less about Solzhenitsyn, suddenly came forward to be seen in his company. This was shown at the welcome prepared for him in Moscow by Mayor Yuri Luzhkov, a man who exemplifies the "*nouveau riche* class of thieves" that Solzhenitsyn has been denouncing for their "dollar onslaught" on the people of Russia. Former Soviet leader Mikhail Gorbachov, once again showing himself as an opportunist *par excellence*, was present in the front row, applauding Solzhenitsyn.

According to Moscow sources, Luzhkov, following in the footsteps of his predecessor Gavriil Popov, is reputed to have amassed a huge personal fortune over the past two

years. In his courtship of Solzhenitsyn, Luzhkov went beyond appearing on the reception podium with the writer. Luzhkov presented Solzhenitsyn with a large, comfortable apartment in the center of Moscow, a generous gift from the *nomenklatura* which Solzhenitsyn accepted.

The scramble to be associated with Solzhenitsyn extended beyond the arrival ceremonies. President Yeltsin, through his press spokesman, let it be known that he desired to meet with the writer "soon." The day before Solzhenitsyn's arrival in Moscow, the daily *Izvestia* printed an interview Yeltsin had given to the news agency Interfax, in which he declared that his goal is "to have Russia belong to the leading world powers." He called the return of Solzhenitsyn "a sign for the coming renewal" of Russia, and added, "I look forward to the arrival of Solzhenitsyn."

On the same day, Yeltsin suddenly recovered from a five-day cold to tour a Moscow art exhibition of painter Ilya Glazunov, a notorious exponent of Russia's Third Rome identity. In a further sign of the shift, the Russian elite lifted the ban on the film "The Great Criminal Revolution" by Stanislav Govorukhin, an adviser to the opposition grouped around former Vice President Aleksandr Rutskoy. The film is a trenchant portrayal of how Russia during the Gorbachov and Yeltsin years has come under the rule of a corrupt *nomenklatura*-mafia alliance (see *EIR*, July 15, 1994).

### Russian geopolitics

The coming shift in Russia will unfortunately not be confined to the long-overdue break with IMF policies. All indications, including the favors suddenly granted to Solzhenitsyn, point to a move to consolidate a new Russian empire, at the expense of at least three currently independent nations: Ukraine, Belarus, and Kazakhstan. Solzhenitsyn, like nearly all other leading public figures in Russia, whatever other merits they might have, suffers from his own variant of Russian geopolitics, and favors some variant of a new empire.

The high-profile coverage of Solzhenitsyn has served to introduce or reintroduce a debate on exactly what the geographical contours of the new empire should be. Solzhenitsyn himself, as his televised statements affirmed, has emerged as an advocate for the policy that the empire should be confined to a Slavic core. He has attacked the concept of Rutskoy and others in the opposition for their wish to recreate an empire with the geographical scope of the former Soviet Union. Solzhenitsyn has declared that the Caucasus and Central Asia "belong to the Islamic world," which Russia is "not part of."

In a television interview, Solzhenitsyn called for creating a Slavic Union out of Russia, Ukraine, Belarus, and Kazakhstan, run by Moscow. One can see from this the shift from one form of immorality, allowing the rape of Russia by IMF policies, to another one. Solzhenitsyn's immediate solution to Russia's historical crisis, including its demographic one, is to annex these three republics, thereby bringing back into the fold about 20 million of the 25 million Russians now

living outside the borders of Russia. Beyond that, as Solzhenitsyn makes no secret of, is the intent of russifying as many of the Ukrainian and Belarusian population as possible, to regenerate the "Great Russian" stock.

His stance on what belongs and what does not belong in the new empire is not only based on considerations of pan-Slavic ideology—meaning which nationalities are "suitable" for russification and which aren't. Solzhenitsyn and others argue that the new empire will fail if it incorporates Central Asia, because it would then have to pour in enormous investments to overcome the results of 70 years of Bolshevik looting, investments which instead should be solely directed for the benefit of the Slavic core.

### The fate of Ukraine and Belarus

The idea of a Slavic core has become the dominant one in the thinking of the Russian elite, especially in the wake of the recent presidential elections in Ukraine and Belarus, where Leonid Kuchma and Aleksandr Lukashenko, the candidates who favor union and integration with Russia, were victorious.

But the Russian elite's addiction to the geopolitics of reconquest has already produced a dichotomy in policy, concerning whether or not to break with the IMF. For the near future, such a break, to the extent it comes, will be confined to Russia. For reasons of easing the reconquest policy, the stabilizing benefits of such a break are not to be extended to other republics. Moscow's reasoning is quite simple and crude: The worse the economic and social situation in Ukraine becomes, the easier a reconquest will be.

The actions of Kuchma in Kiev since his July 10 election victory demonstrate this policy. Kuchma has been loudly demanding union with Russia, while also calling for an agreement with the IMF that will commit Ukraine to a vicious austerity policy. Only eight days after his July 19 inauguration, Kuchma met in Kiev with IMF Managing Director Michel Camdessus, to discuss an agreement for more shock therapy.

These negotiations with the IMF are occurring while Ukraine is undergoing the worst production collapse of any industrial nation in modern history. Industrial production has fallen by a staggering 40% in the first six months of 1994. As in Russia, the rate of collapse is accelerating in the summer months. In Lviv and other Ukrainian cities, the workforce of every single industrial plant has been sent off on forced vacation for the summer, with orders not to report back to work until Sept. 1. The patience of the population, nothing short of extraordinary till now, is moving toward the breaking point.

The motive behind Kuchma's sacrificing what's left of Ukraine to the IMF is not hard to gauge. It is to enrage most of the population so much against the "West" that they will, with the exception of the staunchly patriotic West Ukraine, accept the Slavic Union alternative being prepared in Moscow.

# Berlusconi loses fight with prosecutors, Italian government likely to fall

by Claudio Celani

Like his predecessors, Italy's Premier Silvio Berlusconi is going to be overthrown by corruption charges. Less than three months since its formation, his coalition government has collapsed in its first serious challenge to Italy's presently dominant institutional power, a group of prosecutors led by the Milan "Clean Hands" team investigating political and economic corruption. First, on July 15, a government decree establishing *habeas corpus* criteria for pre-trial imprisonment, was publicly rejected by the "Clean Hands" prosecutors led by Antonio Di Pietro, who virtually behaved as opposition leader.

Berlusconi was forced to withdraw the decree because his interior minister, a representative of the Northern League regionalist party, joined Di Pietro and threatened to open up a government crisis. Then, Di Pietro arrested a financial manager of Berlusconi's holding, Fininvest, and opened a string of investigations whose ultimate target is Berlusconi himself.

Berlusconi heads a party with the improbable name of Forza Italia—which could best be translated "Go Italy," as in a sports slogan—one of the new formations which stepped into the vacuum left by the shattered traditional parties. Among the other groups in his majority coalition are the Northern League, which rose to be a major force on the basis of a regionalist and nearly secessionist platform for the more prosperous north; and the National Alliance, an outfit which gathers political figures from the old Christian Democracy and the Mussolinian MSI party.

Berlusconi's coalition from the outset has had two contradictory faces—one favoring the pure British monetarist looting of the Italian economy which goes by such euphemisms as free trade and free-market economics; the other favoring a serious growth policy based on European and Italian infrastructural development. Failure to resolve this dichotomy has left Berlusconi open for the present assault.

## The Venetian hand

Of course, the fight between Berlusconi and the Milan prosecutors is a power struggle. The corruption issue is a weapon which was first used in 1992-93 to destroy established political parties, such as the Christian Democracy and the Socialist Party; now, it is being turned against corpora-

tions, including Berlusconi's Fininvest media and financial empire, which used to evade taxes and bribe police officers who were supposed to investigate tax evasion. But, the crackdown on tax evasion is being carried out on orders of those same power factions and lobbies, connected to international financial markets, which in the last decade have consistently imposed record tax burdens, per capita, both on business activity and on families. Those same factions have tolerated, or sometimes promoted, "parallel" (i.e., black) economic activity which could exist only through tax evasion, and now are supporting the prosecutors' action with the idea that soon the way will be cleared to start another round of taxation.

A spokesman of this faction is Bruno Visentini. Visentini is part of the "anti-clerical" wing of the inner Venetian oligarchical faction which has supported the "Italian revolution" from the beginning, through mouthpieces such as the daily *La Repubblica* and the weekly *L'Espresso*. Visentini is on the board of *L'Espresso*, whose owner is international financier Carlo De Benedetti, as well as chairman emeritus of De Benedetti's computer firm, Olivetti. Visentini is also chairman of the Vittorio Cini Foundation, a key Venetian think-tank, and of the Wagner Foundation. He has been finance minister, and became famous after he forced every Italian shopkeeper to buy an automatic cash register, in order to keep a sealed record; the registers were produced by Olivetti, whose board Visentini never left. Visentini, historically a leader of the Italian Republican Party (PRI), the party of the International Monetary Fund, joined the "left" cartel against Berlusconi during the last elections.

On July 16, on the front page of the daily *La Repubblica*, Visentini attacked Berlusconi because he resisted introducing a "serious" debt-reduction policy (budget cuts and tax increases) and because of his "arbitrary but consoling conception which sees the reduction of public deficit as an automatic consequence of economic development." Of course, Visentini predicted, Berlusconi will lose the "confidence of the markets." Visentini is referring to elements of pro-growth policy, such as infrastructure development, which the Italian government indicated it considered a high priority, both as promoters of jobs and generators of more tax revenues. In order to push the government into retreat, an operation against the lira was started, which provoked a major capital

outflow and turned the screws to shift to a radical austerity package and to cancel all investment programs.

The real confrontation between the Italian government and international financial markets had exploded on July 5, when the London *Financial Times* carried the headline, "Italian Government Threatens Autonomy of Central Bank." That move was prompted by Berlusconi's legitimate decision to appoint a successor to the Bank of Italy's number two man, Lamberto Dini, who has become treasury minister. Such a move is perfectly constitutional, but violates a practice under which the central bank has so far protected its privileges by naming its own members. The vice chairman of the Forza Italia parliamentary caucus, Pietro Di Muccio, attacked such privilege, saying: "The Constitution does not contemplate the authority of the central bank," and queried if it were acceptable to "allow it to remain in a silent limbo where it can do everything and respond to nothing. In creating currency and regulating its circulation," Di Muccio continued, "the central bank has a power that should not compete with anybody. . . . The currency is not a monetary, but rather a political power."

But the *Financial Times* article, followed the next day by an editorial, acted as an alarm bell for "international investors," who started to liquidate their lira positions. The lira plunged for the first time to 1,000 against the deutschemark, starting a downturn which culminated on July 15, when the confrontation between Berlusconi and Di Pietro occurred.

Commentators are aware of the destabilizing role of "international financial markets." Thus, columnist Mario Deaglio wrote in the Turin daily *La Stampa* on July 17: "Financial markets treat every act, almost every breath of the Italian political world to an impassioned analysis . . . [and] the quotation of the lira or of futures thus become parameters of the Italian political picture, something that was unthinkable a couple of years ago. . . . In this situation, one can state that the real opposition chief is . . . Mr. George Soros, the great financier who became the symbol of the most important financial operations in the last period; and that the opposition is formed . . . by those who once were called the 'Zurich gnomes,' and that is the anonymous crowd of corporate treasurers, mutual funds managers, holding executives."

A clear message was given on July 22 by *Corriere della Sera* economics editor Massimo Gaggi, the only Italian journalist present at the famous gathering on the British royal yacht *Britannia*, on June 2, 1992, where the present phase of economic destabilization of Italy was charted. Gaggi reminded the government that "the Treasury can today count on more than 200,000 billion [liras] of loans coming from abroad; short-term money, which is extremely sensitive to changes in economic expectations. . . . Big financiers and speculators are raising questions about what is going on in our country. George Soros, who claimed he understood everything, has admitted to being disoriented and has sent an emissary to Italy to study the situation." The message is clear:



*Italy's Prime Minister Silvio Berlusconi (left), shown shaking hands with Northern League leader Umberto Bossi. Berlusconi's coalition government may soon fall to machinations by "international investors," with encouragement from the Venetian oligarchy.*

Soros, who led the speculative spree that demolished the European Monetary System in September 1992, can again collapse Italy's currency unless the government does what the markets say.

### **A window of opportunity**

Of course, the Italian government could crack down on speculation, introduce exchange controls, and turn those 200,000 billion liras into a loss for international speculators, thus anticipating the inevitable market crash from a strong position. But, unfortunately, sources inside the government coalition indicate that pressures on Berlusconi have had their effect. Pro-growth policies have been dropped and there is now just "obsession with the debt question." Foreign Minister Antonio Martino, a free-market economist and onetime pupil of Milton Friedman, is reportedly dictating an austerity economic policy as the priority. Thus, Berlusconi, whose way out of legal troubles grows smaller every day, is shutting out the only possibility to secure a perspective for his cabinet. The same forces who have supported him are already looking for alternatives, and the idea of an "institutional government" is being floated, which means a new coalition. New players, such as the Popular Party (successor to the old Christian Democracy) or the PDS (successor to the Communist Party) are "warming up" their teams. But no true change will occur unless the "free-market" forces are forcefully challenged.

# China, India further normalize relations

by Ramtanu Maitra and Susan Maitra

The July 17-18 visit by Chinese Vice Premier and Foreign Minister Qian Qichen to India can best be described as part of a process to normalize relations between the two most populous nations in Asia. China and India were engaged in a brief border war in 1962 following the breakdown in negotiations over a disputed 4,000-km-long border, a legacy left behind by the British colonial rulers. The incident had frozen bilateral relations for almost 26 years—a period during which both nations were heavily influenced by a warped geopolitical framework imposed through the Cold War.

During the past six years, however, serious efforts have been made by both countries to open up closed minds, and both have shown eagerness to bring down the wall of suspicion and fear erected over the decades. Last September the normalization process received a major boost with the successful visit of Indian Prime Minister P. V. Narasimha Rao to Beijing, where the two countries signed an accord to maintain peace and tranquility along the disputed border. It was no surprise when Foreign Minister Qian, at a press conference in New Delhi as he wound up his trip, said he hoped the present “close confrontation” or “close proximity” of the two countries’ forces would end soon and peace would prevail all along the border.

Chinese Defense Minister Chi Haotian will be visiting India this September, returning the visit of India’s then-Defense Minister Sharad Pawar, who visited Beijing two years ago.

In addition, on July 24, Indian Chief of Army Staff Gen. B.C. Joshi left for Beijing for a visit to three other cities in the west and south of China. Joshi has earned the unique distinction of being the first Indian Chief of Army Staff to visit China.

At the New Delhi press conference, Foreign Minister Qian pointed out that not only were friendly ties between India and China of “fundamental” importance in the bilateral context, but also a necessary factor for peace in the region and the world, given the “new international situation.” He also pointed out, quoting the Indian prime minister, that overnight solutions to such a complex issue as the India-China border demarcation could not be found. “We stand for peaceful coexistence. We have talked about it for five years,” Qian noted.

During his talks with Prime Minister Rao, both leaders



*China's Foreign Minister Qian Qichen on a visit to Washington in 1990. Chinese-Indian relations, now thawing, have been frozen for almost 26 years.*

have noted that cooperation between India and China, particularly in economic and commercial areas, has assumed greater significance.

## Fears and suspicions

But there are many in India who are suspicious and fearful of closer India-China ties. Typical of the paranoid reflex was press treatment of Qian’s remarks on the subject of Sikkim and Arunachal Pradesh, the two border states of India whose integration into the Indian Union has not been acknowledged by China. Sikkim, previously an independent kingdom, had joined the Indian Union through a democratic process in 1975, and Arunachal Pradesh, a border state located in a territory that is claimed by the Chinese and is part of over 100,000 square kilometers of disputed territory, was integrated and given the status of a state in the mid-1980s.

The expectation among some that Qian may announce China’s recognition of Sikkim as a part of India during his present trip was bolstered by an earlier statement by the Chinese ambassador, Cheng Ruisheng, who suggested that Beijing was preparing to recognize the merger of Sikkim. Qian did state that the matter is under discussion between the two countries, and, he implied, within the Chinese leadership. Non-recognition of Sikkim’s accession to India “was our position in the 1970s,” Qian said. “I am not saying that we stick to our position on this, but we have not made any specific change.”

The Sikkim issue was played up overtly by those who remain suspicious of China’s intent vis-à-vis the normaliza-

tion of ties with India. And, the *Economic Times* went so far as to blast China on Tibet, in its ire over the Sikkim issue: "The Chinese are now not only insisting on Indian troops withdrawing from certain forward positions while maintaining their own presence there, but also trying to deflect the growing international pressure for greater democracy and human rights in Tibet."

There were also attempts to distort the recent visit of General Joshi to China. During the visit, which was not played up as a major event in China, Joshi had the opportunity to meet the commander of the Chengdu military region and the head of the Lanzhou military region. The Chengdu military region oversees the Chinese Army presence on the Indo-Tibetan border, while the Lanzhou military region oversees the border between Pakistan-Occupied Kashmir and the Chinese province of Xinjiang. That is, Joshi met with the two commanders whose troops are the only ones in contact with the Indian border troops.

Although General Joshi also met with Defense Minister Chi Haotian, Armed Forces Chief of General Staff Gen. Zhang Wannian, and Deputy Chief Gen. Xu Huizi, the media chose to emphasize that he had not met with China's highest-ranking military leader, Gen. Liu Huaqing, vice chairman of

the Central Military Commission.

### The Pakistan angle

Those eager to show that Chinese overtures are not sincere, also picked on China-Pakistan relations. Just after Qian's departure for Kathmandu, Nepal, the Indian daily *Hindustan Times* said that India is concerned about large arms transfers to Pakistan by China. The article pointed out that China, which has become a major arms supplier to Pakistan, particularly since that country continues to face arms sanctions from Washington because of Islamabad's nuclear weapons program, has transferred missiles capable of carrying nuclear warheads, in addition to providing assistance in developing Pakistan's nuclear power capability.

Incidentally, Washington had earlier reacted also to Chinese transfer of missiles and had taken note of the agreement between China and Pakistan, whereby China would supply Pakistan with a 300-megawatt nuclear reactor. On the nuclear issue, the United States argues that since Pakistan, like India, has not signed the Nuclear Non-Proliferation Treaty and is involved in making nuclear weapons, like India, China's decision to supply Pakistan with a nuclear reactor amounts to encouraging proliferation.

## Books Received

**Churchill's Deception: The Dark Secret that Destroyed Nazi Germany**, by Louis C. Kilzer, Simon & Schuster, New York, 1994, 335 pages, hardbound, \$23

**Life of the Party: The Biography of Pamela Digby Churchill Hayward Harriman**, by Christopher Odgen, Little, Brown & Co., Boston, 1994, 494 pages, hardbound, \$24.95

**Bertrand Russell: A Life**, by Caroline Moorehead, Viking, New York, 1993, 596 pages, hardbound, \$30

**Senator Pothole: The Unauthorized Biography of Al D'Amato**, by Leonard Lurie, Carol Publishing, New York, 1994, 416 pages, hardbound, \$21.95

**Monty: The Battles of Field Marshal Bernard Montgomery**, by Nigel Hamilton, Random House, New York, 1994, 653 pages, hardbound, \$30

**The Warburgs: The Twentieth Century Odyssey of a Remarkable Jewish Family**, by Ron Chernow, Random House, New York, 1993, 820 pages, hardbound, \$30

**Aristide, An Autobiography**, by Jean-Bertrand Aristide with Christophe Wargny, Orbis Books, Maryknoll, N.Y., 1993, 205 pages, hardbound, \$14.95

**Fernando of Cordova: A Biographical and Intellectual Profile**, by John Monfasani, American Philosophical Society, Philadelphia, 1992, 116 pages, paperbound, \$18

**The Art of Medieval Spain, A.D. 500-1200**, Metropolitan Museum of Art, Harry N. Abrams, New York, 1993, 358 pages, hardbound, \$60; paperbound, \$45

**Art Restoration: The Culture, the Business, and the Scandal**, by James Beck with Michael Daly, W.W. Norton, New York, 1994, 224 pages, hardbound, \$22.50

**Intervention: The United States and the Mexican Revolution, 1913-1917**, by John S.D. Eisenhower, W.W. Norton, New York, 1993, 393 pages, hardbound, \$27.50

**Conquest: Montezuma, Cortes, and the Fall of Mexico**, by Hugh Thomas, Simon & Schuster, New York, 1994, 812 pages, hardbound, \$30

**Confucian-Christian Encounters in Historical and Contemporary Perspective**, edited by Peter H.K. Lee, Edwin Mellen Press, Lewiston, N.Y., 1991, 479 pages, hardbound, \$89.95

**Japan's Investment and Asian Economic Interdependence**, by Shojiro Tokunaga, University of Tokyo Press/Columbia University Press, New York, 1992, 294 pages, hardbound, \$59.50



# Death toll mounts in Colombia: Samper is also a narco-terrorist

by Javier Almario

One general killed, more than 100 dead, most of them soldiers, and the terrorization of the population: This is the toll so far of the offensive led by the narco-terrorist groups known by the names of Armed Revolutionary Forces of Colombia (FARC) and National Liberation Army (ELN), with the goal of taking the entire Colombian nation hostage. For the first time, these groups carried out attacks on various towns surrounding the city of Bogotá, the national capital, and even in Bogotá neighborhoods, among them La Candelaria, a few blocks from the Casa de Nariño, the Colombian "White House."

According to intelligence reports, this is phase one of an offensive begun by the so-called Guerrilla Coordinator (composed of the FARC and ELN) to show the new government its military power and as a foretaste of the upcoming mayoral and gubernatorial elections. In the past two years, reports say, the FARC and ELN exerted huge pressure on mayors and governors, which assured these groups of the political control of 249 municipalities (25% of the municipalities in the country). In this timeframe, they assassinated 87 political leaders of these towns and kidnapped another 30. The political leaders of these regions are the ones who are now pressuring the national government to start negotiations as soon as possible with the narco-terrorist insurgents.

The problem is not just a Colombian one. The FARC is training and financing other narco-terrorist groups in Ibero-America. On the other hand, the Patriotic Union (UP), a party created at the initiative of FARC, invited Hugo Chávez to a series of meetings in Colombia oriented toward coordinating joint regional actions. Chávez is the pro-terrorist leader who headed a failed coup d'état in Venezuela and who is threatening "surprises" against Venezuelan President Rafael Caldera.

## Secret negotiations

The daily *La Prensa* revealed that Colombia's President-elect, Ernesto Samper Pizano, has been holding secret negotiations since the beginning of the year with FARC and ELN. Hopes for future "peace" talks would have been one of the motives for the terrorists getting up the gumption to start the current rampage. The aim is to show their muscle, get notoriety, and win points at the negotiating table.

Samper, for at least the last 18 years, has been at the beck and call of those who want to legalize drug trafficking. This, in turn, is one of the principal sources of funding for "Marxist" terrorism in Colombia. The revelation of audio tapes, on which the chieftains of the Cali cocaine cartel talk of huge donations to the presidential campaign of Samper, has been an international scandal since June of this year.

Samper was politically sponsored by former President Alfonso López Michelsen, known as the political godfather of the drug traffic. Samper himself, as López's campaign manager in 1982, received big money from the cocaine traffickers during that year, and, as a presidential pre-candidate in 1990, he also took money from the drug traffickers. López, nicknamed "The Chicken," although he is already senile, continues to be the brain controlling Samper. Samper also has favored the "Marxist" terrorists. In 1991, when he was minister of development under President César Gaviria, he set up an "informal" commission of businessmen to help the terrorists get jobs and teach them to manage their own businesses.

In the last two years, the Colombian Army has dealt some well-aimed blows to the terrorists by capturing a number of their top leaders. Nonetheless, thousands of terrorists are just about to get out of prison because of the inefficiency and corruption of the judicial system, which has not even started to put them on trial. But while the Army and police were capturing terrorists and fighting on the battlefields, then-presidential candidate Ernesto Samper Pizano was negotiating with the narco-terrorists, at least since this past February. Some accords with the terrorists were reached by Fernando Botero Zea, Samper's designated defense minister, and Horacio Serpa Uribe, his interior minister, advised by Alvaro Leyva Durán, professional negotiator of kidnappings and "peace" deals, and Antonio Navarro Wolf, chief of the legalized narco-terrorist group M-19. But, naturally, the terrorists are not gentlemen who keep their word. Thus, Samper, besides being the narco-President, is a narco-terrorist.

What accords were reached has not been revealed. However, on July 11, Samper announced that his education minister, starting on Aug. 7 when he assumes the presidency, will be Eduardo Pizarro León-Gómez, a former combatant in the legalized narco-terrorist band M-19. Pizarro is the brother of

Carlos Pizarro León-Gómez, who was the top leader of M-19 until he was assassinated in 1990 and was replaced in the job by Antonio Navarro Wolf. Pizarro will use his new post to push, from the Executive branch, reforms intended to induce the terrorist mentality among students.

Pizarro, a closet Marxist, belongs to the “violontologist” group, made up of “political scientists,” “sociologists,” and pro-terrorist academics who allege that violence in Colombia is due to the “lack of tolerance” generated by an “authoritarian education” inspired by the Catholic religion. According to this group, the solution lies not in defeating the narco-terrorists but rather in imposing a “democratic culture” where Christian morality will be replaced by a “civil ethics” dominated by the political consensus of the moment. If that weren’t enough, Samper announced that Navarro will also get an important post in his government as “peace” adviser, i.e., adviser for the negotiations and discussions with the terrorists.

### **Terrorist offensive**

Here are the recent events: On July 17, the FARC and ELN attacked the installations of the state oil company Ecopetrol in Orito, Department of Putumayo (in Colombia, the departments are like states in the United States), leaving a toll of 27 soldiers murdered. On the same day, they briefly seized the cities of Ibagué and blocked all the roads in the Department of Putumayo.

On July 19, in a complex operation, they assassinated Gen. Carlos Julio Gil Colorado, commander of the Fourth Division of the Army, with dynamite. On July 20, they took La Calera and two other towns located on the outskirts of Bogotá. On July 21, they attacked various neighborhoods inside Bogotá and blockaded some access highways to the capital. On July 22, there were dynamite attacks on police posts a few blocks away from the Casa de Nariño, the President’s home and office. On July 23, they left Ciudad Bolívar, one of the poorest sectors of the city, where terrorists are often recruited, without electricity. With the capital’s traffic jams it was very easy for the terrorists to block the streets and prevent the Army from reaching the places that were being attacked. On July 24 in Antioquia, near Medellín, they killed 10 soldiers of an engineering battalion who were repairing a highway.

As we write, the Departments of Putumayo, Caquetá, and Nariño were completely incommunicado because the terrorists were not letting any kind of vehicles get through. Meanwhile, the terrorists are trying to take over a part of Bogotá and keep food shipments and other commodities from arriving in the capital, which has 7.5 million inhabitants. Samper, however, is not ruling out negotiations with the terrorists. “There will be no peace dialogues until they cease the attacks,” said the incoming defense minister, Fernando Botero Zea.

Colombia already has had 12 years of extremely violent

“peace,” which began in 1982 with the government of Belisario Betancur and has continued to the present day. Since that time, dialogue and negotiation have only served the growth and influence of the narco-terrorists.

### **The role of the British**

In the United States, a sector of the Bill Clinton government is very disgusted with the Samper presidency because of his close relations with the drug cartels. But the European Social Democracy (Spanish Prime Minister Felipe González and French President François Mitterrand) and John Major, the Tory prime minister of Britain, are backing Samper, who went on an unofficial tour of Europe prior to his inauguration.

But this is hardly a surprise. The first thing outgoing President Gaviria did, on his official visit to Great Britain last year, was to talk with the people at Amnesty International, one of the fronts for foreign intelligence operations of the British empire. Gaviria promised them that he would do whatever is necessary to better control the military and keep them from fighting. The Colombia Attorney General’s office has been converted, at the behest of the ruling elite, into a branch office of Amnesty International whose task is to bring legal proceedings against any military man who even thinks about fighting terrorism.

Samper in London confirmed a series of accords which were signed by Gaviria. For example: British “aid” to the Colombia security institutions, a promise that the Colombian government will never expropriate British investments, a promise that the government will pay any damage that the British oil companies, British Petroleum and Shell, might suffer through the actions of the terrorists, as well as a series of secret financial accords.

The “security” accords, by which the secret services of Great Britain would train agents of the DAS (federal security administration, roughly equivalent of the U.S. FBI), police, and Army, create a new danger of terrorist actions in the nation.

In addition, the British have supported Samper in his policy of legalization of the drug traffic. At least, this was stated by Gustavo de Greiff, Colombia’s attorney general, drug negotiator, and partisan of legalization of the drug traffic. The British, said De Greiff in a radio interview from London last April 20, “welcomed and understood my thesis on legalization of drugs.” “Here [in London] the subject is treated with more rationality, without the hysteria which exists in Colombia.” Referring to the opposition of the Clinton government to drug legalization, he stated: “Moreover, [Britain] is a country with dignity and pride which does not let itself be pressured by other countries.”

But, as *EIR*’s investigative team proved in the first edition of the book *Dope, Inc.* 16 years ago, Britain ought to be very “proud” of its independent policy on drug legalization. After all, the British elites invented it, with the Opium Wars of the last century.

# Bush ignored appeal of Dubrovnik's bishop to halt Serbian aggression

*The following letters were sent to President George Bush during the early phase of the Serbian war of aggression against its neighboring republic, Croatia. The letters' author, Mons. Zelimir Puljic, bishop of Dubrovnik, recently met with representatives of EIR in Dubrovnik and requested that the letters be published. The letters to Bush were never acknowledged, a fact which, together with the contents of the letters, speaks for itself. Spelling and punctuation are as maintained in the originals, in the interest of authenticity.*

Dubrovnik, 5.11.1991.  
Mr. Bush, President of USA  
WASHINGTON

Mr. President,

My name is Zelimir Puljic. I am the bishop of Dubrovnik, the city you heard about before the war calamity began. I must say that it was a real "Apocalypse." I witnessed attacks and violent destruction from air, sea, mortars and tanks. A real nightmare. Violent detonations made the walls of the old City tremble. It was also damaged by artillery fire. It was shocking to watch the forest burn, houses, churches and cemeteries vanish into powder. Even more desperate is to see the troubled faces of the refugees without a home for over four weeks now. With 60,000 inhabitants, without water and electricity, in complete isolation. Dubrovnik is *the biggest concentration camp* of Europe.

In these parts of Croatia there are neither military facilities, or ethnic [ethnic] problems, either. We have been attacked and occupied without reason. The only "guilt" of this people is their true devotion to the challenge of the first free democratic elections one and a half year ago that got rid of the communist regime with the full support of the West. And now the democracy can not be defended from the huge power of the communist army and the "Greater-Serbian" hegemonism. This war in Croatia was at the beginning neither "national", nor "religious". No. It was the war of ideology. Here democracy, human rights and sovereignty of a people are defended.

I am the bishop of the "libertarian city of Dubrovnik" that knew how to cherish and preserve its freedom and indepen-

dence over 450 years. On Lovrie nac—its most beautiful fortification—Dubrovnik chiselled its motto: "Non bene pro toto libertas venditur auro" i.e. "Freedom must not be sold for all gold". Freedom has become the symbol of the town's history. Its flag flies a capital "L" for "libertas". For the first time in history, Dubrovnik is without its freedom, sieged and isolated from land and sea. Arrested by the federal army. Assaulted and bombed. Its unique cultural treasure is endangered by the destruction powers of the "serbian and montenegrin" armies. All happening before the eyes of the world. I can not by weil [but wail] and "reproach" together with Habakkuk, the prophet:

"Oh Lord, how long shall I cry for help, and thou wilt not hear? Or cry to thee "Violence", and thou wilt not save? Destruction and violence are before me; wy dost thou make me see wrongs and look upon trouble?" /Cfr.Habakkuk 1,2-4/.

Dubrovnik is not Croatian only. It is the historic monument of the world. We are therefore wondering about the slow reactions of the western governments. I am sure America should take to the "liberation" of this town from the contemporary barbarians and pirates /that demolish and loot my diocese/ for these two reasons, at least:

a. FREEDOM that symbolizes the history of Dubrovnik, is the symbol and pride of the politics of the USA /"Statue of Liberty"/.

b. When the USA were emerging from the fierce Civil war /1776/, the Republik of Dubrovnik did not hesitate to recognize freedom, sovereignty and independence of the United States of America. Dubrovnik was so the first European state to recognize the new country of USA /Cfr. C. Michael McAdams, "Croatias and Slovenia's Fight for Autonomy". In: The Christian Sciens Monitor, from 13. august 1991/.

Also, our Italian neighbours should not look unto these calamities with a cool eye. A great number of cultural monuments was made by famous Italian masters. One should not forget that, at its time, Dubrovnik was a "superpower" on the sea. Its fleet numbered 280 vessels, represented by 50 consulate outposts in the Mediterranean, Europe and Asia. Dubrovnik helped whenever required by the jeopardized. In 869, under Rector Domagoj, it helped to Bari to reject the

Saracene siege. In the legendary battle at Lepant[o], on October 7, 1571, Dubrovnik contributed with 33 vessels to fight off the Turks together with other countries of the Christian Europe.

Can Dubrovnik and Croatia count now on the solidarity and help of Europe and America?!

Mr. President,

I do hope you will understand this letter in the right way. I am not asking for mercy or privilege. I accept the suffer, the problems and the troubles of my people. But, I raise my voice against injustice and violence over the population of Dubrovnik. I raise my voice for the protection of the people, cultural heritage and the moltitude of valuable monuments.

I am sure you will use your authority so that peace, human lives, culture, democracy and human rights be preserved.

In such hope, please accept my sincere respect and my greetings in Our Lord,

[signed and embossed]

Mons. Zelimir Puljic  
Bishop of Dubrovnik  
Poljana M. Drzica 2  
50,000 DUBROVNIK

\* \* \*

May 6, 1992

Mons. Zelimir Puljic  
Bishop of Dubrovnik  
C/O Father Mate Bizaca  
870 West 8th Street  
San Pedro, C.A. 90731

The Honorable George Bush  
President of the United States  
1600 Pennsylvania Avenue NW  
Washington, D.C. 20500

Dear Mr. President:

Enclosed is a copy of a letter which I sent to you in November 1991, during the most brutal attack to Dubrovnik in its history by probably the most brutal Army on the globe (Serbian dominated Yugoslav army and Serbian irregulars). As a Bishop of Dubrovnik I expected at least some comment from your office. I understand that there is a possibility that your office did not recieve my letter of concern since I sent it from Rome at the time when you met his Holy Father, John Paul II. At this time I am on a pastorial mission to my American Croatians through the United States of America as well as my native Bosnia-Herzegovina (where I come from).

As you are aware the brutal war spread through different cities, towns, and villages in Bosnia-Herzegovina. Many Croatians and Moslem are being slaughtered every hour.



*A "Pietà" over a doorway in Dubrovnik, one of the city's countless artistic treasures, in 1985, before the Serbian assault.*

Destruction of properties particularly cultural monuments, churches, mosques, synagogues, and hospitals are outraged. As of today, there are over 250,000 people displaced from Bosnia-Herzegovina. According to today's L.A. Times the total number of displaced and refugees from Croatia and Bosnia-Herzegovina is over one million. That makes 12-15% of the total population of Croatia and Bosnia-Herzegovina is displaced or refuged. We Croatians have always looked upon America as a leader of Democracy. Croatia is paying a very high price to defend Democracy of all people in Croatia and Bosnia-Herzegovina of their religion and nationality.

While your Administration issued warnings and an April 29th deadline for Serbian agression to stop; we are witnessing more serious attacks; cluster bombings of the civilian population such as a bombing of a Grade School in Slavonski Brod on May 2nd where 18 children were killed.

I hope Mr. President your Administration will make a stronger measure to stop agressor. This would no question benefit not only Croatians and Moslems, but Serbians too.

Sincerely,  
Mons. Zelimir Puljic  
Bishop of Dubrovnik

### Arms deals: What about the British?

*With all the scandals under investigation, you'd think somebody would probe the hottest story of them all.*

**T**he black propaganda campaign against Germany in the British press these days is giving plenty of play to members of the "post-communist" PDS party of eastern Germany, to express their "anti-fascist" concerns about the increasing role of the unified Germany. This campaign should remind people of the "special relationship" that existed for many years between British intelligence and the East German communist regime.

The simple fact is that, before the turbulence of 1989, East German foreign intelligence, the HVA, had its biggest operational base in London, among western capitals. This is rarely mentioned in all those spy stories that have filled the pages of the press over the past four years. The fact that Royal Ordnance, the state-owned arms-producing complex in Britain, had special deals with IMES, East Germany's company for illegal arms sales to all parts of the world, hasn't caused much interest either, among journalists who have written entire books about Alexander Schalck-Golodkowski, the HVA officer in charge of the Commercial Coordination (KoKo) complex, the mother company of IMES.

The "special relationship" between eastern Germany and Britain seems to have survived the shifts of 1989. Heinz-Jürgen Kronberg, a Christian Democrat from Germany's east who sat on the special parliamentary committee for the investigation of the "Schalck" affair, hinted in a July 23 interview with the *Thüringer Allgemeine Zeitung* that "several firms" of the KoKo group were "sold by the Treuhand to former Schalck partners, like the Hotel Bellevue in Vienna, and

also to firms in the Netherlands and Britain."

This interview was one of the rare moments when western partners of Schalck, other than those in the banking enclave of Liechtenstein and in Switzerland, were mentioned. For lack of a commitment among the Bonn parliamentary parties to expose these activities of the 1980s, the public remains in the dark.

The case of the Austrian Communist Party and its "economic entities," which received substantial "donations" in the range of DM 1 billion from the East German communists in late 1989, is the subject of an official investigation by German authorities, at least. The cases of Liechtenstein and Switzerland, which featured a dense overlap, in the 1980s, of trading companies whose majority shares were controlled by Schalck's Koko, are being ignored, however. Yet precisely this aspect would provide leads into the "arms for hostages" deals that George Bush and collaborators such as Oliver North negotiated in October 1980.

There was, for example, a small company, Befisa S.A., in the Swiss town of Lugano, 93% of whose shares were held by a certain Manfred Seidel, the deputy boss of Schalck's KoKo. The same company controlled 100% of the shares of Inver Canary S.A., in Las Palmas, Canary Islands, and it controlled 95% of the Hotel Bellevue in Vienna. Seidel held 40% of Intrac S.A., also in Lugano, and another 40% of that company was held by the brothers G. and O. Hermann, who owned 5% of Befisa. This leads into Intrac Latina S.A. company

in Panama, one of whose major shareholders, K. Neubert, also appears as a major shareholder in the Central Trading Company of Beirut, Lebanon, which served as a transshipment point for illegal transfers of military goods to the Mideast and Central America.

These are just a few of the key persons and firms in the international arms-trading network that the East German KoKo controlled, and which served the plans of Oliver North as well as British arms dealers who preferred to work in the background.

Trying to look into that network is admittedly dangerous: German Christian Democrat Uwe Barschel was killed at the Geneva Beau Rivage Hotel in October 1987, when he tried to find out about arms deals that involved East German entities. He was killed the day that he intended to meet a man codenamed "Rohloff."

"Rohloff" was the name one Otto-kar Hermann had been assigned since 1965, according to the list of names of agents that East Germany's HVA maintained in the West. This was the same O. Hermann who was a shareholder with Manfred Seidel, in western trading companies established by the KoKo group. Shouldn't it be a priority for German investigators to find out who killed Barschel?

Yet neither the Bonn government, nor the parliamentary committee for the investigation of the "Schalck" complex, nor the legal authorities have shown any real interest in this track. Such an investigation would inevitably also expose British names, naturally, and that is exactly what has been blocked by the official "disinterest" of the Germans.

Maybe the next German parliament, which will be elected on Oct. 16, will include a few members who are less "Anglophile" and will be interested in a new parliamentary investigation.

## U.N. pushes sodomy in Tasmania

*The Australian government has endorsed a U.N. ultimatum to force Tasmania to overturn its anti-sodomy law.*

In April of this year, the United Nations Human Rights Committee handed down an ultimatum to the Australian federal government, decreeing that the state of Tasmania's anti-sodomy law must be overturned. The U.N. demanded that Australia reply within 90 days. On July 7, just before the deadline, acting Attorney General Duncan Kerr announced that, despite the extensive opposition within Tasmania to such a repeal, the federal government would override the state law. Said Kerr, "The Tasmanian government seems prepared to live with national and international condemnation of its laws. By the end of the year we intend to take steps to override the laws."

Although it was unclear whether refusal to abide by the ultimatum would result in an embargo of Australia, a Blue Helmet invasion, or perhaps a nuclear strike, what is crystal clear is that the U.N. diktat is part of the drumbeat to "redefine the family," a key theme of the U.N. International Conference on Population and Development, scheduled for Cairo in September, and precisely the agenda of those shouting for "homosexual rights" in Tasmania.

EGGING the government on to capitulate to the United Nations (as has been the Labor government's wont in any case on almost every issue), was the usual line-up, beginning with the U.N.'s own local front group, the United Nations Association of Australia, whose vice president, Michael Gorton, said with some alarm on July 5 in Melbourne, just seven days before the deadline: "If Australia is not

going to take any action at all, it then has the problem that it is in breach of its obligations to the United Nations. That means Australia is a recalcitrant in the international human rights systems and it makes it very difficult for Australia to then criticize other countries for breach of human rights."

The British intelligence front Amnesty International, in its annual report issued in early July, announced that it would also "pursue" the federal government to overturn Tasmania's anti-sodomy law, while the leader of the (ostensibly conservative) opposition, Alexander Downer, supported the U.N. demand, announcing that his Liberal Party is "pretty relaxed about people's sexual preferences." The aristocratic Mr. Downer, who was educated in British public schools, had, just a few weeks earlier, achieved some prominence when, asked by an interviewer what he liked to wear, he replied, "a plastic bag and stockings," referring to the practice of autoerotic asphyxiation popular among some of his British parliamentary colleagues.

Meanwhile a prominent academic, Prof. Rebecca Bailey-Harris of Flinders University in South Australia, tied the U.N. Human Rights Committee's decision to the anti-family push. According to the July 1 *Adelaide Advertiser*, Bailey-Harris said the decision "had far-reaching implications for the rights of homosexual couples, including the right to found a family." Bailey-Harris called for homosexual couples to be allowed to be parents, through either "assisted reproduction, fostering, or adoption." Speaking at the 125th anniversary cel-

ebration of Adelaide's St. Peter's Cathedral, Bailey-Harris said, "Society needs to embrace a wider concept of the family and grapple with its functions." She argued that "Australia is no longer wholly dominated by Anglo-Saxon culture and its family values."

Bailey-Harris's tirade was flanked by statements by the leader of the Australian Democrats, Sen. Cheryl Kernot, who announced on July 6 that she intended to make an unprecedented intervention for the "family rights" of homosexuals before the federal Industrial Relations Commission (IRC). Kernot said, "The IRC should consider defining the family to encompass primary caring relationships. . . . I will be arguing that some employees have caring responsibilities which extend to people outside the conventional legal definition of the immediate family."

On the heels of these announcements came the widely publicized news that a lesbian in Sydney had just given birth to triplets, after she and her lesbian partner convinced a male friend to donate his services in order that they could raise a family.

The Tasmania decision is just one of the Australian government's attacks on the family. A scandal broke out earlier this year when the government-run Australian Broadcasting Corp. decided to video the annual "Gay and Lesbian Mardi Gras" in Sydney, and telecast it at 8:30 p.m. Sunday evening during prime-time family viewing hours, despite the fact that several dozen Members of Parliament signed a petition in protest. The theme of this year's Mardi Gras, attended by tens of thousands of homosexuals, including 3,000 visiting Australia for the event (of whom a number are HIV-positive), was that homosexual couples were equal to, if not better than, traditional families.

# International Intelligence

## ***Sarajevo '94 conference scores western policy***

An international conference entitled Sarajevo '94 was held in El Escorial, Spain, at the end of July, convened by writer Juan Goytisolo. Miro Lazovic, president of the Bosnian Parliament, charged in his keynote address: "Western policy is to divvy up among each other the spoils of war, by supporting the Serbians and destroying Bosnia. This leads to the danger of the resurgence of Nazism in Europe, spreading like a tumor which must be cut off at the root. . . . This is not a regional conflict." Lazovic is a Serbian Orthodox Christian; his wife is a Muslim.

Hermann Tertsch, the Balkans specialist of the Spanish daily *El País*, said: "There will be no just peace unless Serbia's military apparatus be destroyed. . . . We are not asking for help for a suffering people alone. The stakes are the future of Europe herself." He denounced European political leaders for compromising with fascism.

Conference sponsor Juan Goytisolo said that the behavior of the Five Power Contact Group amounts to simply signing on the dotted line to endorse Serbian conquest.

## ***Kenyan doctor scores population-control mafia***

Africa is well on its way to becoming an "empty continent," as a result of "aggressive population control" and AIDS, according to Kenyan physician Margaret Ogawa. Dr. Ogawa paints a grim picture of Africa's fate at the hands of the population-control lobby, in a report published in the July/August issue of *Social Justice Review*.

Writing under the headline "Kenya: A Target Nation," Dr. Ogawa reports that AIDS and population control have caused Kenya's population growth rate to fall "precipitously, from 4% to 3% (one of the fastest falls in the world last year)."

An aggressive population-control program has resulted, she writes, in "harassment of women at health delivery points, leading more women to opt for contracep-

tion. Women going for delivery and vaccinations for their children are made to feel ignorant, irresponsible and backward, a threat to the well being of the country, if they don't choose to accept contraceptives." As a result of such pressures, 27% of Kenyan women have been sterilized.

As for the AIDS epidemic, Ogawa charges that the only response of the U.N. and non-governmental organizations has been to make condoms freely available, despite the fact that they have "an extremely poor efficacy rate" in preventing the spread of HIV, the virus that causes AIDS.

"The human waste is just horrific and it is foreseeable that Africa will once again become the empty continent it was in the days of the smallpox scourge when explorers found the continent practically empty and begging for colonization. For the truth is that wealth is not in material resources, but rather in people—the creators of all other resources. And between the population controllers and AIDS, Africa (especially sub-Saharan Africa) is well on its way to severe depopulation and a poverty like none that we have ever known—for there will simply be no people to rebuild the shattered continent."

## ***Philby sabotaged German anti-Hitler Resistance***

Anglo-Soviet agent Kim Philby was personally responsible for sabotaging the German Resistance to Hitler, according to new findings by British writer Michael Shelden, excerpted in the London *Sunday Telegraph* on July 18.

Shelden has an intricate story about the intelligence activities of the late British novelist Graham Greene. In the course of describing these, he reports that "a close associate of Col. Claus von Stauffenberg—the man ultimately responsible for carrying out the [July 1944 anti-Hitler] plot—Otto John, offered the Allies an invaluable opportunity to destroy the Third Reich from within." This offer passed through then-MI-6 operative Greene, who had his own reasons to support it, according to Shelden.

However, Greene's "immediate superior wanted nothing to do with it and, moreover, was willing to go out of his way to oppose it. His boss in the Iberian Department of MI-6 was Kim Philby. According to one former officer of MI-6, Philby's first concern during the war was keeping track of peace overtures from Hitler's opponents within Germany. It was not in the Soviet Union's interest to see a strong Germany still intact after the war. Stalin wanted to occupy eastern Europe, and his best chance of doing that was to keep Germany fighting on two fronts. . . . Philby did everything in his power to discredit and discourage Otto John."

Shelden is only telling part of the story, since it was not just Stalin, but also the majority faction in the British Foreign Office and Whitehall establishment, that was in favor of sabotaging the anti-Nazi Resistance in Germany.

In a curious addendum to the story, an auction of objects from Philby's private library was held in Moscow on July 19, including a collection of letters between Philby and Greene. The letters, which fetched the highest price of the auction, were bought for \$34,000 by an American, who called in by telephone from the United States, and demanded anonymity.

## ***Irangate figure found dead in South Africa***

South African arms dealer Dirk Stoffberg and his wife were found dead at their home near Pretoria, according to the London *Times* on July 22. "Although police said yesterday that it appeared he had shot her and then himself in a suicide pact," the paper reported, "their deaths are being linked to an investigation into claims that Mossad, the Israeli secret service, is involved in a number of mysterious deaths in South Africa of people connected to its arm industry." South African detectives have reopened their investigation into the 1991 murder of Alan Kidger, suspected of having been killed by Mossad agents because he was implicated in the supply of nuclear materials to



Middle Eastern nations.

Stoffberg disappeared from South Africa in 1988, after he was questioned by police about his involvement in illegal arms deals. He was jailed in Germany in 1991 for trying to sell pistols to an American agent posing as a Chilean broker. From there he was extradited to the United States, where he testified before a congressional committee about his role in the "October Surprise," in which campaign advisers to Ronald Reagan allegedly conspired with Iran over the release of American hostages.

"Mr. Stoffberg was brought into it because of his close links with Ayatollah Khomeini's regime," wrote the *Times*, "and was freed from a U.S. prison within two months. It was stated he had given 'substantial assistance' to the American authorities about October Surprise."

## Demographer warns of 'new totalitarianism'

Population-control policies are being used to foster a "new type of totalitarianism," through which the United Nations is becoming an institution of one-world government, charged Father Schooyans, a demographer and professor of social and political ethics at the University of Louvain in Belgium.

In an interview published in the July/August 1994 *Social Justice Review*, Schooyans described the emergence of a "new type of totalitarianism which is a perversion of the liberal tradition." It finds expression in the fact that "the wealthy countries of the world are searching for freedom of total action. Their first target is the less privileged populations of the world. With this purpose, they don't hesitate to use international organizations, both public and private, the activities of which are directly or indirectly aimed at containing poor populations."

Asked which international organizations especially exhibit this "totalitarian trend," Schooyans named the United Nations: "We must first of all mention the U.N.O. and several of its specialized agen-

cies. In this field, the U.N.O. itself behaves more and more as a *supranational* organization, and no more as an *international* one. . . . This means that the U.N.O. poses as an authority superior to the states which make it up. Even more: Sometimes, in practice, the U.N.O. intends to impose its own decisions so that it restricts . . . the sovereignty of its member states."

As an example of the "new totalitarianism," Father Schooyans mentioned National Security Study Memorandum 200, prepared by the U.S. National Security Council under orders from Henry Kissinger in 1974. This document, which "remained secret until 1989 . . . explains, in an explicit way, the detailed reasons why the U.S.A. must attempt to 'contain' the birth rate of the Third World," Schooyans stated. "It also explains how the U.S.A. must use international public and private organizations in the pursuit of this aim." This new doctrine, can be called a "Demographic Security Doctrine," he said. "At the root of this trend toward a new totalitarianism, we find the old ideas of Malthus and Galton."

## Taylor, Ripamonti play at Dubrovnik music festival

Two musicians from the Schiller Institute, violinist Seth Taylor and pianist Monica Ripamonti, played a concert on July 17 at the Dubrovnik Festival of Music in Croatia. Before the war in the Balkans, the Dubrovnik Festival was one of the most celebrated in Europe.

Because of the war, and lack of funds on the part of the festival organizers, none of the famous musicians who used to perform there have been coming in the past two years. Taylor and Ripamonti were among the very few foreign artists who played this year. They performed works by Mozart, Beethoven, and Brahms.

Seth Taylor is the first violinist of the Landeskappelle Eisenach in Eisenach, Germany; Monica Ripamonti teaches at the Johann Sebastian Bach Music School in Eisenach.

● **DUTCH EUTHANASIA** guidelines will likely be extended to permit the killing of emotionally disturbed patients, according to Justice Minister Aad Kosto. The Supreme Court decided not to punish a psychiatrist who had supplied a severely depressed woman with an overdose of sleeping pills. The court ruled that doctors could assist in the suicides of patients who were not terminally or physically ill.

● **THE LONDON** *Times* on July 23 attacked Russian film director Stanislav Govorukhin for acting like an "ally of the communists" because his explosive new film, "The Great Criminal Revolution," criticizes the government of Boris Yeltsin. (See *EIR*, July 15, 1994 for a report on the film.)

● **IN SPAIN**, ten professional, student, and social organizations have created a group called the Human Family, to oppose the agenda of the U.N.'s International Conference on Population and Development. The group's manifesto accuses the U.N. of "demographic imperialism," and says that there is no relation between birth control and economic growth in the Third World, while those who push birth control want to "limit the human and economic potential of the poor countries."

● **THE BRITISH** Foreign Office on July 25 attacked the Vatican for its opposition to the malthusian agenda of the U.N.'s Cairo depopulation conference. Undersecretary for Overseas Affairs Linda Chalker said that London will not allow the U.N. document for Cairo be watered down under continued Vatican pressure.

● **TURKISH** President Suleyman Demirel met with Croatian President Franjo Tudjman and Bosnian President Alija Izetbegovic on an island in the Adriatic on July 17. Demirel is scheduled to sign a Treaty of Cooperation with Croatia.

## Nigeria's search for national reconciliation

by Uwe Friesecke and Lawrence Freeman

*This report is based on a visit to Nigeria by an EIR team at the end of June and early July. See last week's issue for the first installment of our coverage.*

Four weeks after the National Union of Petroleum and Natural Gas Workers called its members out on strike, vowing to make the country "ungovernable," the Nigerian government is involved in intensive negotiations with the union leadership to end the strike and to find a common platform for addressing the country's economic and political problems. The strike's leaders were not able to turn it into a nationwide general strike as intended. Strikes and demonstrations are concentrated in Lagos and other southwestern cities. While disrupting the domestic fuel supply, they have not brought the country to a standstill.

The trade unions are facing a serious dilemma. There are certainly many reasons for justified complaints about the collapse of the economy, the deterioration of the standard of living under the structural adjustment program of the previous regime of General Babangida, and the abject poverty of the many in contrast to the incredible wealth of the few. But the current government is the wrong address for protests; since its assumption of power last November, it has begun to address exactly the problem of the economic crisis and to correct the ills of former governments. The government of Gen. Sani Abacha has sound arguments, as its economic team stresses that unless there is a reorientation toward production and development, away from speculation and imports, there is no solution.

Therefore, the trade union leaders who are leading the charge in support of Chief Moshood Abiola against the government, on political grounds, are running the danger of losing their credibility. If they are serious about solving Nigeria's economic problems, how can they threaten the ungovernability

of the country, to support the claims of Chief Abiola, who has become the darling of the International Monetary Fund and World Bank, and whose international spokesmen have made clear that he would abide by the IMF/World Bank prescriptions that have ruined Nigeria in the past? If trade union leaders refuse to come around to the government's attempt to negotiate a national consensus, it might dawn on an increasing number within their ranks, that they are being used by not-so-democratic power groups in London and New York, in a strategy to destroy Nigeria, much in the same way that a former trade union leader in Zambia was brought to power under the banner of democracy, only to implement IMF austerity more savagely than the government before him did. It would be a tragedy if the government's attempts to negotiate failed, and the shortsightedness of some trade union leaders escalated the confrontation down the path of violence.

### Toward a 'new beginning'

General Abacha, in consultation with other military and civilian leaders, played a key role last year in forcing General Babangida to stick to Aug. 27 as the agreed-upon date for his departure from the presidency. Babangida, apparently up to the last minute, tried to cling to his position as head of state, and only under pressure from the military did he hand over power to the interim government of Chief E. Shonekan, which lasted until Nov. 17, when he resigned and General Abacha took over the functions of head of state and commander in chief. General Abacha quickly moved to set the institutional basis for policy deliberations that could bridge the differences among political factions.

As his first measure, he retired 18 officers, key Babangida allies within the military, including Lt. Gen. Aliyu Mohammed as head of the Army; the powerful director of military intelligence and the National Intelligence Agency, Brig. Hal-

ilu Akilu; and Brig. Raji Rasaki, governor of Lagos state. Abacha blocked the appointments that General Babangida had prepared before leaving, of Lt. Gen. Joshua Dogonyaro as chief of defense staff, and Brig. Gen. John Shagaya, the commander of the First Division in Kaduna, as Army chief. Instead, as a clear gesture to Chief Abiola's southwestern region, he called on Lt. Gen. Odalipo Diya, a Yoruba Christian, to be chief of the general staff and his deputy.

Second, General Abacha included civilians in his government who formerly were part of Abiola's group, and others who had represented the opposition to the Babangida regime. Baba Gana Kingibe, formerly the leader of the Social Democratic Party and Chief Abiola's vice-presidential running mate during the June 12, 1993 elections, became foreign minister. Olu Onagoruwa, a lawyer and civil rights activist, became the new justice minister and attorney general, while publisher Alex Ibru became minister of the interior; both were prominent members of the democratic opposition to Babangida. All three serve in the military-dominated Provisional Ruling Council and in the 32-member cabinet.

During his first week in office, in November 1993, General Abacha met Abiola, the probable winner of the annulled June 12 elections. According to well-informed sources in Abuja, Nigeria's capital, there was good reason to believe that Abiola would become part of the effort for a new beginning. But a combination of his own taste for power and outside influences led him to choose instead the path of confrontation and self-destruction.

### **Babangida's legacy**

By many observers of Nigeria's politics, Babangida is credited with the ruin into which the country drifted during his nine years in office. His version of the IMF's structural adjustment program caused a steady decline of the economy, destroying all gains of the 1960s and 1970s. His well-publicized program of transition to democracy, which started with state elections in December 1991 and ended with the annulment of the presidential elections of June 12, 1993, robbed the civilian institutions, especially at the state level, of their last shred of credibility. Therefore, when General Abacha on Nov. 18 of last year replaced all 30 state governors with military administrators, the move was greeted with relief.

In 1992, General Babangida's government ordered the setting up of two political parties, the Social Democratic Party (SDP) and the National Republican Convention (NRC). The government supplied money, headquarters, and programmatic platforms for both. American-style primary elections in August and September 1992 were supposed to select two presidential candidates. But one week before the end of the primaries, Babangida annulled them and dismissed the leaders of both parties. He promised that Jan. 2, 1993 would be the definite date for handing power over to an elected government, but by the middle of November, he postponed this to Aug. 27, 1993, and set June 12, 1993 as the new date for presidential elections. In the meantime, he

banned all 23 candidates from the previous primaries from running, and handpicked a close friend of his as each party's presidential candidate: Chief Abiola from the southwest for the SDP, and Bashir Tofa from the north for the NRC. In the meantime, Chief Ernest Shonekan, a wealthy businessman and friend of Abiola, took over a transitional government on Jan. 2, 1993. Many believe that Babangida had a plan to annul the June 12 elections under any circumstances, and that the entire process, which also made Abiola a presidential candidate, was manipulated from the beginning.

Abiola, who earned his billions through his good connections to the military during the 1980s, and then became a director of ITT, campaigned with the populist promise to reverse the economic crisis within six months. On June 12, he won the protest vote against Babangida. But the publication of the results was suspended on June 16, and, finally, on June 20, the election was annulled.

Abiola himself became part of the process by which the military took over again in November. Abiola's critics today say that the odd process by which he became a presidential candidate does not constitute a democratic legitimization, and secondly, that he cannot go back two governments ago, and claim the presidency for today. Close friends have warned Abiola that for the sake of Nigeria, he should not have broken with the efforts for a well-thought-out "new beginning." But he did exactly that in June 1994. According to informed sources in Lagos, he was very much encouraged by circles linked to the U.S. State Department, when he declared himself President of the country and called for the overthrow of the Abacha government on June 12, before a crowd of some 1,000 supporters in Lagos. It was no surprise that the government arrested him, and is now charging him with treason before a federal high court in Abuja. But all signs are that the government is even now leaving the door open for Abiola to cooperate with the "new beginning."

### **The strategic threat**

Credible reports exist that, before Nov. 17, 1993, a group of young Army officers had drawn up a list of 98 senior officers and politicians of the old guard, including Abacha and Babangida, who were supposed to be killed in a coup. This report reappeared in the usually reliable British publication *Africa Analysis* on July 8. General Abacha seemingly preempted such a bloody affair, with a bloodless takeover of power.

There are western power groups who see Nigeria's economic potential and opposition to IMF/World Bank economics as running against their strategic interests, and they are capable of using either the "democracy" card or military coups to bend the country to their will. The *Financial Times* of London on July 23 laid out a scenario under the headline, "The Sounds of the Continent Cracking: Africa from Crisis to Catastrophe," in which Nigeria and Kenya were identified as the next two countries to slide into catastrophe. This is a clear warning; there are many hopeful signs, however, that the government in Nigeria has understood that warning.

# We are doing what is best for our country, and nobody will stop us

*Nigerian Foreign Minister Kingibe was interviewed for EIR on July 3 by Lawrence Freeman and Uwe Friesecke. The following is a somewhat abbreviated version of that interview.*

**EIR:** Russia right now has an economy that is collapsing at a very rapid rate—the result of the collapse of communism and the imposition of International Monetary Fund (IMF) shock policies. How do you see this development in Moscow now, and what do you think its impact will be on the rest of the world?

**Kingibe:** Whether in Africa or in the former Soviet Union, you are not just dealing with one problem at a time. You are not dealing with political adjustment and then economic adjustment—you are dealing with all forms of evolutionary adjustments at the same time, all of which are impacting the individual and society at large. There is some element of recognition on the part of the West, on the part of the international financial institutions, that they ought to soft-pedal on Russia and they ought to space out the adjustment period. There are a lot of carrots being dangled. We wish we would have similar carrots being dangled for all our pains. We are just told that this bitter pill is good for you. If you say it is bitter, there isn't even the effort to give a little bit of sugar-coating.

It is in the interests of the West, it is in the interests of the world, that there is a stable Russia, that there is a stable eastern Europe, as they try to adjust their economies. I don't think the West can afford to push too hard in this process, in the light of difficulties which the Russian people have. A sensitive, flexible approach is in the interest of the international community, and I think they are taking such approaches.

There is a general "humbug" feeling by those of us weaker nations about all this. At the same time we are being clobbered for some transgression, somebody else is being mollycoddled for the same transgression. Take the question of China and the approach to China. China flatly refuses to take anybody's prescription, but is instead going at its own pace in the light of its own self-interest.

**EIR:** Nigeria was under the IMF Structural Adjustment

Program for a number of years in the 1980s, and the current government which you are part of has taken certain actions to maintain the economy and restrict some of these policies. How do you see these changes?

**Kingibe:** Everything happens within the context of time and other events. When this present government came into office in November of last year, it was in the wake of some eight years of this painful adjustment process. This process was very badly applied and inconsistently pursued in Nigeria. So we compounded the pains that naturally come with the most perfect adjustment procedure anyway. We came into office at the time, within the context of a particular political upheaval—great social discontent, dilapidation of services and infrastructure—and there was the need to blunt some of the very sharp edges of the on-going policies, especially in terms of their implementation. . . .

So, really, all we tried to do with the monetary policies the government put in place [in December 1993], is to plug the loopholes for abuse. The two major crimes that we are supposed to have committed were to peg the exchange rate at one rate, 22 naira to the dollar, and close all the windows for abuse, and to give a range beyond which the interest rate should not fluctuate. Now these were absolutely essential. We were in a situation where interest rates, lending rates, were getting up to 80%! There is no honest business or productive activity you can undertake that's going to enable you to service your debt at an 80% interest rate and make profit, and make savings for more investment.

Of course, one understands that western economies are settled enough for slight variations in interest rates to make an impact, a quarter up, a quarter down. However, as underdeveloped as we are, we really feel that we do need to get a hold on these undisciplined and varying interest rate charges which banks use.

As for the exchange rate, it is very clear that the *bureaux de charge*, the black market, were nothing but avenues for money laundering, and for shuttling paper around in order to create the illusion of wealth, not backed up by any real production. So we are trying to see if we can channel resources, channel capital and so on to productive sectors, and close the loopholes for abuse. It is a temporary measure; it is a flexible measure; nothing is fixed in stone. We do

hope to adjust as we go along, to fine-tune, and let's see how far that takes us down the road.

It's a pity, the *reaction* of the international financial institutions and western governments, Paris Club, London Club. It is not one of saying: "Look, what you are trying to do will not work; we understand your problem, what about this alternative way of dealing with the abuses you are trying to deal with?" No. It was instead: "You have been given the tablet, why don't you follow it; you are deviating, and therefore you should be clobbered; you should pay for this." This is not a healthy approach; it is an approach of the diktat regime, and, psychologically, people are just not prepared for it.

**EIR:** During the 1970s, there was a great deal of discussion in the Non-Aligned Movement for a New World Economic Order. In fact, the founder of *EIR*, Mr. LaRouche, was involved in that with others. And this led to a discussion of the Lagos Plan for infrastructural projects, so that Africa could use its potential and its wealth to develop. That idea has sort of died out in the 1980s and into the 1990s. What do you see as the potential of reviving that kind of thinking? Do you think that it is possible that could be revived?

**Kingibe:** With all due respect to your founder, I think it is wishful thinking; it is not born out of reality. There is no such thing as a New World Economic Order. Those who have advantage *have* the advantage. We live in a world where there are unequal trade partnerships, where there are inequitable prices for commodities, for raw materials, for finished products; those who have the advantage right now dictate the tune and the pace. Any change must be perceived by them to be in their long-term interest. I think that the kind of process that has ended up with the World Trade Organization is the kind of arrangement that would make those who have the advantage feel that they have thrown some bones at the dogs barking at their heels, but without upsetting their own advantageous position.

There is no new "order" that can be ordered by the underdogs; we negotiate, we try to indicate that it is better for us if societies in the developing world are not pushed to the wall of constant instability and disruption. I think it is in those terms that we can bring up perhaps a more just economic order, than a new world economic order. Maybe I'm cynical.

**EIR:** People around the world have seen the tragedies of Somalia, and now Rwanda. Some people think that the efforts by the West and the U.N. were late and insufficient, and did nothing to help the problem. What do you think solutions would be for those two areas, and future such conflicts, and do you think Nigeria and Ecowas—Western Unity of Africa—could play a role in dealing with these problems?

**Kingibe:** Unfortunately, the problem with the West—may-

be it is because of the democratic nature of western societies and perhaps because of the sophisticated technology that is applied by the media—is that events tend to drive policy. Policy is not formulated for its own sake, on its own merits. Cable News Network or somebody shows you all sorts of horror pictures in Bosnia, or Rwanda, or Somalia, and all sorts of old ladies screaming and demanding that their congressmen or senators or somebody should do something; and they come bearing hard on the Oval Office, and then some gesture is made. Thus, you end up with a very hastily put-together policy.

It always amuses me that anybody should say that they would send troops to a conflict situation, provided that these troops don't sustain any kind of casualties—it doesn't happen. It is obvious that you calculate, and you of course take maximum precautions to assure that your troops don't sustain any casualties, but in the nature of things, in conflict situations, you take casualties as a probability. But you don't, at the death of a soldier, say: "There is danger in this operation; I'm pulling out"—as your chaps did in Somalia. Having lured everybody into the operation, [the United States] led them to the deep end of the river, and sort of ditched them there and walked away.

I think that we are moving toward the right kind of approach to the kind of conflict situations that would inevitably arise. After Rwanda, after Somalia, there will be others. In many ways we have been the precursors of the new way of containing conflicts. In Ecowas, the member states of the economic community of the West African region, put together troops to nip in the bud a situation in Liberia potentially as bad as in Somalia, or in Rwanda—in terms of societal breakdown and in terms of carnage. Our intervention, at a point in time when those who had earlier been *the* natural allies had cut and run, has stabilized, or at least contained the damage, and has done so over time, after a great deal of anguish and some level of limited violence. We do hope that the process now in place has at least given an idea of what regional approaches to resolving these conflicts can achieve.

The situation in Rwanda is—I'm always amused when I see western analyses—that it is very much a regional problem. It is a tribal problem: yes, Hutus and Tutsis. One does see statistics, that the Tutsis make up only 10% of the population in Rwanda and in Burundi too. But then, how many Tutsis are there in the region? You cannot ignore the natural sympathy that the groups in other countries who exert varying degrees of influence on their government, or maybe they are even controlling the governments in these neighboring countries, can bring to bear on this situation in Rwanda. I think whatever you may think of President Mobutu [of Zaire], at least there is a committee of the regional powers under the chairmanship of President Mobutu, who are trying to see if they can bring about some kind of settlement in Rwanda.

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*We have the potential of carrying the burden of this region, in terms of stabilizing the societies economically and in other respects. Communism has not had any foothold here. We are a natural ally of the United States, and it is a great pity that we have this terrible passage in our relationship.*

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Of course in the African context, it is not every time that the region has the necessary enforcement capacity, of the kind that the French are now trying to show that they have in Rwanda, or of the kind that the United States brandishes on every occasion of this nature. There must be regional solutions to these problems. That approach would localize the problem. The moment you invite extra-regional involvement, your problem is compounded and more complicated. We, Nigeria or Ecowas, can only play a role in our own regional conflicts, provided that others also don't come in and complicate our lives. . . .

**EIR:** In the West, there has been negative publicity about Nigeria. In the United States, this has included accusations that Nigeria has increased its involvement with drugs. How do you see these developments? Are there things which you think western countries should look at more carefully in analyzing the Nigerian situation?

**Kingibe:** One never knows who is in charge of western societies; is it the media or their governments? Certainly the media play a great role. For some reason, the western media, especially American media, have decided that the Nigerian government is a very convenient whipping boy. Of course, that is fueled by the centrality of democratization around the world, in Clinton's own foreign policy agenda, and—would it be fair to say—naive reaction to anything that is a "military regime," without anybody bothering to look at the specifics of any given case. This is combined with, of course, the so-called "findings" about drugs and related matters concerning Nigeria and so on, and then our own economic measures, for the reasons that I've told you, all combined to make us rub America the wrong way. And if you rub America the wrong way, you are rubbing the World Bank the wrong way; you are rubbing the IMF the wrong way. . . .

You have this peculiar institution called Congress in America. For instance, somebody is sitting in the White House and looking at the prospects of safe passage for the health reform bill, wondering if there should be greater understanding of the peculiar circumstances of Nigeria, and a bunch of people calling themselves the Black Caucus are saying, "You must do this and that in Nigeria!" One looks at one's health reform bill; one looks at a place called Nigeria.

People may end up making the easy choices.

We understand this. Basically our own approach is to put our heads down and do the right thing for our country, knowing what we want to achieve. That which we want to achieve is essentially the same as that which we are being cajoled to work toward: democracy. . . . I don't think that adopting the right economic measures is something that you need anybody to tell you, because if you are not following the right course, it will show up in the streets and the marketplace. Your own people will tell you that you are not doing the right thing, and you will have to listen and respond.

As for drugs, it is we who want to eliminate the drug trade. One, it destroys our economy, the money-laundering aspects of it. And secondly, we are not a drug-consuming country. The mere transshipment and transiting activities will create the drug culture in Nigeria, and we want to nip it in the bud. We don't want to have the same kind of problems that you have in the States and in western Europe. It is easier for us to stop it from developing than to deal with it after it has developed. It is in our own interest to do the right things. We plead for understanding, and if it comes, fine. If it does not come, we will just carry on and do the right thing for our people.

**EIR:** Is there anything that you see that the United States could do to help Nigeria get through this present difficult period?

**Kingibe:** As a friend of mine said, in the White House review of U.S. policy on Africa last week, "Nigeria to Africa is like China is to Asia." It is a big country. It has a large population; it has a lot of resources. It would be a mistake to presume that a good cooperative relation between Nigeria and the United States is in Nigeria's interests alone. It should be in the interest of both countries. And it is, therefore, in the interest of the United States to engage Nigeria constructively in dialogue.

What we have seen from the United States since the end of 1993, is constant confrontation. It has a way of turning off people; it has a way of weakening the effectiveness of those who understand America, and of those who are working in the same direction. Internally, it ties the hands of those who would normally be America's friends, because they have nothing to show as benefit in engaging America.

If this persists for too long, the old-fashioned but currently used diplomatic practice of reciprocity could well be put in place. We do hope that it will never come to that. It is time that we begin, that we restore the old, warm, cooperative relationship. It is time to see what we can do for each other; there is *so much* we can do, which is in the interest of our stable international system.

As I mentioned, we have played some role in containing the situation in Liberia from developing into a Rwanda and Somalia-type situation. We have the potential of *carrying the burden of this region*, in terms of stabilizing the societies economically and in other respects. We have always played our part in peacekeeping operations around the world. Communism has not had any foothold here, even when it was under every American's bed, or when everybody was looking for it under their bed. We are a natural ally of the United States, and it is a great pity that we have this terrible passage in our relationship.

**EIR:** One thing that is being discussed in western press, especially in Britain, is the current situation with Chief Abiola. The press says there is a military dictatorship in Nigeria and that Chief Abiola, who claims he won the June 12, 1993 election that was annulled in midstream, is having his human rights violated.

**Kingibe:** Chief Abiola obviously won the elections held on June 12 last year; they were annulled by a government that is two governments removed from this one. They were annulled by the government of General Babangida. It was as a consequence of that action that, first, Babangida involuntarily left office; and that secondly, the makeshift successor, the regime that he put in place, also couldn't hold. Hence, the present government coming into office. Now, this government came into office in order to pick up the pieces of the consequences of that annulment. It [the current government of Gen. Sani Abacha] cannot really—as much as western democracies want this to happen—dictate to the nation what should be. It has come, first, to stop what was the very likely possibility of a breakup of the country. It has come to reconcile communities and to reestablish mutual confidence and trust. And it has come to create a platform that is going to enable the various communities in Nigeria to come together and discuss the problem.

Before this government, the protagonists and antagonists of the June 12 election—whether you are for Abiola or against Abiola—were not talking to each other; they were barking at each other. And now they are talking to each other!

In this process, whatever the people decide through their elected representatives in the constitutional conference, this government has said: "So be it." Maybe the problems are not just, "Abiola won: let him take over government." Maybe the problems are more fundamental. If they are more

fundamental, discuss what these fundamentals are, but come to some conclusion that is going to enable this country to move forward, having learned the appropriate lessons from this bitter experience.

I know that at every stage, there has been cynicism and disbelief, about what we said we were going to do. This has been understandable to some extent. Their experience during the Babangida regime was that everything that they believed and swallowed—hook, line, and sinker—turned out not to be so.

So, Nigerians are exercising appropriate caution, perhaps. But I think we have proved our bonafides sufficiently at this point in time. . . . As the head of state has said, just labeling yourself "pro-democracy" doesn't change anything. Being "pro-democracy" is nobody's monopoly. We are all democrats, including the military.

But you must realize that Nigeria is coming to the end of its tether, in terms of how to deal with the West and its attitudes.

And even as foreign minister, I end up saying: "Look, I can only explain so much; I can only appeal that much. My primary constituency is Nigeria, and my primary interest is the Nigerian people, and I think they know what we are trying to do. They accept what we are trying to do; they are cooperating with what we are trying to do." We shall get to the democratic end, to which all Nigerians are committed, and to which all Nigerians are looking forward. And that will be much sooner than those who say that we have a plan to demand internal dissent. . . .

**EIR:** We have been impressed in meeting with Nigerians during this visit, by the enormous potential that Nigeria has—it has the oil wealth, it has the population. If this can be turned into increased economic development, manufacturing, infrastructure, industrial development, Nigeria could play a major role in leading Africa. How do you see the future?

**Kingibe:** The world can be as upset as they like with Nigeria, but they should not ignore it. It is a big country. It has about three climatic zones in terms of agricultural production. It has this enormous population; it has enormous resources, above and below ground, and very industrious people. And as developing nations go, very skilled manpower.

We have no desire to lead anybody. What we desire is to improve the quality of life of our people, to develop our country, to provide sophisticated infrastructure and services, and welfare systems. Not in a planned economy, socialistic sense, but that people should have enhanced quality of life, if you like. And we do hope to also take our international responsibilities seriously and to play our part in improving the life and security of our people, around our region, around the continent, around the world.

It is inevitable that we shall do so.





## We can't turn back the clock to the June 12 elections

*Colonel Attah is the administrator of the predominantly Christian commercial state of Anambra in Nigeria. He was interviewed by Lawrence Freeman and Uwe Friesecke.*

**EIR:** There is a process going on in the country toward a constitutional convention. Some people have said that this is to bring a political structure into being that would help unify the different regions of Nigeria. How do you, as the governor of this state, view this constitutional convention process?

**Attah:** I think if there is anything the present federal government has done which receives popular support, it is the opportunity for people to come together and discuss problems that have existed over the years. Many people have had reservations with respect to the governance generally in the country. Some people feel that they have been dominated; others feel that they have been terribly marginalized. The people of Anambra State, along with many other states, feel that because of the last civil war, which ended over 20 years ago, by and large they have been marginalized by the northern representation in the federal structure. I think they have taken the challenge of this constitutional conference very seriously, to be able to present their case at this forum and try to resolve the issue once and for all.

**EIR:** People have told us that prior to General Abacha's taking over, the country was in a serious condition; some people said that the country was disintegrating. How did you see the period leading up to the present government?

**Attah:** It was clear to anybody who was in Nigeria that there was a lot of confusion before the present government came into being. People were not sure what direction the country was going in. Having had somebody [former head of state General Babangida] at the helm of affairs for seven to eight years, people thought that it was time we had a change, particularly when it was realized that many economic difficulties were not being resolved. And then the June 12, 1993 elections were annulled. These were thought to be one of the best [elections] so far, and not having proper publicity as to the reasons why that election had to be annulled, I think there was a lot of disenchantment on the part of the people, and

that caused a lot of insecurity. A temporary agreement was reached for an interim government, but that did not resolve the matter. Anarchy was virtually creeping in, because people almost lost confidence in the system, and nobody was really sure where to go.

I think the coming of the present government headed by General Abacha was an initiative that was welcomed, because, at least, for once, it was placed in such a position as to give direction. At least, for once, it defined the goals that would be achieved within a specific time. Opportunity had been given, during these eight years, for the problems of the country to be addressed; we lost confidence on the way. So I think the coming of the present administration has helped to reduce that tension, and for once people are willing to come together to discuss.

**EIR:** The western press is editorializing that Nigeria should simply go back to June 12 as the solution to all problems. Do you see this as realistic?

**Attah:** First of all, I should say straight-away that people who say that Nigeria should go back to June 12, are not sincere in their minds. They know that that proposal is no longer feasible and is not a solution to the present crisis. Perhaps what these people have forgotten is that, as I said earlier, a state was reached in which people lost confidence in the hierarchy of the nation, and *whoever* was able to challenge the hierarchy had the support of the population. In other words, it didn't matter *who* was going to take over the government. If you put the then-head of state General Babangida along with the people who were contesting the election, people were just willing to ensure that a change was effected.

The scenario right now is different. Then, the primary objective had been to *ease out* the head of state. Even the military sort of lent its support to that action, because within this period [the Babangida period], even the military was losing credibility. So generally, everybody wanted a change. Now that that change has been effected, I'm not sure if, given the choice now of going back to June 12, that would be the choice the populace would make. I think the reason a lot of

people keep pointing their finger to June 12, is that they feel deprived. It is not because they really support the personality [Chief Abiola], but there are fears that because this person, who was said to have won this election, came from a particular area, there are fears that perhaps that election was annulled because they didn't want people from that particular area to rule this country. I think that is the fear. And all they are really asking for, is assurance that their own children can have a place in the hierarchy of affairs.

It is also a question of overall structure. If you try to go back to June 12, you also have to ask, would the people of Anambra State, for instance, accept the leadership of the former governor here? I can tell you categorically: No. I'm aware that anywhere he appears in public, he is booed. He is now calling for the reversal to June 12. All these calls he is making from faraway Lagos. He has never made such a statement in Anambra State, which is *his home*, because he knows he doesn't have a base! And the same goes for many other states.

So if you want to bring back June 12, under what structure? Are you going to call back the governors of the states? Are you going to ask that the various legislative bodies be reinstated? We know that even the House of Representatives and the Senate bowed to the wishes of the then-executive, then-head of state, to keep him on. But because people are short-sighted, they fear that the military has been very powerful, and they are really not sure whether this government means sincerely that they have come not to continue with the old system, but to establish a party structure. I'm sure that this government means well. I'm sure that if such is achieved, which I very much hope, that there will be no cause for anybody in the future to call on the military.

If there is anybody who really is not keen for the military to come back, it is the military itself. There is no question but that the military is the rallying point of the population; we cannot fold our hands and see the nation drift to anarchy. I think that is why a lot of folks are *in* today: to ensure that the culture can be held together. Now all the time that we were almost seeing the nation as 30 separate entities—you will recall that during the interim government [summer 1993] the head of state would call a meeting and some sections of the country would not attend such a meeting. In such a situation, where do you go?

**EIR:** Then the argument that the annulment of June 12 was simply because of northern power pressure against the rest of the country is not true?

**Attah:** It is obviously not true.

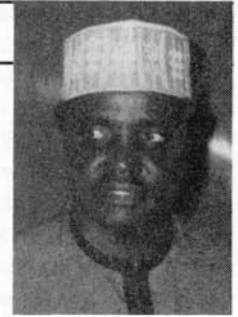
**EIR:** One of the things that people say is that Nigeria, because of these diverse regions—say the north, the Hausa area; the east, Ibo; the south, Yoruba—can never achieve a real democracy, that it will always need the military. And

then, of course, we know that certain policies from abroad, from the West, from Britain and others, would like to manipulate these regions against each other. How do you respond to these kinds of statements about Nigeria?

**Attah:** I don't want to believe that Nigeria cannot be brought to democracy. All that we need is the leadership. If Nigeria can for once produce leaders—like Nehru, Gandhi, who in spite of the difficulties in India, were able to harness the entire populace, including the military, to an objective—there will be no problem. I'm sure that Nigeria is going to be able to do that. But because we have not had such a leadership, people are still individualistic in their thoughts. The moment that this discussion that is being organized—the constitutional conference—pulls through, and people from different areas of the country—the north, the east, and the west—are able to come up very clearly on the terms of cohabitation, the terms of compromise, which I'm sure there will be, there will be no further threat.

Once there is no threat to democracy, there will never be the need for the military to come in any longer. I think the present situation, where the military comes in each time, is just to make sure that the country can be kept together. A lot of blood has been shed in the past to keep this country together. And I'm sure that the present military hierarchy will not want to leave a legacy behind, that during their term, the Nigerian country fell apart. That is why the military is still at the center of affairs. Because until now, you realize that the military seemed to be the rallying force. Particularly, where the Hausas, the Ibos, the Yorubas, all are in the military, why is it that it is possible for us to speak in one voice? If there is disagreement, civil disagreement among the various sectors of the nation, then the military will become disintegrated. But we know that people are thinking in very parochial ways right now. So an organization like the Army that *insists* that we should look at issues objectively, for now, will be the rallying point. That is the basic reason.

One thing that I'm very convinced of, is that the present constitutional conference is giving room to everybody to address the former chaos. People in River State who feel marginalized because of their size, now have the opportunity to table their case. If it is the west that said that if an election had been won and the victors did not have the chance to rule; if it is the east that feels maligned because of the civil war, all will have their opportunity. Every time there is a war, people resort eventually to the conference table. It is only by such discussion, that conflicts are resolved. We are of the opinion that the situation is not so bad that we must go to war. We believe that we can meet whatever is happening by starting with a constitutional conference, where the sovereignty of everybody can be addressed; whatever the individual desire of every community can be addressed. Every country that is strong today went through a period of crisis. I don't think that Nigeria is an exception.



# Time is needed for democracy to take shape in Nigeria

*Colonel Isa, the administrator-governor of the Nigerian state of Kaduna, was interviewed on July 4.*

**EIR:** Could you tell us something about the state of Kaduna and its importance for the country?

**Isa:** Kaduna is centrally located in the geography of Nigeria. By virtue of its geographical location, it is like a melting pot—it has all tribes and ethnic groups that you can find in the totality of the country. It is mainly agricultural, but we also have agro-allied industries, textiles, and one of the major refineries in the country.

**EIR:** You said that in Kaduna there are different ethnic groups working together—without the kind of conflicts portrayed sometimes by the West?

**Isa:** I would not say there have never been problems; there were problems that began around 1987. But all indications are that much of the discord that had existed, had been the creation of some few individuals, some few elites actually, who seem to have concluded that by adopting the policy of “divide and rule,” they would be able to maintain their hold on power, their relevancy, in the system as a whole. But the majority of the people are very tolerant of one another. Since I became governor, I’ve tried to ensure that they have been able to come together even closer.

But with respect to these earlier problems: The most terrible one was what took place in May 1992, in which there were a lot of killings. This started from a particular area called Zangon-Kataf, which is a local government. This was supposed to be intra-religious, an intra-tribal kind of violence that took place. But as I referred to earlier, the *entire* crises and entire intolerance had actually been created by some few individuals, and once these few individuals had been removed from positions of influence, Kaduna has been one of the most peaceful parts of Nigeria.

**EIR:** Regarding the constitutional convention that has just begun in Nigeria, some of the press here in Nigeria, and also much of the press abroad, are attacking it, saying it is not real; that these are old-line politicians just being brought

back in. Do you think this is a serious process?

**Isa:** Perhaps the best way to look at this issue is to ask the simple question: The issue of a national constitutional conference, how did it come about? If one would recall even last year, at about this time last year, the same people who are kicking against the national constitutional conference now, were the ones who earlier said that except for such a conference, the question of moving the country forward is impossible. It was their earlier idea. Now that the government has accepted that, and is making every effort for the conference to take place, the same people have gone back on their words, and say: “It is a sham.”

**EIR:** There is often talk about so-called mismanagement of economic affairs in countries such as Nigeria in the western press. Nigeria is for sure going through difficult economic times; we are aware that there recently was a fuel crisis, and that you took some measures in your state to overcome it. Could you describe that and what the result of it was?

**Isa:** It is easy for this kind of comment to be made, that the economy in developing countries, including Nigeria, is being mismanaged. Sometimes it is true. But we have peculiar problems which I believe the world should be aware of. We all know that Nigeria’s economy is very undeveloped. The avenues for making a living here are very much restricted. Unlike the developed countries, up to now we have not been able to adopt or build up the culture to go along with the explosion of population. Because of the lack of development, what has happened is that whatever avenue that is open, people are likely to take it, because they have to survive anyway. That is my impression of what happened with the fuel crisis.

I believe that Nigeria is now the foremost importer of used vehicles of any country in the world, and all these vehicles require fuel to move. Our population is not what it used to be 10 years ago. What this has resulted in, is a scarcity of supply of fuel. Some Nigerians, in trying to make a living perhaps, began diverting the fuel that is made available and subsidized by the federal government. Though this is unfortunate, it has been through this mechanism that,

at times, they were perhaps able to support themselves and their families. This could happen in any country. It is simple economics—where the supply is much lower than the demand.

When I first reported for duty as governor of Kaduna state, I met up with this problem on the ground, and I decided to go about finding out what had actually led to it. It was very clear to my mind that the supply was much lower than we would require in this state. But then, the little that was being supplied was being diverted. So what I started to do, was to talk to the officials from the NNPC [Nigerian National Petroleum Co.] themselves, the fuel tank car drivers, the petrol dealers, and so on. But because they obviously were making extra money, they were not prepared to come out and tell me the truth. I think I had about 10 meetings with them. It was by the 11th meeting that it became very clear what was going on. I decided the only thing for me to do was to personally ensure that whatever fuel had been allocated to Kaduna state, actually got to the various filling stations in the state. And that was all I did.

So we sat down again, and I was told what we were entitled to in Kaduna. I said, "Fine, that will give me how many trucks?" They told me how many trucks. I told the NNPC that what I wanted them to do was to make sure that they got the fuel into the tankers, and that they then keep them for me, and I would come there, and check and ensure that this is what I am entitled to.

Having done this, from there, I went with my senior staff and we earmarked filling stations that would take up this fuel, and we escorted these trucks physically to these filling stations and ensured that it was discharged in the filling station. Because after discharging it, it would be difficult for the fuel to be pumped out and then sold again.

Because, you see, what had happened before, was that after the NNPC deployed the trucks, sometimes the fuel went as far as the neighboring country, Niger, sometimes to the republic of Benin—going to the black market and so on. But once we started escorting these trucks to the filling stations, we found that the fuel was nearly enough in this state. Still, it is not the quantity we actually need, because if we have a slack problem in a day, we would have to start over again. But we now are far more comfortable than other states, in the north also. But the key is that we monitor it.

**EIR:** Do you think that Nigeria will be moving toward democracy in 1995, as the western press terms it, at the end of this constitutional convention process?

**Isa:** I have no doubt in my mind.

I decided to be in the military, not because I lacked the intellectual capacity to go into whatever field I chose to go in. I went into the military because I saw it as a noble profession. But unfortunately, particularly during the last two years, we have seen the military being dragged in the

mud. It was the first experience we ever had in this country, whereby the word of the soldier was not honored.

People have had something to point to as their reason for being cynical about this process leading to democracy. [During the last year of the Babangida military government], the entire electoral processes in the country—right from the local government, the state, the senate, the House of Representatives—were successfully conducted. The only one that kept on shifting was the presidential election; it kept on shifting and dates kept being changed. . . .

The problem with most developing countries—Nigeria inclusive—is that we do not even have an idea of why we are together. We don't even know why. We know what the basis for unity is in the United Kingdom; we know what it is in America; we know what it is in France. But when these respective countries were evolving their democracy, they didn't have the referees that we now have. Now the developed countries inevitably say: "No, no, stop it, that is not how it should be done; you do it this way."

We need time; we need encouragement for us to develop fully. You cannot talk about democracy when you just pay attention to a few people you can count on your fingertips and say: This is how it must go.

## Jesse Jackson takes bankers' line on Nigeria

Jesse Jackson, the Clinton administration's special envoy to Nigeria, told the BBC on July 29 that should Nigeria's internal political crisis not be resolved, the United States should consider imposing sanctions and freezing the assets of Nigeria's military rulers.

The BBC interviewer expressed surprise that Jackson was willing to go so far, and then interviewed Rep. Harry Johnston (D-Fla.), a member of the U.S. House Foreign Affairs Committee, who said that such measures would be too harsh, for the present. What has to be worked out is the release of political detainees, as well as the "peaceful transfer of power." Should such approaches not work, however, the U.S. government should be prepared to go to the International Monetary Fund and World Bank, and insist on a freeze of all lending to Nigeria. At that point, the measures mentioned by Jackson could be considered. But things should stop short of a break in diplomatic relations. "I don't want to sound mercenary, but we need the oil," said Johnston.

## Universal health care: The great debate is on

by Mel Klenetsky

Senator Edward Kennedy (D-Mass.), chairman of the Senate Labor Committee and one of the strongest backers of President Bill Clinton's call for universal health coverage, led a 500-person rally on Capitol Hill in July, sponsored by the Consortium for Citizens with Disabilities and the Real Health Care for All Campaign. The demonstrators urged Congress to endorse health care legislation that included universal health care and long-term care.

At the same time, 40 members of Citizen Action, a group that advocates a Canadian-style health plan, shouting, "Bob Dole sold his soul, insurance companies pay the toll," were arrested in front of Senate Minority Leader Dole's office for trying to stage a sit-in.

With the 1994 mid-term elections drawing near, the great debate on health care has gripped the halls of Congress with a fury that will not relent until both House and Senate come up with a bill. As *EIR* went to press, Senate Majority Leader George Mitchell (D-Me.) and House Majority Leader Richard Gephardt (D-Mo.) were trying to devise a viable health care proposal, one that has the possibility of passing both houses of Congress, without straying too far from the goals which President Clinton and First Lady Hillary Clinton initially laid out. The Democratic leadership is attempting to forge a compromise based on the proposals which worked their way through the congressional committee process over the past months.

The Democratic leadership is anxious to complete action on health-care legislation by mid-August, when Congress is scheduled to take its summer recess. To accomplish this, Mitchell has vowed to keep the Senate working six days a week if necessary, until a health-care bill is completed. Gephardt, who also wants to keep to a strict deadline, says he will formally propose a bill to the House by Aug. 8 or 9, and hopes

to see debate on the measure completed by Aug. 12.

Assuming that the House and Senate both act by that time, the two versions would still need to be reconciled, once Congress comes back into session. This would bring the final struggle right into the election period.

The Republicans, clearly wanting to deny President Clinton a victory on the hallmark issue of his presidency, have used all sorts of stalling tactics to hold up action on a bill. Former Bush Defense Secretary Dick Cheney, who has his eye on the 1996 Republican presidential nomination, told the Republican National Committee on July 23 that GOP strategy is to avoid a vote on a final health-care package until after the November elections, in which the Republicans expect to pick up several dozen House and Senate seats, making passage of anything like the Clinton plan only a remote possibility.

### The plans

President Clinton has defined a health-care package stressing universal health care and employer mandates. He sees that universal health care is an issue that can win him a domestic constituency, given that 39 million Americans are without health care insurance and, more importantly, a vast number of Americans fear coming under circumstances, such as job loss, in which they would lose their insurance.

It is on these two issues that the House and Senate proposals differ. Mitchell's proposal reportedly will include an employer mandate that would split the cost of insurance between employers and workers on a 50-50 basis. The mandate would only go into effect if voluntary measures fail to cover 95% of the population by 2001. Currently, 85% of Americans are insured. As an interim measure, Mitchell is considering extending universal coverage to low-income women and children, people between jobs (for six months), and mothers

leaving welfare.

Gephardt's plan, according to accounts, also includes an employer mandate, but would have employees paying only 20% of the cost of insurance, with the employer picking up 80% of the tab. This proposal is based primarily on the bill which the House Ways and Means Committee passed earlier this year. To provide insurance to the uninsured, Gephardt's legislation would create a new Medicare Division Part C. Funded by employer contributions, Part C could eventually cover 90 million people.

The Health Insurance Association of America has attacked this proposal as "the largest entitlement program in history." Such opposition, along with the discrepancies between the House and Senate versions, will make it difficult to agree on a final bill when Congress returns from recess.

### **The LaRouche alternative**

While universal coverage and employer mandates are the principal issues that have defined the health care debate, the more important question of how you deliver the best possible health care, not just adequate care, to the entire population, has been studiously avoided.

The Hill-Burton Act of 1946 defined a national health care policy for the country which established per capita standards of numbers of community hospitals, general and intensive care hospital beds, doctors, and other parameters that ensured a basic level of health for the 148 million Americans who had just concluded fighting World War II. (See last week's *EIR* for a detailed summary of the act.) Once these standards were established, the funding for such programs was achieved by a combination of private, community, charitable, and federal funding, thereby eliminating the wasteful administrative and insurance ripoffs that dominate today's health-care industry.

Lyndon LaRouche, a candidate for the 1996 Democratic presidential nomination, agreeing with President Clinton's call for universal health care coverage, has commissioned a study to investigate the logistical requirements for delivering good health care coverage to all Americans based on Hill-Burton standards.

The Hill-Burton standards for general hospital beds per 1,000 people rose from 3.5 in the 1940s to 4.5 in the 1970s, whereupon they dropped to under 3.0 as the economic decline of the past 25 years set in. LaRouche's study not only includes examining and correcting existing shortages, such as the shortage of hospital beds, but it incorporates a concept of planning for future contingencies.

With the epidemic of AIDS and the emergence of drug-resistant tuberculosis and other diseases, it is clear that we are at the outer limits of medical technology based on vaccinations and antibiotics. Research and development funds to fully exhaust the potential of antibiotics and vaccinations, plus opening up such areas as optical biophysics, defining the next level of breakthroughs in medical technology needed,

become the heart and soul of a national health-care program. A Hill-Burton approach addresses current and future needs of the nation.

During his 1992 presidential campaign, LaRouche proposed a health-care plan based on restoring Hill-Burton standards for the country. More recently, in a July 20 radio interview with "*EIR Talks*," he made the following comments:

"I'm not against people having insurance. I think they should have insurance to help out, like the old Blue Cross/Blue Shield used to be. . . . But, the problem today is that, since the introduction of malpractice insurance racketeering by the legal profession, and others, back in the late '70s and beginning of the '80s, that malpractice racket was used as a way to virtually shut down medicine and introduce changes, increase the cost of medicine, skyrocket it. Plus, of course, the economy of the United States was collapsing, and therefore, people had less income than before, and it was more difficult to try to keep pace with medical costs, because you have, really, less purchasing power than you had, say, in 1967 or so. . . .

"What I think we ought to do, is to take the overhead and the administrative costs out of health insurance. Let's get the paperwork out of the system. Let's go back to the Hill-Burton conception of a bulk rate, in which people have insurance, they try to cover themselves the best way they can. They have access to an adequate number of physicians, to an adequate number of hospitals when they need them, and so forth; and, if we have a few people who come in without the money to fully cover their care, give them the care.

"It's cheaper to pay hospitals and clinics in bulk, to help meet these obligations, than it is to go through some very complicated insurance scheme which, in the end, turns out to be a ripoff for insurance companies, or some private investors.

"Let's give people health care, let's not give the insurance companies super-ripoff profits. That's where I think the divide comes, and I'm going to do everything I can to help get health care through, but to get it through with the idea of an emphasis on the Hill-Burton philosophy, as opposed to the insurance company get-rich policy."

President Clinton's call for universal health-care coverage is far more popular than media coverage would lead people to believe. The Catholic Church, the National Farmers Union, and many others have campaigned for universal coverage. NFU President Leland Swenson, representing 253,000 farmers, told reporters that rural America needs universal health care. A study commissioned by the National Conference of Catholic Bishops, which was released in mid-July, showed overwhelming support for universal coverage.

If President Clinton and Congress were to fight for the concept of universal coverage, while adopting the Hill-Burton approach urged by LaRouche, people would begin to see the health-care issue in far clearer terms, and the nation could be on its way to a comprehensive system of advanced health care for all its people.

# LaRouche hails end of special U.S.-British relationship

by John Sigerson

“My list of enemies, and the list of President Clinton’s enemies, are identical,” Democratic presidential pre-candidate Lyndon LaRouche told a press briefing at the National Press Club in Washington on July 27.

The briefing had been organized in order to point out the far-reaching historical significance of the President’s recent European trip, which could mean a decisive turn away from post-technological decay and mass disease and death, and toward a philosophy based on growth—a word which, as LaRouche pointed out, Clinton has been using more frequently than any President since John F. Kennedy.

At the same time, LaRouche cautioned that Clinton’s announcement of the end of the “special relationship” with Britain and the sealing of an alliance with the continental European nations, especially Germany, does not yet signify a full-scale policy-change on the part of the Clinton administration, which is still “on auto-pilot” on a wide range of other matters. LaRouche said that only if Clinton succeeds in entirely pushing this portended policy through—possibly in connection with a badly needed domestic victory with his health care policy—will this bring about a profound shift not only in all aspects of United States policymaking, but also in all world events.

Failing that, LaRouche warned, all the Bush-Kissinger policies which are still rampant within parts of the Clinton administration, will gain the upper hand. One such trap is the impetus to invade Haiti—a policy which LaRouche said was set up by President George Bush and his shady cronies for the express aim of using it to “stick it to Clinton” later on. Another rat’s nest of Bush policies is the U.S. Justice Department, LaRouche added.

## A window of opportunity

The historic nature of Clinton’s policy-shift-in-the-making was put into relief by two other speakers at the briefing. First was Webster Tarpley, president of the Schiller Institute, who accused the major U.S. news media of a “deliberate policy of silence and deception” in their refusal to cover even the most obvious important features of Clinton’s July 11-12 trip to Germany. Tarpley reviewed the details of Clinton’s July 11 press conference in Bonn, where he had said that America “grew out of” its special relationship with Britain.

LaRouche’s German wife, Helga Zepp-LaRouche, leader of the German Civil Rights Movement-Solidarity party,

reviewed the dramatic sweep of developments in Europe since October 1988, when her husband accurately forecast the collapse of communism and began to elaborate his vision of harnessing the huge productive potential of the triangular area between Paris, Berlin, and Vienna, as a “Productive Triangle” which could serve as a driver for the development of the entire world economy.

Mrs. LaRouche also traced the efforts of the British oligarchical faction, led at the time by Margaret Thatcher, to sabotage such prospects, first through attempting to prop up the obsolete Modrow communist regime in East Germany following the collapse of the Wall; then through launching a wave of propaganda attacking Germany as a new “Fourth Reich”; and then by unleashing a “splendid little war” against Iraq in order to hamstring continental Europe. “It was Europeans’ inability to denounce that war, which led directly to the war in former Yugoslavia,” Mrs. LaRouche asserted, pointing to the evil role played by such “mediators” as Lord Carrington and Sir David Owen, and Bush’s Secretary of State James Baker III, all of whom sought to prop up the post-Tito regime.

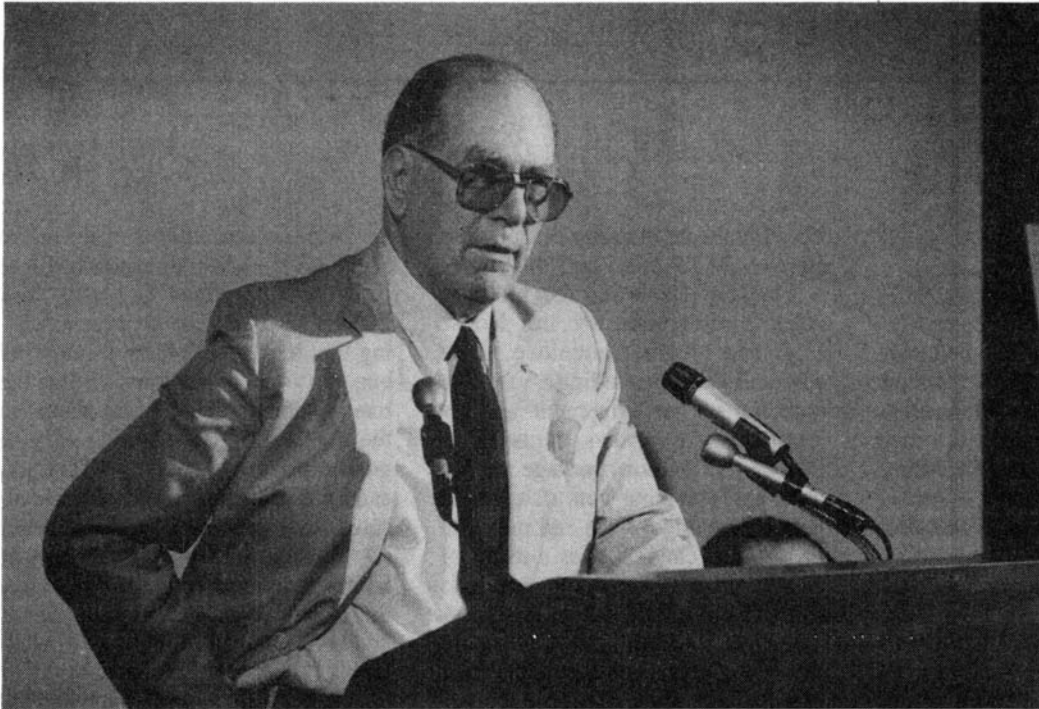
But despite these setbacks, Mrs. LaRouche said, she, along with other associates of her husband, continued to spread LaRouche’s proposals throughout eastern Europe, so that, for example, an important part of the Russian intelligentsia has now become convinced, through study of LaRouche’s writings, that neither communism nor free-trade looting, but rather the physical-economic ideas of Friedrich List, Gottfried Leibniz, Sergei Witte, and LaRouche must be adopted in order to save their land from collapse.

Returning to Clinton, Mrs. LaRouche said that there now exists a window of opportunity to recapture the spirit of 1989; but the window is quite small. Just how small, is indicated by the mass demonstration planned for July 28 in the eastern German city of Erlangen, by the former communist party of East Germany, now called the Democratic Socialist Party (PDS). The demonstrators will march against both Clinton and German Chancellor Helmut Kohl, and are expected to mouth the same lurid “Fourth Reich” propaganda as is being spread by the British media sewers.

## U.S.-Russian collaboration is key

During his own comments, Mr. LaRouche pointed to yet other dangers. One of the most ominous is Kashmir, where,





*Democratic presidential pre-candidate Lyndon LaRouche addresses a briefing at the National Press Club in Washington, D.C. on July 27.*

he said, "Bush-leaguers are running loose," including such people as Gulbuddin Hekmatyar, the Afghan Mujahideen leader whom the British have deployed into Kashmir in order to agitate for independence. The secession of Kashmir, LaRouche warned, would create general destabilization throughout the region, because although India could probably deal with it, Pakistan and China could *not*, since it would pose a vital security threat to China. This, in turn, would threaten a key policy now under discussion between Chancellor Kohl and the Chinese government: the establishment of a "new Silk Route" railway system opening up all of Eurasia to rapid economic development.

LaRouche emphasized that U.S.-Russian collaboration is the key to averting such dangers, and that the U.S. President and the Russian leadership are currently already working to that end—even though most Americans have no idea that this is the actual context in which the President is currently acting. In fact, LaRouche said, the United States is extending feelers to Russia for joint collaboration in stopping the horror in Africa, most prominently in Rwanda, but also elsewhere. It is in that light that Clinton successfully reoriented the recent Group of Seven meeting in Naples, Italy, turning it, in effect, into a Group of Eight meeting, through the inclusion of Russian President Boris Yeltsin, and by re-focusing it onto economic questions.

The briefing was attended by representatives of a number of African embassies, and thus the question of Rwanda became a focus of the question-and-answer session. One former Rwandan demanded to know why the United States is only sending assistance now, when it is already too late to save the

lives of a huge number of cholera victims. LaRouche replied that, indeed, the Rwanda war has been part of a *deliberate* policy set into motion by Bertrand Russell and his friends, to rid the world of "excess population." But LaRouche added that the hideous scene in Rwanda may have finally shocked many Americans into actions which they simply would not have taken before. Therefore, LaRouche said, he believes that the current U.S. effort to give assistance (and to take the situation out of French hands) is commendable, insofar as it "at least reflects a commitment," which is possibly a first step toward other, more effective policy changes.

At the same time, LaRouche stressed that the strife in Rwanda did not just emerge on its own over the past two years, but had been carefully prepared over many years by British imperial interests. The British have three methods of warfare, LaRouche said: gunboats, muskets/guns, and diplomacy; and of those three, the last has killed more people than the other two. By harping on social and other differences, the British have been able to take perfectly peaceful countries and induce them to destroy themselves, he observed.

Mrs. LaRouche lent weight to that point by calling upon the listeners to drop all illusions about the United Nations as a flawed institution merely in need of repair. Rather, "We should pose the United Nations as a Nazi organization, committed to genocide 100 times worse than Hitler." Mrs. LaRouche called not only for shutting down the upcoming International Conference on Population and Development in Cairo, but for shutting down the entire United Nations Organization once and for all, replacing it with a different forum for reasoned discussion among *sovereign* nations.

## GATT agreement coming under fire

President Clinton and senior trade officials met on July 22 with Senate Majority Leader George Mitchell (D-Me.), Senate Minority Leader Robert Dole (R-Kan.), and key committee members from both parties to work out agreements to get smooth sailing for the General Agreement on Tariffs and Trade agreements, including promises to make additional spending cuts in the budget in order to offset GATT revenue losses.

All sorts of objections have been raised to this massive trade agreement, in a fight which some observers have dubbed "NAFTA II." The greatest objection is to the proposed World Trade Organization, which, according to the agreement, will serve as an international supreme court on trade disputes. Many congressmen on both sides of the aisle feel that this poses a threat to national sovereignty.

Even some traditional free-trade advocates are having trouble with GATT. "Up until this moment, I have never met a trade bill I didn't like," said Sen. Bob Packwood (R-Ore.). However, Packwood said, GATT "is a bill that I would only want to have a passing acquaintance with. I wouldn't want it to marry my daughter." Packwood said that "a number of Democrats" planned to vote against GATT, because of concerns over the new subsidies code and over to how to pay for the pact. "If some of these concerns are not addressed, then I don't think this is going to pass this year," he said.

The administration wants Congress to ratify the pact this year. In a letter to Congress, Treasury Secretary Lloyd Bentsen urged quick support from both parties so America can lead the world toward freer trade. "To maximize economic growth potential in the United States, it is imperative

that a bipartisan majority of Congress approve GATT this year," he wrote.

On July 12, when the bill was under consideration by the House Ways and Means Committee, there were still two outstanding issues: the financing of the agreement and renewal of fast-track rules. Bentsen outlined a \$12 billion package of tax hikes and spending cuts that would meet U.S. budget rules and make up for tariff revenues lost as a result of the agreement. Among the proposals were a \$1.6 billion cut in farm programs, \$1.3 billion in new inventory accounting taxes, and \$1 billion from reform of a government pension guarantee fund.

Another possible point of conflict involves the administration's request for broad new negotiating authority to ensure that future trade treaties carry environmental and labor safeguards.

## Death penalty, gun control holding up crime bill

The Congressional Black Caucus (CBC) failed to convince the Clinton administration to make a fight for the "racial justice" clause added to the Crime Bill by the House. Although the administration has no objection to the clause, the Senate has made it clear that the bill would not pass if it contained that clause. The measure would allow death-row defendants to contest their sentences based on statistics indicating racial inequity in death penalty cases.

Anxious to pass crime legislation this year, the administration indicated to the CBC that it would implement the goals of the Racial Justice Act by Executive Order for federal death penalty cases. On July 22, Senate Republicans unsuccessfully attempted to preempt such an Executive Order.

Another contentious issue in the crime bill has been gun control. House Judiciary Committee Chairman Jack Brooks (D-Tex.) has proposed deleting the AR-15 rifle from a proposed ban on assault weapons, lifting the ban on copycat rifles, and doubling the maximum allowable capacity of gun clips to 20 bullets. This has caused a furor among gun-ban advocates such as Rep. Charles Schumer (D-N.Y.), a chief sponsor of the legislation. Schumer seems confident that the House will ban assault weapons "without any debilitating amendments."

Others want to scrap the crime bill entirely. Many Republicans feel that the bill is not "tough enough." Rep. Tim Penny (D-Minn.) argues that one should not federalize what is essentially a state issue. "All this is driven by the public opinion polls," he said, "and is an example of Congress at its worst. . . . There is precious little the federal government should do to address street crime in the first place."

## Bentsen cautions against action on derivatives

Treasury Secretary Lloyd Bentsen assured lawmakers on July 19 that a panel of regulators is working to tighten oversight of the derivatives market and that he therefore doesn't see any immediate need for legislation. Bentsen, chairman of the Working Group on Financial Markets, said agencies represented on the panel are continuing to review their existing authorities. "If we determine that further authority is needed, we will alert Congress, and additional appropriate authority will be requested," he said. He added that instead of pushing for legislation, financial regulators are amending and updating regulations to

cope with the derivatives market.

Bentsen issued a report to Rep. John Dingell (D-Mich.), chairman of the House Committee on Energy and Commerce, which has oversight over financial markets, on July 18. Dingell's office released the report on July 20.

Bentsen's panel includes the heads of the Federal Reserve, Securities and Exchange Commission, and the Commodity Futures Trading Commission. The panel was originally formed to examine the causes of the 1987 stock market crash.

Dingell asked the group in May to comment on issues raised by a General Accounting Office report that called for regulations in the face of the explosive growth of the derivatives market. Responding to Bentsen's report, Dingell said he was "encouraged" by actions taken so far by regulators to address concerns raised by the GAO, the investigative arm of Congress. "While it did not identify a need for legislation at this time, it is an issue we will address in the future if necessary," Dingell said.

So far, four bills have been introduced in response to the growing threat to the global financial system posed by the derivatives markets.

## Courts threatening black majority districts

A federal court in Louisiana on July 22 ruled that a new plan for a black-majority congressional district is an unconstitutional product of racial gerrymandering. The decision by the three-judge panel came just one week before candidates were to file for the October primary.

The district, now represented by Cleo Fields (D), was created as a result of the Voting Rights Act of 1992,

which mandated redistricting in order to give black minorities in the South more proportionate representation. Fields will continue to serve until an outside specialist hired by the court draws up a new plan and elections can be held. Fields's 4th Congressional District is one of two with a black majority among Louisiana's seven.

The Louisiana case is one of several pending court cases aimed at "rolling back" the results of the Voting Rights Act. A similar case is pending in Rep. Cynthia Kinney's (D-Ga.) district, as well as in five other black districts in the South created by the Voting Rights Act.

## Greenspan warns: More rate hikes coming

In testimony before the Senate Banking Committee on July 20, Federal Reserve Chairman Alan Greenspan left open the possibility that the central bank will raise interest rates further, on the pretext of heading off inflation and "prolonging" the economic expansion. Several lawmakers criticized the Fed for trying to choke off growth while millions of Americans remain out of work.

In his mid-year Humphrey-Hawkins report to Congress on the state of the economy, Greenspan said it was an "open question" whether the Fed's four interest rate increases so far this year would be enough to stem inflationary pressures. Greenspan said he saw signs that the economy was running into the sort of "bottleneck" that often presages higher inflation, and that the central bank needed to be "particularly alert" to that. "It is an open question whether our actions to date have been sufficient to head off inflationary pressures and thus maintain favorable trends in the economy,"

he said.

Greenspan indicated that most Fed policymakers want to do more to bring inflation down further over the medium term. "Our nation has made considerable progress in putting the economy on a sound footing in the past few years," he claimed. "To preserve and extend these advances, our monetary and fiscal policies will need to remain disciplined and focused on our long-term objectives."

After raising interest rates by 1.25 percentage points earlier this year, the central bank's policymaking Federal Open Market Committee decided to hold monetary policy unchanged at its meeting on July 5-6. Greenspan said the Fed would be pleased to see faster growth and lower unemployment, provided it were coherent with the Fed's ultimate goal—price stability. Greenspan blamed the growth in unemployment on "structural" forces beyond the control of the Fed.

## Senate slashes District of Columbia budget

The Senate voted on July 21 to require the District of Columbia to cut its spending by at least \$100 million next year and to shrink its workforce by 3,559 positions in the next five years. The House voted the week before to cut \$150 million from the District's budget.

The workforce cuts were the brainchild of Sen. Phil Gramm (D-Tex.), co-author of the unworkable Gramm-Rudman "budget-balancing" amendment. Gramm warned the District leadership: "If the District of Columbia is unable or unwilling to deal with its bloated welfare rolls and employment rolls, I think at some point the Congress is going to exercise its rights under the Constitution and step in."

# National News

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## Baltimore's 'Clean Needle Exchange' blasted

Maryland gubernatorial candidate Lawrence K. Freeman, who is running in the Democratic primary, called Baltimore Mayor Kurt Schmoke's planned needle exchange for heroin addicts "the hideous lie that there is some 'safe' way for our brothers and sisters to inject poison into their veins," in a July 19 statement. The needle exchange, operating under the cover of stopping the spread of AIDS, went into effect on July 25. Freeman, a LaRouche Democrat, tied Schmoke's initiative to his advocacy of drug legalization and implanting teenagers with the long-term contraceptive Norplant.

Freeman pointed out that AIDS is not only continuing to rage unabated in Baltimore, and that the epidemic has broken out of the so-called high-risk populations, but he blamed the disease breakout on the very "safe sex and clean needles" campaigns. "If we were serious about dealing with the AIDS epidemic," he said, "we would start by supporting universal AIDS screening, to determine who among our citizens are in need of help." He called for reinstatement of classical public health efforts used to stop the spread of dangerous diseases and funding for such promising new treatments as low-dose oral alpha-interferon, which has been pioneered in this country by the Abundant Life Clinic in Washington, D.C.

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## Southern lawmakers hear LaRouche case

Some 500 legislators from the southern states were presented with the stark facts behind the legal witchhunt against Lyndon LaRouche by Rochelle Ascher, who had just been released from an unjust imprisonment as a LaRouche associate 90 days earlier. The lawmakers were meeting in Norfolk, Virginia at the Southern Legislative Conference, over July 16-20.

At the session on "Southern Justice,"

Ascher introduced herself as the only one there who had had the "privilege" of having been in prison. She presented the group with the history of the "Get LaRouche" task force, including in Virginia, which imprisoned six individuals with sentences ranging from 10 to 77 years. At the opening of the session, the legislators had been talking in circles about how to finance the building of prisons, given the court orders to release inmates from overcrowded facilities; how to finance education, given court orders on the inequity of property tax structures for the poor and rich; and how to increase revenues through gambling and tourism. Ascher intervened: "Unless you are prepared to deal with the collapsing economy, which is about to blow out, and deal with drugs at the top, and this means Oliver North," whose Contra operations were a cover for drug running, "then you can keep building prisons till you're blue in the face, and nothing will change."

A black North Carolina legislator approached her later, saying, "I thought we were the only people who got this kind of 'justice.' But, you're white, LaRouche is white, and they're going after you just like they went after [Martin Luther] King and his movement."

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## NSC's Lake refutes 'clash of civilizations'

President Clinton's National Security Adviser Anthony Lake refuted the thesis of Harvard's Samuel Huntington that the West and Islam represent an irreconcilable "clash of civilizations," in a signed commentary for the *Washington Post* on July 24.

Lake wrote: "We cannot be a bystander in the [Middle East] region. Yet it's important not to view our involvement either as a struggle for mastery over the Middle East or a 'clash of civilizations' pitting western values against Islamic and other religious traditions. Indeed, the Clinton administration strongly disagrees with the view that there is no common ground for understanding between 'the West and the rest,' that the United States, as the sole remaining superpower, must be drawn to a new crusade

against Islam."

Lake rebutted Huntington in very similar terms earlier this year, in arguing on behalf of the Clinton administration's approach to the Islamic Salvation Front of Algeria as an effort to foster national reconciliation in that country, which has been torn by civil war.

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## Bishops file amicus against 'assisted suicide'

The U.S. Catholic Conference (USCC) and state Catholic conferences on the West Coast have asked a federal appeals court to overturn the federal court ruling that legalized assisted suicide in Washington State, in a friend of the court (*amicus curiae*) brief filed July 11, according to the July 21 *Arlington, Virginia Catholic Herald*. "The [lower court] decision sweeps away the most basic power of government—to protect its citizens from harm. . . . This is a case about deliberately and intentionally making people die," the brief states.

The brief was submitted to the 9th U.S. Circuit Court of Appeals in San Francisco. It joined the State of Washington, the appellant in the case, in seeking a reversal of the May 3 ruling by a U.S. District Court in Seattle declaring that the state's law against physician-assisted suicide violated the U.S. Constitution.

The USCC is the public policy arm of the National Conference of Catholic Bishops.

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## Brit hack reporters fear for their visas

"British Reporters Fear U.S. 'Hit List,'" reported the July 22 *New York Post*: "Many British journalists working in America today are feeling quite paranoid, fearing they are on some new version of the White House Enemies' List," because of their hack operations to destroy the U.S. presidency by scurrilously puffing up scandals against

## Briefly

● **103 CONGRESSMEN** sent a letter to President Clinton on July 21, demanding a full public debate before any decision is made to invade Haiti. They reminded the President that the consent of Congress is required for war.

● **SPACE COLLABORATION** is the best foreign policy toward Russia, NASA Administrator Daniel S. Goldin told the July 20 Italian daily *La Repubblica*. "Only a naive man can think that foreign policy was extraneous to space conquest. . . . Bill Clinton told me that it is our national interest to invite the Russians to collaborate. . . . Should we isolate them? Isn't that the sure way to the rebirth of militarism and fascism?"

● **PRESIDENT CLINTON** honored the Apollo astronauts at the White House on July 20, the 25th anniversary of the first manned landing on the Moon. Clinton called on the nation to "recommit itself to the spirit of discovery." The Apollo program "returned a sense of confidence" to the country and the "best way to honor these men is to continue that quest" of exploration, he said.

● **LLOYD BENTSEN**, the U.S. secretary of the treasury, called for strengthened powers for the International Monetary Fund, at the Bretton Woods Conference on July 20-22 in Washington.

● **ROBERT MCNAMARA** said that the policies of Henry Kissinger will lead to tens of millions of deaths, in Stockholm on July 23. Kissinger, he charged, is trying to impose the same "balance of power" policies that led to World War I, and such policies would lead to 160 million deaths in the next century. "The mistakes of World War I" must be avoided, he said.

● **THE READINESS** of U.S. military forces is poised for a slide into the condition of "hollow forces," a panel of retired military officials warned in a report to the Pentagon on July 22.

President Clinton. "The British press has been having a field day with Whitewater bimbos and alleged drug use on the part of President Clinton," leading some British reporters to "fear their visas will be pulled," wrote the *Post*.

The *Post* identified *Sunday Telegraph* Washington correspondent Ambrose Evans-Pritchard as "the journalist who has gone after Clinton the hardest." The *Telegraph* is published by the Hollinger Corp., whose board includes Clinton administration enemies Henry Kissinger and Margaret Thatcher. The *Post* quoted Evans-Pritchard, "There have been indirect attempts to cause me trouble, but I have the protection of working for a reputable paper." The *Post* continued, "Evans-Pritchard knows about the claims that the whole Whitewater affair was somehow engineered by British intelligence to damage Clinton. 'It's nonsense, of course, but it shows the paranoia that's so rampant,' he says."

### Virginia parole repeal called 'racist, slavery'

Members of the Virginia Assembly's Commission on Sentencing and Parole Reform, set up a year before Gov. George Allen took office, slammed his proposal to do away with parole as racist and pro-slavery, in a hearing attended by Richard Cullen, co-chairman of the Governor's Commission on Parole Abolition and Sentencing Reform, according to the July 22 *Richmond Times-Dispatch*. Salim Khalfani, a ranking member of the Virginia State Conference of the NAACP, said he was concerned that Proposal X was an effort to stir up "white fear" to pay for prisons at the expense of social programs. He also said the governor's plans to build work camps as less costly alternatives to prisons "reminds me of chain gangs and slavery."

Khalfani also said that Allen's appointments to the upper management of the Department of Corrections seem "to be overwhelmingly vanilla, or white." In fact, there are some real Bull Connors among them, such as the new head of state corrections,

Ron Angelone, who is being sued in Nevada by the American Civil Liberties Union for having beaten, stunned, stripped, and shot prisoners while he was head of corrections there. If a prisoner tries to escape, Angelone is quoted, "we shoot him."

### Secret Service arrests potential assassin

A Pennsylvania fugitive who had made threats against President Clinton was arrested in Cape May, New Jersey on July 19, where he was discovered to be in possession of a large number of semi-automatic rifles and pistols, and a considerable stock of ammunition.

Federal authorities alleged that Paul F. Walling had fraudulently purchased some 40 firearms over a three-month period, using the identification papers of his dead brother. The Secret Service was tipped off to other aspects of Walling's recent behavior by a friend of his, Dale V. Loveland, who is a Pennsylvania police officer. Loveland became concerned several months ago, when Walling began ranting against Clinton and said he would like to shoot the President and Attorney General Janet Reno because of their support for gun control.

Loveland said that during that time, Walling became more and more fixated on guns and explosives, and finally disappeared several weeks ago after being fired from his gas-station job for threatening his boss with a pistol. Loveland's concerns were conveyed to the Secret Service by his department on July 14, the day before a scheduled visit to Philadelphia by President Clinton. Agents discovered a cache of weapons at Walling's residence that afternoon, but did not apprehend Walling until Saturday, the day after Clinton's visit.

According to Secret Service affidavits filed with the arrest warrant, Walling made his initial threats in his diatribe to Loveland, and, when questioned after his arrest, said, "I have seen Clinton in the crosshairs on my scope."

Walling is wanted on theft and fraud warrants in several Pennsylvania jurisdictions, according to press reports.

### *This is our universe*

An extraordinary astronomical event occurred at a most appropriate moment. Right in the midst of events commemorating the 25th anniversary of mankind's "giant leap" onto the Moon, a shower of comet fragments landed on the planet Jupiter. What amazing pictures we all saw, including those released on July 19, showing a fireball as big as the Earth protruding briefly from Jupiter's surface.

Too often today we are told that we can no longer afford to spend the money to explore space—even the great achievements of the Apollo program are downplayed. It is argued that we do not need men in space, that we should only have unmanned flights or unmanned observatories.

But the comet hitting Jupiter gives us a useful opportunity to argue exactly the opposite: Let's not count-erpose the two; let us instead commit ourselves anew to an all-out, multi-faceted approach to conquering the frontiers of space. This was the vision which inspired all of those who worked to make the Apollo program such a stunning success, and it is the vision of the scientists and engineers who dedicated their lives in some way to exploring the heavens.

According to a recent poll, 56% of Americans believe that the United States should participate in a manned mission to Mars. Space, after all, is the modern frontier, and being able to witness (through telescopes) the recent marvelous occurrence on Jupiter reawakened a kind of excitement and enthusiasm about the possibilities of exploring the secrets of the universe that is now unfortunately too often missing from our lives.

The collisions of fragments of Comet Shoemaker-Levy 9 were probably the most important astronomical event witnessed in the 400 years since the discovery of the telescope, and we were privileged to be able to witness it, virtually as it was occurring. The Hubble Space Telescope, because it orbits the Earth every 96 minutes, can see Jupiter for a substantial part of every 48-minute "night", 15 times each day. Now we see how useful it is to have Hubble, a program which suffered heavy attacks. Another instrument that has such

an advantage is the Galileo spacecraft, which is now much closer to Jupiter than we are—149 million miles. It alone has been able to see the impacts as they occur on the far side of the planet. It will take some weeks to transmit its images.

The nice thing about the events on Jupiter was that they were a surprise. The collisions of the comet fragments caused large releases of radiant energy, and the spectra obtained by astronomers can in time be analyzed to reveal more about the composition of Jupiter—and of the comet. Even in these earliest days after the events, scientists see evidence that Jupiter's stratosphere contains elemental sulfur and hydrogen sulfide. These were already suspected, the sulfur in connection with the pale yellow seen on the planet. Second, much more acetylene and ethane were detected than originally discovered by the Voyager flybys in 1979. Ethane, found in natural gas, and acetylene are among the hydrocarbons found in small amounts in the outermost layer. The dominant hydrocarbon there is methane (swamp gas). The vast bulk of Jupiter, however, is hydrogen (82%) and helium (17%), close to the solar proportions.

Since Jupiter is a gaseous planet, much of what we learn about it can be compared directly with observations of the Sun. Already there is evidence of at least two possible acoustic waves on the surface of Jupiter, which would be similar to such waves on the Sun. Astronomers describe the Sun as "ringing like a bell," at thousands of different frequencies which they can identify.

What information we gain from this event will be supplemented and correlated when, on Dec. 7, 1995, a probe from the Galileo craft will descend into Jupiter's atmosphere and radio detailed information to us.

If nothing else, the space program is important because it lifts our vision out of the mud of daily existence, and helps us to contemplate the wonders of God's universe which we have as yet so barely penetrated. And so we celebrate John F. Kennedy's remarkable vision with an excitement that reminds us of that great day when man first set foot on the Moon.

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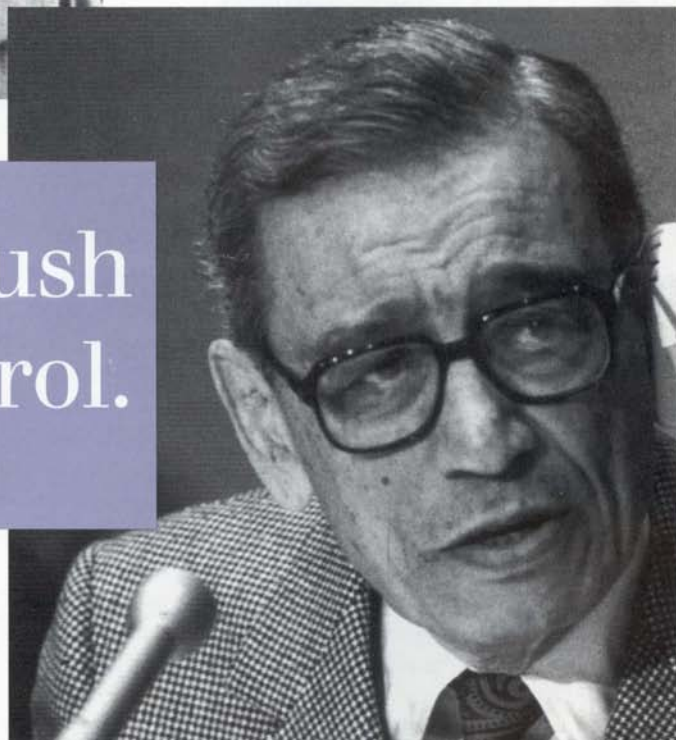
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What do these two men have in common?

They both push population control.



### Stop the UN's New World Order: Hitler in Blue Helmets.

#### DID YOU KNOW:

- that the population control movement is nothing but a whitewashed version of the Nazi eugenics policy, which was developed in Britain and the United States, then exported to Hitler's Germany?
- that the United Nations has set up a series of conferences, beginning with the September 1994 International Conference on Population and Development, in Cairo, Egypt, whose purpose is to reduce world population by more than two billion people and institute a utopian world dictatorship?
- that National Security Study Memorandum 200, written under the direction of Henry Kissinger and Brent Scowcroft in 1974, defines population growth as *the enemy of the*

United States, and targets over a dozen Third World countries on its "population enemies list"?

- that since NSSM 200 was written, American dollars have paid for the sterilization of roughly *half* of Brazil's women of childbearing age?

This report, revised and expanded from the 1992 Special Report "The genocidal roots of Bush's 'New World Order,'" is intended to help catalyze a fight for national sovereignty, the family, and human life in the face of the Malthusian onslaught of the United Nations and its one-world imperial supporters.

The new sections include texts of major statements against the Cairo population conference by the Schiller Institute, Vatican, and others, and self-indicting extracts from the planning documents drafted by the United Nations bureaucrats.

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