

# EIR

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British bankers: 'India's in our pocket'  
Facade of stability breaks in Russia  
Archbishop of Canterbury lectures China

The LaRouche policy 'recipe'  
Germany can't afford to shun

## Wir haben das Patentrezept

**Frieden durch  
Entwicklung**

**Produktion statt  
Spekulation**

**Aufbau Ost  
statt Schocktherapie**

**Mit dem Transrapid  
ins 21. Jahrhundert**

Amelia Boynton-Robinson  
Bürgerrechtsbewegung  
Martin-Luther King

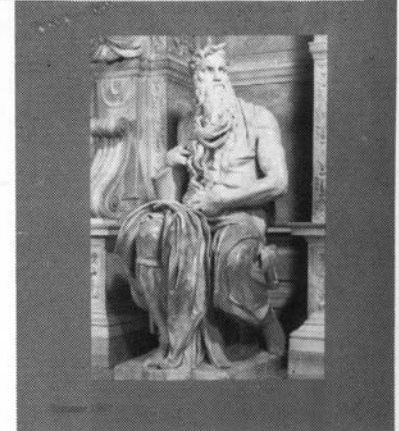
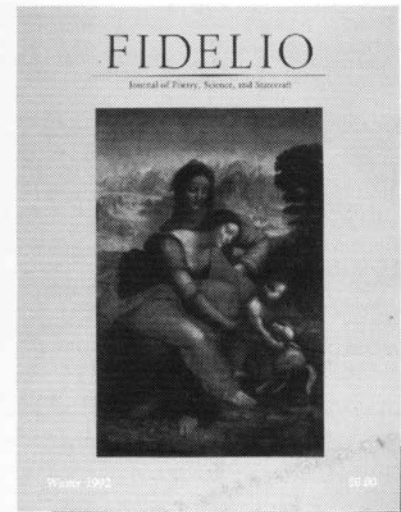
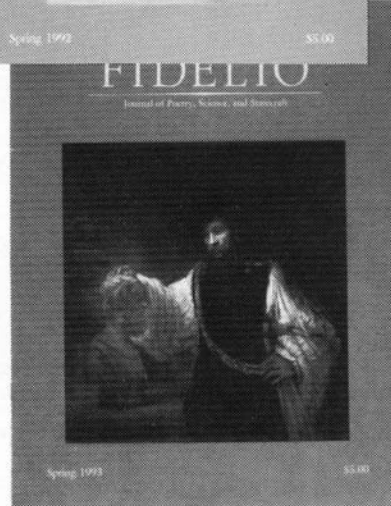
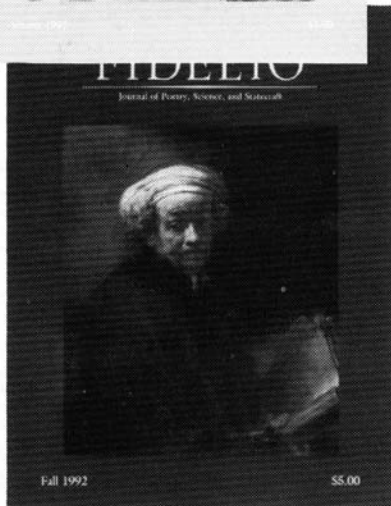
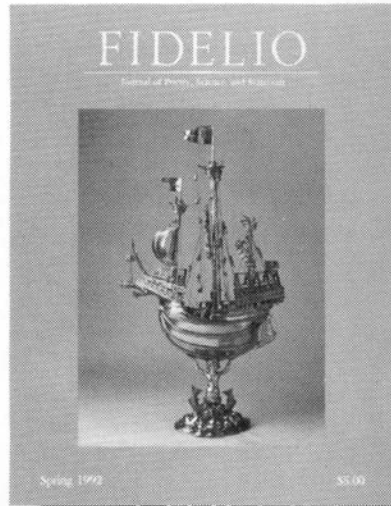
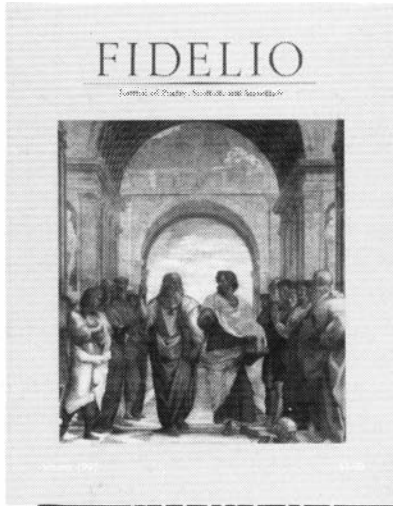
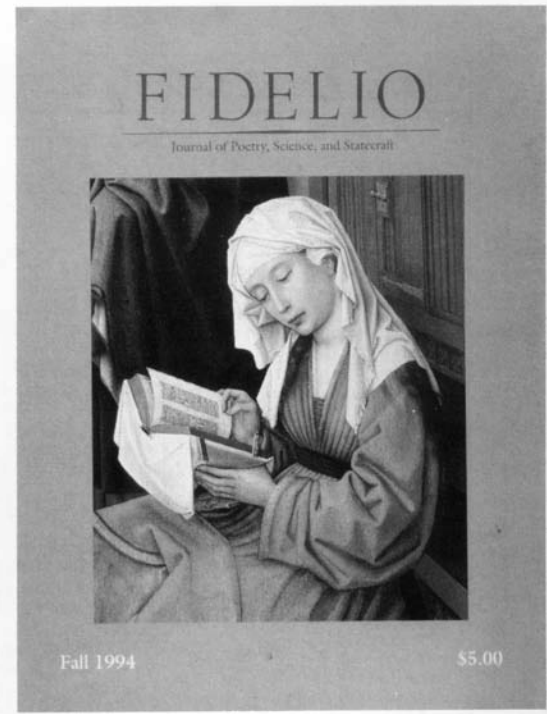
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## From the Editor

The cover package and the lead to our *International* report this week both deal with the strategic impasse faced by Germany and Russia, a situation which overshadows even the hopeful developments in the Middle East, where Jordan and Israel have just signed a peace treaty.

The feature looks at the Oct. 16 German elections from the standpoint of six years of current history, focusing on the period from the end of 1989, after the demolition of the Berlin Wall, through the summer of 1991 crisis, the so-called attempted coup which led to Boris Yeltsin's installation as Russian President.

LaRouche put it this way in his Oct. 26 *EIR* radio interview: "At the end of 1989, there were two conflicting views of policy. One view was mine, which I had laid out in some detail in a speech which I gave as part of my [presidential] campaign that year, on Oct. 12, 1988, in Berlin, with some followup I did after that.

"I said we were on the edge of a systemic economic chain-reaction collapse in the Warsaw Pact economies, leading to the early reunification of Germany. I said then that under these conditions, we in the West have to think about the economic measures we would take to bring about the reconstruction of the economies of eastern Europe, including Poland and East Germany, and so forth, and hopefully, also dealing with Russia."

The system did topple in 1989, but then, "there was another voice, the voice of Mrs. Margaret Thatcher of Britain, probably one of the greatest disasters of the past 10-15 years. Mrs. Thatcher's government said that the danger of German reunification was that a revived, reunified Germany would become involved in economic development of eastern Europe and Russia. Mrs. Thatcher did everything she could with her friends to try to prop up the East German government to prevent the reunification."

Thatcher and Bush's shock therapy policy has been an absolute disaster. "Yeltsin can only postpone, at best, the reckoning which is piling up rapidly," LaRouche warned. Russia's "reform" years are over, and a new regime will now emerge. The optimal situation will be for a dirigistic government in Moscow that will seek to reverse the disaster of recent years by reconstruction. If that occurs, the Clinton-Kohl option of cooperation in railroad and other development will be absolutely key.

*Nora Hamerman*

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**Corrections:** In "Israel-Jordan Pact a Major Breakthrough," in the Oct. 28, 1994 issue, p. 78, due to a translation error, it was reported that Israel has agreed to divert 100 billion cubic meters from the Yarmuk and Jordan rivers to Jordan. The correct figure is 100 million cubic meters.

In the Oct. 21, 1994 issue, p. 16, the interview with M.Z. Nashashibi was not conducted by Muriel Mirak-Weissbach, but by a special EIR correspondent in Madrid.

Also in the Oct. 21 issue, on p. 47, Maximiliano Londoño and Gen. Hernando Zuluaga were mistakenly identified as having run for President and vice president respectively. Londoño's MSIA and Zuluaga's MPN ran on a joint senatorial slate last March, where Zuluaga held first position and Londoño second on the list; there was no MSIA presidential campaign.

Finally, in the same issue, the table on p. 9 gives figures for billions of dollars, not trillions.

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## U.S. dollar's fall deepens as Bentsen waffles

by Richard Freeman

During October, like that of the autumn leaves, the fall in the value of the world's leading currency, the U.S. dollar, intensified. The dollar began 1994 at 1.735 deutschemarks. On Oct. 3, it stood at DM 1.55. By the close of trading on Oct. 26 it was DM 1.49, a two-year low against the deutschemark. Similarly, against the yen, the dollar plummeted from its Jan. 1 level of 111.8 yen, down to 100.8 yen on Oct. 10, and thence on Oct. 26 to 96.85 yen. It stands at its lowest level against the yen in 49 years.

U.S. Treasury Secretary Lloyd Bentsen indicated on Oct. 20 that he doesn't care if the dollar falls further. Bentsen said that the United States "has no plans to intervene" to support the dollar. "I would prefer that the dollar was up a little, but the market forces are going to decide." It is explained that Bentsen's thinking is that a cheaper dollar will increase U.S. exports. But this is mostly sophistry. The next day, partially in response to complaints from Japanese Finance Minister Masayoshi Takemura—the yen is rising steadily—U.S. Treasury Undersecretary for International Affairs Lawrence Summers attempted to mitigate Bentsen's statement of "benign neglect." Summers said that the United States would indeed support the dollar; but actions will have to prove his words.

There is a real physical-economic as well as political cause for the dollar's fall: the City of London-led attempt to weaken the Clinton administration. The dollar's collapse parallels the sharp decline of the U.S. bond market, particularly the U.S. government bond market. On Oct. 15, 1993, the yield on a 30-year U.S. Treasury bond was 5.78%. By Oct. 24, 1994, it stood at 8.04%. The price of a bond works inversely to its yield. Thus, over the past 12 months, the price on 30-year U.S. Treasuries fell a staggering 25.5%, according to Ryan Labs, a financial reporting group. This means that a holder of a U.S. Treasury "long bond" saw one-quarter of the price of

his holdings evaporate. This caused a financial massacre among bondholders, especially on Wall Street. During the same 12-month period, the 30-year U.S. Treasury bond's "rate of return" fell by 20%. The "rate of return" differs from the "price" of a bond. In addition to the price drop, the rate of return also incorporates positive interest pay-outs to the bondholder during the 12-month period.

More broadly, on a mid-October to mid-October basis, the composite average rate of return for all U.S. Treasury instruments—from the 1-, 2-, and 3-year notes all the way up to 30-year bonds—fell a whopping 7.2%, *the largest cumulative fall ever recorded in 60 years, i.e., since the Great Depression*. Thus, when bankers say that nothing out of the ordinary is happening, that this is a normal market "bump," they are not telling the truth.

Simultaneously, the cumulative 12-month fall in the rate of return on long-term Treasury bonds for Germany, Great Britain, and Australia, ranges from 4 to above 15%.

However, during the same period, the derivatives market was also shaken out. Derivatives are highly leveraged entities, pyramided upon underlying financial instruments, that loot the physical economy. Since October 1993, there is more than \$20 billion in known recorded derivatives losses—and perhaps \$100 billion in unrealized, unreported losses. Not all of them are American. In October, Japan Air Lines announced a \$450 million derivatives loss from a bad bet on a \$3.6 billion 10-year forward currency contract undertaken in 1986.

Derivatives (more than half of which worldwide are denominated in dollars), U.S. Treasury bonds, and so forth, are all part of the web that makes up the dollar's value. If the value of these and related instruments falls, and, at the same time, if, as is occurring, the depression in the U.S. physical

economy broadens, then the dollar is weak. This is the fundamental cause of the dollar's weakness. Other technical causes may be advanced, but they are tertiary at best.

### **Dangerous response**

How is the fundamental cause of the dollar's collapse addressed? There are two sets of responses: one that is madly foolish, the other representing sanity.

The first response is an attempt to benefit from the current circumstances. The rate on federal funds (overnight, interbank money) is 4.63%; the rate on a two-year U.S. Treasury is 6.88%; the rate on the 30-year U.S. Treasury bond is 8.04%. Some banks, which borrow federal funds from America's central bank, are still trying to arbitrage the 3.41 percentage point differential between federal funds and 30-year T-bonds, which is significant.

Meanwhile, since the start of 1994, while investors have yanked \$30 billion out of mutual funds that buy Treasury bonds and mortgage-backed securities (because of the sharp fall in the bond market), they have poured \$93.4 billion into stock funds. Of this amount, \$35.9 billion, or nearly 40% of the total, has gone into stock funds that invest in stocks outside the United States, especially in the Third World. Thus, the attempt to keep the bubble going has by no means been abandoned.

Moreover, there is an attempt to exploit the dollar's weakness for political-strategic reasons. The excuse is that higher U.S. interest rates are now required to halt the slide of the dollar and also to stop inflation. "If the Federal Reserve doesn't raise U.S. interest rates, the markets will force the rise," a European banking source reported on Oct. 18. He continued, "The dollar dumping started from the big New York hedge funds [on Oct. 16], as soon as the German election was clear. The overall aim of these speculative funds is . . . to force the Fed to raise interest rates on or before the Nov. 15 Federal Open Market Committee meeting." Were the Fed to raise interest rates by another half-point, for example, that would help blow out the economy.

The loser, and thus target of this attack, is U.S. President Bill Clinton. Recognizing that their entire financial edifice is about to fall, the British are frantic that America not have an unfettered chief executive, with strong powers, who could introduce, both in the United States and abroad, emergency, Hamiltonian economic measures to restart the economy.

### **Sanity**

In Europe, proposals for a sane approach, which would strengthen all currencies, are now circulating.

On Oct. 16, Italy's vice minister on budget, Antonio Parlato, told the Italian press agency AGI that Italy's central bank, the Banca d'Italia, "must intervene to put the brakes on the worrying weight of derivatives finance, which is taking an enormous mass of resources from investment savings, such as stocks and bonds, and moving it into speculative finance."

Parlato said that speculation moves the equivalent in Italian currency of DM 2 trillion, which is the size of the Italian public debt outstanding. Parlato indicated that he will soon present a public document, on how to deal with this, which could also include legislation.

On Oct. 22, the Munich, Germany-based IFO institute published a report entitled "Defects of the World Currency System and Alternatives for Their Replacement," which concludes with a call to "dry out" the foreign exchange markets. The study states that the period 1945-71, when exchange rates were fixed, was a "Golden Age." The main defect in today's world currency system, the IFO says, is the extraordinarily high fluctuation among the three leading currencies, the dollar, deutschemark, and yen. As an example, the DM/dollar fluctuations from Feb. 1 to July 31 of this year were almost six times higher than the DM/franc fluctuations. Therefore, even a new European Monetary System, i.e., a modified fixed exchange rate system, with its broadened ranges, is much better than no system at all.

The IFO states that only 2% of today's foreign exchange transactions are devoted to the trade of goods (see p. 6). Most transactions are speculative, it asserts, producing "short-term foreign exchange fluctuations." In turn, these fluctuations both "damage wealth," and have a negative effect on investment decisions. The foreign exchange market must be "dried out." The IFO proposes "a tax on foreign exchange transactions" and "capital flow limitations." Such a foreign exchange transaction tax, which apparently Italy's Vice Minister Parlato also supports, was raised by Britain's former Chancellor of the Exchequer Denis Healey at a conference on Sept. 10-11 in Bürgenstock, Switzerland. It is highly significant, that within the last 40 days, three sources (from Germany, Britain, and Italy) have raised a variant of this proposal. This indicates some understanding of the danger.

In the United States, House Banking Committee Chairman Henry Gonzalez (D-Tex.) has proposed a "one-tenth of one-percent tax on derivatives transactions," which echoes the proposal by *EIR* founder and economist Lyndon LaRouche in March 1993. Most of all, the variants of the proposals are a way to gain some control over the financial markets; as a vital first step, they will create a valuable dynamic. But in and of themselves, they are woefully insufficient. The world financial system is bankrupt. The derivatives market is bankrupt. As LaRouche stated on Oct. 19, "it is the objective of every government, which has the guts to admit it . . . to declare anything bankrupt that *is* bankrupt." In the case of the United States, the President and Congress must use constitutionally granted emergency powers to generate credit to initiate the vast hard- and soft-infrastructure projects to get the economy functioning again. This must be done on a global scale, requiring tens of trillions of dollars worth of infrastructure and industrial projects.

Such an approach, not "benign neglect" or raised interest rates, is the answer to the dollar's weakness.

# London is the center of the foreign exchange whirlwind

by Anthony K. Wikrent

Since Lord Denis Healey, former British Chancellor of the Exchequer, called for a tax on financial derivatives at the annual conference of the Swiss Commodities Futures and Options Association in Bürgenstock, Switzerland in early September, increasing attention has been focused on the \$1 trillion-a-day-plus realm of foreign exchange trading, upon which about one-third of the world's financial derivatives is based. Lord Healey pointed out that only about 2% of the over \$1 trillion a day in foreign exchange trading is related to actual trade; the rest is pure speculation.

The great irony is that the center of foreign exchange trading is, far and away, the City of London. In April 1992, twenty-six central banks around the world conducted a survey of foreign exchange trading within their jurisdictions. The results were published by the Bank for International Settlements in March 1993, as a report entitled *Central Bank Survey of Foreign Exchange Market Activity in April 1992*. The BIS survey found that Britain accounted for 34.1% of the world's \$1.13 trillion of *daily* foreign exchange trading in April 1992. The United States accounted for 21.8%, Japan 14.3%, and Germany 6.5%. Germany in fact was eclipsed by Singapore and Hongkong, with 8.6% and 6.9%, respectively. The British Commonwealth taken as a bloc accounted for 49.6% of the world's foreign exchange trading.

One of the most astonishing revelations of the BIS report was that British forex (foreign exchange) traders deal in more dollars and more deutschemarks, than their counterparts in the United States and Germany. This is a major clue to the fact that the British Empire is, financially, still very much a going concern, with the City of London skimming off as much as it can from every corner of the world.

## How the numbers were calculated

*EIR* took the numbers for forex trading of each country from the BIS report, and compared them to the 1992 merchandise trade of each country, using data reported in the 1993 *International Trade Statistics* from the General Agreement on Tariffs and Trade. The figures for imports were added to exports, to give a figure for total merchandise trade in 1992. Since the BIS figures are for daily forex trading, *EIR* multiplied the figures by the number of business days in a year, to arrive at a figure for annual forex trading for each country. The merchandise trade numbers were then divided

by the forex trading numbers, to see which countries had foreign exchange trading most closely related to actual trade, and which countries had the most speculative forex trading.

Not surprisingly, *EIR* found that the lowest figure for total foreign trade as a percentage of the daily foreign exchange turnover is to be found in Britain. Countries that are part of the Commonwealth, particularly Singapore and Hongkong, were also found to generally have the least connection between actual trade, and foreign exchange.

## Britain pulled the plug

The flood of foreign exchange trading began when Britain delivered the *coup de grâce* to the Bretton Woods system of fixed exchange rates in August 1971, compelling U.S. President Richard Nixon to take the dollar off the gold standard.

At the time, the U.S. dollar had been under massive pressure, with unusually high demand for changing dollars into gold. The first monthly merchandise trade deficit the United States had run since the end of World War II had been reported in March 1971, confirming suspicions held by many economists, government officials, and business executives around the world, that the tidal wave of mergers and acquisitions in the 1960s had left the U.S. industrial plant starved for investment: The U.S. economy was no longer paying its own way in the world, but was becoming increasingly dependent on foreign goods to maintain the illusion of prosperity. Under these circumstances, it was not very smart to be holding dollars that would obviously have to be devaluated sooner or later, as the French had been loudly pleading and insisting be done.

The precipitating event for a full-fledged crisis of confidence in the dollar was a visit to the U.S. Treasury by the British ambassador in the second week of August 1971, to inquire about the possibility of Britain redeeming the entirety of the \$3 billion in dollar holdings Britain then had, for gold. U.S. gold reserves at the time were only \$12 billion; if others were to follow the lead of Britain, there was no way the United States could honor its commitment to the gold convertibility of the dollar. Looming darkly in everyone's mind was the Eurodollar market, which had been growing explosively. This massive pool of U.S. dollars, beyond the reach of U.S. regulatory and legal authority, had reached the then-



staggering level of about \$100 billion by the end of 1970.

As then-U.S. President Richard Nixon noted in his memoirs at the time, "We knew we would very soon have to confront a major crisis concerning the international economic position of the United States."

### Volcker's insidious influence

On Aug. 13, 1971, Nixon convened a secret meeting at Camp David, consisting of his top advisers, Treasury Secretary John Connally, and some speech writers. For two days, the group tried to make sense of the problem, with Connally steadfastly arguing that the only feasible solution was to end gold convertibility of the dollar, and seek a new foreign exchange parity price in consultations with Britain, France, Japan, West Germany, Italy, and Canada. Historical reports are that Connally was prepped for his role at Camp David for months by his undersecretary, Paul Volcker, who would later, after becoming chairman of the U. S. Federal Reserve in September 1979, accelerate the demise of the U. S. industrial economy by introducing double-digit interest rates.

Once everyone had come around to Connally's position, the speech writers went to work. On Aug. 15, 1971, Nixon announced on national television that, henceforth, dollars would be exchanged for gold only at the pleasure of the U.S. government.

Interestingly, despite the argument that new consultations were needed to fix a new parity for the dollar, *no U.S. allies were notified of the dramatic shift in U.S. policy*. Ambassadors, finance ministers, and central bankers learned of the end of dollar convertibility as they sat in front of their TVs.

The floating exchange rates were supposed to be temporary, but a series of discussions between top U. S., European, and Japanese financial and monetary officials went nowhere, and foreign exchange trading grew from an estimated \$25 billion a day in 1971, to \$100 billion a day by 1973.

### The interconnected British Establishment

Volcker today sits on the board of Imperial Chemical Industries PLC, near the epicenter of the City of London's apparatus of financial imperium, providing us another clue as to what was really going on. A Bank of England study covered by the London *Financial Times* on April 2, 1993, reported that the ten most active forex banks in London controlled 43% of the City's forex trading. Thus, just about one-quarter of the \$1 trillion-a-day-plus foreign exchange trading worldwide is directed by just ten firms in the City of London.

These firms are extensively interconnected with the British oligarchy, and with the top corporations that the British oligarchy has established to maintain a choke hold on the world's raw material natural resources. For example, on the board of Imperial Chemical Industries with Volcker is Sir Denys Hartley Henderson, chairman of the firm. Sir Henderson is also on the board of RTZ Corp.—the company that

earned repeated mention in *Dope Inc.*, the *EIR* best-seller on who runs the drug trade. RTZ is the second-largest mining firm in the world. (The largest is Anglo-American Corp. of South Africa, also controlled by London through N.M. Rothschild and Sons Ltd.) The Royal Family's stake in RTZ is so large that, in 1978, the queen's Principal Private Secretary, Lord Charteris of Amisfield, was made a director of the company.

Sir Henderson also serves on the board of Barclay's Bank PLC, the largest banking firm in Britain. Sir Martin Wakefield Jacomb, just retired as deputy chairman of Barclays Bank PLC in December 1993, is also a director of the Bank of England, as well as deputy chairman of RTZ. Sir John Derek Birkin, TD, another director of Barclays, is chairman of RTZ. Another director of Barclays, Lord Lawson of Blaby, served as Baroness Margaret Thatcher's Chancellor of the Exchequer from 1983 to 1990.

Lord Wright of Richmond, another director of Barclays Bank, is also a director of British Petroleum. Lord Richmond also serves as permanent undersecretary of state at the Foreign and Commonwealth Office, and was head of the Diplomatic Service from 1986 to 1991.

TABLE 1  
Relationship between currency trading and physical foreign trade

Country	Trade as percent of foreign exchange in 1992	Daily volume of foreign exchange trading April 1992 (billions \$)	1992 merchandise trade (imports plus exports) (billions \$)
United Kingdom	0.56%	\$300.217	\$411.551
Singapore	0.73	75.860	135.660
Switzerland	0.79	68.078	131.401
Bahrain	0.89	3.467	7.561
Denmark	1.09	27.600	73.292
Australia	1.19	29.837	86.276
Hong Kong	1.63	60.906	242.942
New Zealand	1.85	4.222	19.026
Japan	1.86	126.104	573.131
Sweden	2.02	21.472	106.036
United States	2.14	192.302	1,002.087
Finland	2.74	6.760	45.195
Ireland	3.44	6.049	50.804
Canada	4.79	22.530	263.210
Norway	4.80	5.217	61.083
South Africa	5.33	3.462	45.011
Spain	5.40	12.458	164.088
France	5.48	35.546	475.400
Germany	6.08	56.518	838.661
Austria	9.19	4.397	98.559
Italy	9.69	15.509	366.675
Greece	12.23	1.095	32.668
Portugal	14.84	1.323	47.920

# 'Indian government in our pocket,' say British bankers, IMF/World Bank

by Kathy Wolfe

Despite the outcry in India against the International Monetary Fund/World Bank-run budget cuts in infrastructure and health spending which hospitalized thousands with bubonic plague recently, London bankers and their World Bank advisers are bragging that India's International Monetary Fund (IMF) "reforms" will continue. Finance Minister Manmohan Singh, bankers say, plans to do their bidding.

"I don't think there will be any U-turns" away from the IMF shock therapy policy, said Will Mansa, chief spokesman for the London headquarters of Standard and Chartered Bank, the British Empire's oldest bank in India since the 19th century. Finance Minister Singh and his men, he told a journalist on Oct. 20, "realize that those objectives are onerous on the economy and politically unpopular, but one of the most impressive things about the Indian government, is that it is sticking very hard with liberalization" because they "need the major foreign banks in a very big way. . . . Banks such as ours, and also Citibank, Bank of America, Hongkong and Shanghai, are absolutely vital to this process."

"The plague is not that big a deal. It's all done with," World Bank India economist Anandarup Ray told an investigator on Oct. 21. "We can forget about the plague. That really is not a significant factor. . . . The reform program is not going to be reversed. . . . I have confidence," he said, that Singh will do as the global bankers wish.

"From the private investors' standpoint, I think the time to go in is now," Ray urged. "They have reserves of \$19 billion, the stock market is absolutely booming. . . . So to make a fast buck, India is a good bet!"

London bankers laugh at Singh's claims that India's program is homemade and independent. The plague won't stop further budget cuts, said Papan Datta, chief India economist at London American Express, "because reform is being driven by India's IMF program. The plague hasn't much effect on that. . . . The reform program in '91 was begun under IMF aegis, and although the balance of payments has improved, the underpinnings are very much IMF-World Bank. . . . To backtrack on that would send out the wrong signal to everyone, not just to the IMF, but also to foreign investors, bankers, and exporters."

In fact, IMF and World Bank advisers are still in New Delhi helping run the program. "They are very, very actively involved in most of the important policy questions," Datta

said. "The IMF's leadership remains, and it's running along on IMF/World Bank lines."

It was 40% cuts in the disease prevention budget, put forward by the IMF in 1991, which led to the plague wave. Plague last hit India in 1966, at which time Prime Minister Indira Gandhi expelled the IMF from the country.

## Damn the bacillus, full speed ahead

As the bankers spoke, a wave of fatal cerebral malaria hit 4,000 victims in Rajasthan, as many as contracted plague, the *Indian Express* reported on Oct. 21. Malaria insect control has also been cut by 40% under World Bank demands, charged Dr. D. Banerji, professor emeritus at Jawaharlal Nehru University.

*EIR* has been all for overhauling India's dilapidated post-war socialist system (see *EIR*, April 24, 1992, "Economic Reforms to Unleash India's Potential"). As the health situation shows, however, the IMF/World Bank brand of "reforms" introduced by Minister Singh in 1991 have destroyed the *physical economy*.

The Singh reforms consisted of lifting financial restrictions and cutting the budget. While new foreign regulations have created large inflows of volatile "hot money" and made some rich quick, nothing has been done about production. The largest budget cuts have been in physical infrastructure: power, rail, and health.

Without infrastructure support, India's industry looks like the plague hit it, too. Industrial production was flat at 2% in the fiscal year ended April 1994, and growth is not enough to stop rising unemployment. The IMF is demanding India sell off public sector heavy industry, and even the private sector, losing money for the last four years, was unable to invest in new technology and is now in terror of mass takeovers by foreign firms.

The Singh clique brags that India's 1991 bankruptcy has been reversed and the rupee is rock solid, but even these financial accomplishments are a sham. Out of the \$5 billion in annual foreign exchange inflow the last two years, less than \$1 billion has gone into industrial fixed investment. Most of India's touted \$19 billion foreign reserves are hot money, such as that in the volatile Bombay stock market, which could flow out any minute. The trade deficit has mushroomed from \$1 billion in fiscal 1994 to a projected \$2 billion

this fiscal year, and the IMF crowd is demanding a big rupee devaluation.

Nevertheless, Finance Minister Singh himself told a Singapore audience on Oct. 12 that the IMF shock therapy will continue. Reforms "require a broad consensus and political acceptability. Therefore, we have to move at a pace at which our system can sustain the pace of reforms," he told the World Economic Forum. "Having said that, there is no basis for conclusion that reforms are slowing down," he said. "Our revenue is broadly on target." Singh said the government had a five-year agenda to implement the reforms, and that he intends to move forcefully to bring India's deficit down even further. He also promised to cut state subsidies to agriculture.

### Debt before lives

As for the future, the IMF has tried to lock India out of expanded spending on health, infrastructure, and vital services by continuing budget cut pressure and by prioritizing payments on India's huge national debt. Under IMF deregulation of interest rates the government pays on debt, World Bank India loan officer Gregar Dolenc said, India's Treasury now pays 11-12% to borrow on the markets, whereas before it had gotten credit more cheaply.

Plague? "So what?" Dolenc told an investigator on Oct. 21. "The reforms are on course. . . . What must be looked at now is the fiscal deficit in India," he insisted. "The public debt entails problems not dissimilar from those of the United States. About one-third of the budget is interest payments on the debt, and the servicing costs are even higher, quite substantial. . . . The government has little room to increase social spending because their existing revenues are earmarked already at the gate as to on what they will be spent."

"We want them to implement the hard budget constraints," said Ray of the World Bank, calling for extensive firings of workers from both public and private sector industries which, he said, are "overmanned."

The IMF and World Bank want the critical agriculture sector deregulated next, the bankers insisted, although millions of Indians barely have enough to eat. "That will mean getting rid of fertilizer subsidies, power subsidies, and water subsidies," said Mr. Datta of American Express. "Politically it is very difficult. The fertilizer subsidy causes enormous repercussions when they cut it; they haven't reduced it to the extent it was originally thought possible, but there are plans to do so."

The bankers are optimistic that the Indian people will suffer with this politically, because the only alternative to Prime Minister Narasimha Rao's ruling Congress Party is the chaos of former times and racial warfare such as championed by the fundamentalists in the opposition Bharatiya Janata Party, who brutally destroyed the Ayodhya mosque in 1991. "If Rao has a clear win" in the Dec. 1 and 5 elections in his home state Andhra Pradesh, said Ray, "the future is bright for accelerated reform."

"There is enough consensus that the alternative is far worse," said Datta of American Express. The banking community is counting on Prime Minister Rao to keep Singh and his IMF reforms no matter what. "There's really only one person" on whom the bankers can count, said Datta, "and that's the finance minister. Ultimately if it were not for his total commitment to this new economic policy, the edifice would be in great danger."

Despite the bankers' beliefs, however, the Indian population is furious. Prime Minister Rao's electioneering claims that he has brought the economy back to health fool no one, and are viewed as a hoax. Finance Minister Singh must go, and the Congress Party must move reform away from financial manipulation toward infrastructure and high-technology development of industry.

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## Interview: Will Mansa

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*Mr. Mansa of Standard and Chartered Bank was interviewed by telephone at his London office by a journalist.*

**Q:** How does your bank feel about investing in India, given public anger at the reforms and the plague?

**Mansa:** Really, all these things are very short term. India is about entrepreneurship; and if there's a riot or a problem with the plague or whatever, after 2-3 days most Indians get back to making money. It doesn't have any bearing on business sentiment locally or internationally.

There's a broad section of opposition to the government's reforms. There are very archaic restrictive labor practices in India. Probably more than any other country in the world there is overmanning in all sectors, with a labor union movement which has brought this about and seeks to make sure it prevails. So it takes bold management to cut across union doctrine to eliminate this.

**Q:** And Finance Minister Singh and Prime Minister Rao agree with what the IMF wants done?

**Mansa:** They realize that those objectives are onerous on the economy and politically sometimes unpopular, but one of the most impressive things about the Indian government, even with all these areas of unpopularity at the moment, is that it is sticking very hard with liberalization.

**Q:** What about IMF calls for deregulation of agriculture through the removal of subsidies? Will they go ahead?

**Mansa:** They're determined to do so, and the underlying strength of the economy should allow them to carry it through in a way they couldn't have done several years ago. There's been a sea change in sentiment, particularly in the business community. They've decided that they're going to

go for this. . . . I don't think there will be any U-turns.

**Q:** You're not worried about populists saying, "We've got enough foreign exchange, please get out now"?"

**Mansa:** No. There was a major scam on the Bombay market two years ago, which was a catalyst for anyone against foreign banking to rise up and try to produce sanctions and to try to exclude foreign banks.

But there is no doubt now that the Indian government feels that it needs the major foreign banks in a very big way to assist with the liberalization—and to be in place to assist the major new trade flows which India will soon have as a result of liberalization. Banks such as ours, and also Citibank, Bank of America, Hongkong and Shanghai, are absolutely vital to this process. There doesn't seem to be any sentiment contrary to foreign banks. . . .

**Q:** Minister Singh will be able to ride straight on?

**Mansa:** He's had a rocky time, but now this is an issue of which he's in control, yes.

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## Interview: Gregar Dolenc

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*Mr. Dolenc, World Bank loan officer for India, was interviewed in Washington.*

**Q:** Will the Rao government backpedal on reforms now that the public is so upset about the plague outbreak?

**Dolenc:** Have you seen any indication that they are backpedaling? The answer is no, they won't. The reforms are on course. It's slow, but it's on course. . . . Anything that happens in India can be made into a drama, but it's not necessarily a real drama. What have you seen in India, which has reversed the flow of foreign investment? Anything? We have not seen any such thing.

**Q:** What is the size of foreign investment in India?

**Dolenc:** The investment flows to India in fiscal 93-94 ended March 31, 1994 was to the tune of approximately \$5 billion, of which direct investment [in factories] was 20% and the rest was portfolio investment [hot money, stocks—ed.]. Based on what I've seen since then, such a flow has essentially continued at comparable levels. Prior to the opening in late 1991 the average inflow was perhaps \$200 million per year.

**Q:** How do you judge India's budget deficit?

**Dolenc:** We think that the fiscal discipline is being maintained. However, notwithstanding, the fiscal deficit is still too high. The deficit must be controlled in order to handle the stock of government debt.

What must be looked at is that the fiscal deficit in India;

the stock of public debt entails problems not dissimilar from those of the United States. About one-third of the budget is interest payments on the debt, and the servicing costs are even higher, quite substantial. In addition you have obligations on current expenditures. . . . So the government has precious little room left for investment. . . .

**Q:** Won't there be pressure to increase social and health spending because of the plague outbreak?

**Dolenc:** Yes, but so what? Social spending is under control; they are trying all sorts of cost-saving measures. They have improved collection of tax revenue, the shortfall of which in '93-94 caused the deficit.

The point is that a large part of U.S. government current expenditure is circumscribed by the fact that it has to maintain the debt service at market terms. You mentioned social spending in India. The government has little room to increase social spending because their existing revenues are earmarked already at the gate.

Singh has made changes to cut off the government's former unlimited access to borrowing from the Reserve Bank of India [central bank]. . . .

In the past, the banking sector was nationalized and the banks were forced to hold in their portfolio a minimum amount of government securities. . . . The government was at liberty to offer to pay any rate it wanted, which resulted in relatively cheap servicing costs on the public sector debt. This prompted too liberal spending. . . .

So within India's reforms one of the key events which happened this year was that the government has now been subjected to servicing its debt, the bulk of its debt, at market terms. This is a big element of the stabilization plan. . . . So the low-cost funding the government has used in the past will now be subjected to market pressure and such financing will be substantially controlled. . . .

The rates on the old debt were in high single digits, which is relatively cheap compared to what the market will charge now . . . 11 or 12%.

There was also "priority lending," in which financial institutions, government and private, had to have a certain share of their portfolio invested into a priority activity, i.e., agriculture, rural credit. That will have to go. At present, much has been eliminated, statutory reserves have been reduced, mandatory cash reserves have been reduced, much has been done to free the banks from previous controls—but there is still quite a bit of control and these things will have to go.

**Q:** Is the World Bank now going to lend separately to state governments?

**Dolenc:** The World Bank can only lend with the Union government guarantee. Some states need to restructure their finances because they won't be viable in the long run, provided the federal government favors such an

operation. We can't just walk in.

**Q:** What kinds of reforms do you want the state governments to undertake?

**Dolenc:** The revenue base is not properly developed. Their expenditures could be streamlined, collection has to be improved. Spending for human resources in some cases could be improved, be better targeted to get more bang for the buck. We would not be lending for current expenditures, but rather to improve the system. Consolidation of state finances, having states acquire market training so they can issue their own securities. . . . We are thinking about it but we have not yet approved a loan for this type of program. In the future we would.

**Q:** The economy is 70-80% agricultural?

**Dolenc:** Seventy percent of the population derives their livelihood from the land, but that's not the share in GDP. The share of agriculture in GDP is about a third. Agriculture is 38%, industry is 26%, and services are 36%. Services are very large; they also include transportation, not just financial services. There is also tourism.

**Q:** But will Singh be able to get rid of the agricultural subsidies?

**Dolenc:** These are issues which clearly need to be addressed, especially as the ability of the fiscal budget to support these subsidies is beginning to shrink, so by force, they'll have to address it. It's not something you just take scissors and cut.

The fact is that India solved its hunger, food production and distribution problem, by intervening with a large spoon. Now that the food production problem and distribution and feeding of the population is solved, now the time comes for this system to gradually become self-sustaining, which means phasing the subsidies out. But that is a long process and they're not there yet. So it is a problem.

For example, electric power is delivered to farmers at nominal rates, and even that is not collected; it's a major problem, probably the first one to be dealt with. Then comes the problem of subsidized fertilizer. Food production is market based, why should you really require subsidies?

But to disassemble such a system in India without disrupting the production is a major task, it should not be taken lightly. Rather than throw agricultural production into disarray, having seen what's happened to Russia, Indians want to be very certain that they're not causing more disruption under the guise of "bringing market forces to bear" in agricultural production.

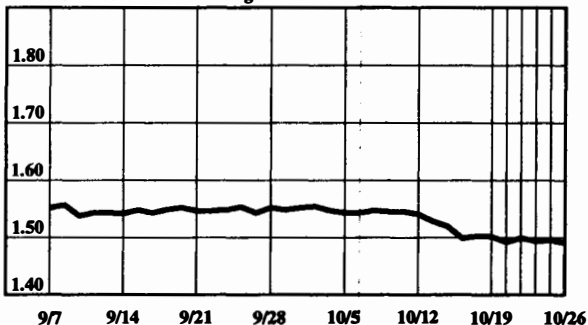
**Q:** Minister Singh has the support of the World Bank, then, in doing this gradually, but in doing it?

**Dolenc:** It's an ongoing dialogue but clearly the bank would say "if subsidies have to be targeted, subsidies have to be targeted; they must be cut."

## Currency Rates

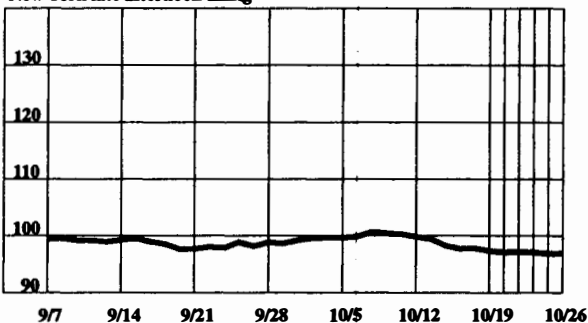
### The dollar in deutschemarks

New York late afternoon fixing



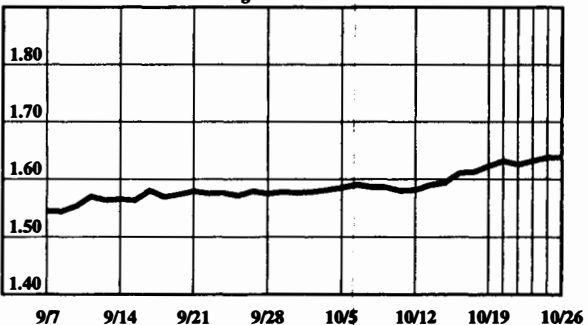
### The dollar in yen

New York late afternoon fixing



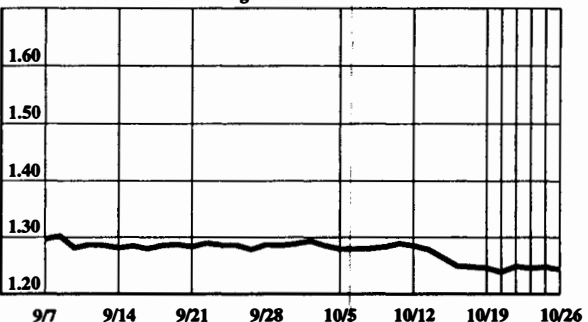
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing





## New regional bank needed for Mideast development

*Mr. Eran is deputy director general for economic affairs in the Israeli Ministry of Foreign Affairs. He was interviewed by William Jones on Oct. 9 at the Foreign Ministry in Jerusalem.*

**EIR:** The peace agreements signed one year ago by the PLO and Israel occurred in the context of long-range economic agreements which were at least outlined at that time and would provide the basis for a major infrastructural program in the Middle East, in particular, on the West Bank and in Gaza. A certain amount of money was pledged as backup for those projects. Has the program really come off the ground? Or is it still in limbo? I'm talking in particular about the water projects, energy projects, transportation systems, etc.

**Eran:** You touched upon several issues. The first is the Palestinian context, which is very important, but obviously not the single economic aspect in the emerging new Middle East. As far as the Palestinians are concerned, there is an ongoing effort being conducted by the donors' group, that is, a number of states, members of the industrial world, the United States, the European Union, the Scandinavian countries, Japan, Saudi Arabia, a long list of countries, to raise financial resources for Palestinian development. About \$2.2 billion has for the time being been pledged. Right now we are dealing with three immediate issues in this context. One concerns the financial aspects of establishing a functioning police in the territories where the Palestinians assumed control. Secondly, the initial empowerment of the Palestinians in the five areas of the West Bank where they have also assumed responsibility, for education, tourism, health, welfare, as well as for direct taxation. And the third issue is the budget of the Palestinians in Gaza and Jericho for the next 12 months.

These are issues which have to be answered very quickly and are the immediate issues which the donors are dealing with. The next issue concerns the development projects. In the beginning things were on the slow side, but I think it is now gaining momentum. The Palestinians understand that they have to come up with a mechanism which will be able to absorb the various financial resources and would comply with the requests by the donors for transparency and accountability. I think that this is now on the verge of being solved and I hope that it will expedite the process by which financial

resources are channeled for the economic development of the territories.

Then we have the whole question of the economic development of the region, that is, infrastructure. For almost two and a half years there has been an ongoing process through the multilateral working group in Redwig, the Regional Economic Development Working Group, one of the five working groups established at the Madrid conference in the multilateral talks.

During the deliberations of this group, we, that is all the original members and the outside participants, have identified areas of great economic importance, such as tourism, infrastructure, agriculture. In these domains, a lot of work, mostly paper-work, has been prepared. The time has now come to translate some of these ideas into action. We will need two preconditions: One is the political circumstances which will allow such cooperation between various states of the region to be implemented. For example, if we are talking about integrating the electricity grids of the regional states, then we have to have the political agreement to go ahead and do it. There are obviously technical aspects to this question, but first we have to have political agreement between all those involved.

Secondly, we have to have financial resources. Here I want to refer to an idea which we have started to discuss among the regional members, that is, the Palestinians, the Israelis, Jordanians, and Egyptians. It has also been broached to the administration in Washington. That is the idea of a regional development bank. We think that such a bank is an excellent idea for at least two major reasons. One, the creation of such a bank will be a political signal of great importance to the region itself that there is a new era of cooperation. Secondly, this sort of bank could serve as a forum in which macroeconomic issues of the region are discussed, whether these be development issues, trade issues, or monetary issues. Thirdly, some of the existing international or multilateral mechanisms, such as the World Bank, cannot provide all of the answers to the development needs. For example, the Palestinians do not qualify for World Bank assistance because they are not a bank. Israel is not qualified or eligible for World Bank investment because we are already above the per capita annual income, which is the yardstick the World

Bank uses for its lending. There is very little the World Bank has done over the years in regional projects. They can provide help to the regional states, but when it comes to regional cross-border projects, it's almost an area with which the World Bank doesn't deal. Obviously, it cannot provide the forum for the discussions to which I referred just a minute ago.

So we believe that this is a very good idea. Tomorrow morning, there will be a meeting in Cairo where this issue will be dealt with by the regional members, that is, the Palestinians, the Jordanians, the Egyptians, and the Israelis. I hope very much that we all four reach a consensus that will support the idea. Then we will create a unified position which we will submit to the United States and to other non-regional potential members in such a bank. Basically the idea is to have 60% of the paid-in capital from the non-regional states and 40% equally divided among the regional members of such a bank.

**EIR:** This will then be open to other states in the region?

**Eran:** It will be open to all regional states to participate, if they so wish, in the paid-in capital of such a bank. The more, the better. Because if the bank is to provide a forum for discussion of macroeconomic regional problems, then obviously the more participants, the greater cooperation, and the greater integration we can achieve through such a mechanism. This idea should not be seen as coming at the expense of any existing mechanism, because I think the World Bank can continue to play a major role in the economic development of the region.

So these are two preconditions: the political circumstances and the availability of the necessary financial resources. We are making progress toward this end. There will be, as you know, a very important conference at the end of this month in Casablanca, the North African and Middle East economic summit, in which both the political leadership and the economic leadership of the world will participate. The idea is to have a sort of match-making between these companies, mostly the multinational companies, and the projects which will be represented and submitted on the Middle East in Casablanca, and to attract as much interest as possible in these projects.

You are right in placing emphasis on the water problem. This issue is going to be in the center of the Middle East for the next 25 years. We have two sets of problems. The one is the immediate one and the other is more strategic and long-term, to find long-term solutions to the shortage of water. By the long-term problem, I mean the one between us and the Kingdom of Jordan. There are two major issues on the agenda right now. One is the question of borders and the other is water. We have to find immediate answers to some of the water requirements of the Jordanians, considering the growth of the population of the Middle East. We have, as you may know, one of the highest birth rates in the world, if not the

highest, generally speaking. And the acceleration of economic activity creates the need for urgent solutions to the shortage of water. For the immediate problem, we can find partial solutions within the existing sources of water, such as better utilization of the current sources, water conservation, water management, recycling.

But in the long run we have to find solutions which go beyond these methods which I have indicated. That will mean either importing water, for example, from Turkey, or desalination. Both of them demand significant financial resources and there is a need for all of us, both inside the region and outside, to look at the best way, or the most economical way, of creating new water. This is one of the major issues, if not the major issue, which, if not solved, could be detrimental to the development of peace and stability in the region.

**EIR:** What do you think then of the revival of the idea of the Mediterranean-Dead Sea Canal as a means of resolving the issue long-term?

**Eran:** There are three canals which are being discussed. One is what is called the northern route, running between the area of Haifa on the Mediterranean Sea to the Jordan River just below the Sea of Galilee. This would be the shortest version and would be dug or created for the purpose of desalination. The second one is a canal running between an area around the Gaza Strip to the Dead Sea. And the third one is called the Red-Dead Canal, running between the Red Sea and the Dead Sea. Each of these has its own merits, and we feel that in order to decide if a canal is needed, and which one is the best solution for some of the issues like desalination, tourism, and other purposes, there is a need for a feasibility study which will analyze the economic aspects and the financial aspects of all three options and come up with an answer as to: a) whether such a canal is needed, and b) if it is needed, then which one should be chosen.

There are supporters for each one of the ideas, but there is a need for an economic analysis. We suggested that the World Bank or a combination of the World Bank and other financial institutions take it upon themselves to find out which one is better, and which one would be the best answer to all the needs to which I have referred.

**EIR:** There has been much talk about some of the obvious areas of infrastructure, energy, electricity production, tourism, but in the long term, there perhaps must be a broader vision as to what purpose the population in the area will be dedicated, of shifting the potential labor cadre which exists in the area into some form of high-technology-oriented manufacturing and agricultural projects. For instance, the educational level of the Palestinians, as I understand, is, on average, very high compared to many Arab countries. It would seem that it ought to be possible to utilize that Palestinian potential, combined with the scientific and technical know-how of Israel, to develop a tremendous technological capability

ity in the area as a whole. How do you see the future, say ten years down the road, in this respect?

**Eran:** We have to be realistic and look at the potential of each one of the components of the region. Right now it would be very useful to try and exploit tourism for creating an immediate source of additional income. . . . This, of course, entails creating a certain amount of the necessary infrastructure, but that is relatively easy to do.

In the long run, I think you are right. There are areas where we can create a greater industrial infrastructure. I would start with a concentration on small and medium-size businesses and expand from there. Another area is agriculture, where a lot can be done to raise the level of agricultural production in the region. Right now the region as a whole imports about 90% of its food needs, and this can be changed very dramatically with the improvement of the methods and with the improvement of the water economy, that is, the use of current resources and then the creation of new sources of new water. These are three areas on which I would concentrate, and obviously, on infrastructure development. The Middle East is a desert in more than one sense, I would say. It is a desert, literally speaking, and it is a desert in infrastructure. There are no roads, railroads, airlines, between the various places, or not enough to force a greater economic activity. Therefore, the concentration on infrastructure in itself will create an added economic activity.

**EIR:** Two days ago, the Syrian foreign minister was on Israeli TV for the first time and had some very conciliatory things to say. There has been a divided reaction in Israel, but the relation with the Syrians is obviously the last link in the chain of agreements that have to be made in order to really secure a Mideast peace. How do you see the Syrian-Israeli relations developing?

**Eran:** I am very optimistic because I think that it is now accepted by both sides, Israel and Syria, that the only way of solving the conflict is by peaceful means. Once this premise is shared by the two sides, it creates a very distinct hope for finding a solution. Now I don't want to mislead anyone. There is quite a gap in the current position of the two sides, but I think that the U.S. is providing the services of an honest broker and together we can find a solution. There are certain things, which, to our mind, the Syrians can do. There are precedents. If there is an agreement between Syria and Israel, it won't be the first. It won't even be the second agreement between Israel and one of its neighbors. There is the Israeli-Egyptian agreement of course. There is an agreement between Israel and the Palestinians. I hope by the time we reach an agreement with Syria, there will be a third precedent, an agreement between Israel and Jordan, toward which we are pressing very rapidly. All these agreements have something in common, and that is, that the Arab side has understood the need for taking certain steps which will create in Israeli public opinion greater confidence about Arab intentions regarding

the long-term peace and reconciliation with the existence of Israel. In the case of Egypt, it was the dramatic journey of President Sadat to Jerusalem, his appearance in the Knesset, the Israeli Parliament. With King Hussein, it was similar, the joint appearance with Prime Minister Rabin on the lawn of the White House.

These are very important gestures which help to convince Israeli public opinion. And, as you know, Israel is a democracy. Therefore public opinion plays a major role in the decision-making of the political leadership. It's necessary to convince the Israeli public that there is a genuine wish on the Arab side for peace and reconciliation. This has been done to some extent in the interview which was given by the Syrian foreign minister to Israeli television. It is a very important step, I don't want to underestimate it, but it's very important that it be by other similar steps. For example, we fail to understand why President Assad refuses to meet face-to-face with the Israeli leadership. Why can't there be a meeting between foreign ministers? If the PLO and Israel can meet face-to-face and sign agreements as a result of this meeting, what is it that prevents the Syrian leadership from doing the same thing? It's very difficult to explain to the Israeli public opinion this lack of direct contact. The interview on the Israeli TV is important, but it's only the beginning of similar steps which we feel the Syrians ought to take.

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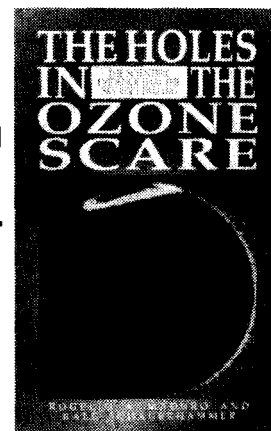
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## Iraq is important for Mideast development

*Abdul Whab Darawshe, chairman of the Democratic Arab Party and member of the Israeli Knesset in Jerusalem, was interviewed by Dean Andromidas by telephone on Oct. 19.*

**EIR:** It is reported in the press that you have sent a letter to Iraqi President Saddam Hussein asking whether an Israeli delegation could visit Iraq. Could you explain your initiative?

**Darawshe:** I have sent a message to President Saddam Hussein asking him to allow an Arab Jewish delegation of Israeli peace-lovers, mainly Oriental Jews and Israeli Arabs from Israel, to be allowed to visit Iraq to meet him and the Iraqi government, and to try to make there a call for the whole world to put an end to the siege of Iraq, to allow Iraq to return back to the international family, and to put an end to the suffering of the Iraqi people.

The second goal is to give Iraq a chance to integrate itself into the peace process, because we believe that without Iraq, there will be no possibility for achieving a comprehensive and just and lasting settlement of peace in the area. So it is in Israeli interests, it is in Iraqi interests, it is in Arab interests, and also the interests of the whole world to put an end to the siege of Iraq and to allow Iraq to be part of the process of peaceful solution for the Middle East.

The recent events on the border between Iraq and Kuwait has shown that there is a need to deal with the Iraqi situation in a different way, because the lack of a peaceful settlement there will result in more violence and a danger of more wars. So, it is in the interest of the whole area and peace lovers all over the world to discuss this issue in a useful way to put an end to the siege and also to integrate Iraq into the peace process. In view of the fact that there are no territorial demands that the Iraqis have from Israel, such an integration is especially appropriate.

**EIR:** Has there been a response from Iraq?

**Darawshe:** I hope that they will deal with this question in a wise and realistic way, and realize that it will serve them also, as well as the whole area. Therefore, I hope that at some time we will get a positive answer.

**EIR:** There have been press reports of contacts between representatives of the Iraqi and Israeli governments, even on the ministerial level. Is there any truth to these reports?

**Darawshe:** I hope there was something like that, I think it

would be a wise issue to make such contacts, but I do not know exact information about it.

**EIR:** Has there been support for your initiative from the government and Israeli political circles?

**Darawshe:** I did not get a response directly, but I read in the media that the Foreign Ministry in Israel is not happy about this initiative. But I have gotten a very positive response from the Iraqi Jews, from the peace camp in Israel, including members of the Knesset, Jewish members, who are ready to participate in such a delegation.

**EIR:** Who in particular?

**Darawshe:** Ran Cohan, for instance, one from the Labor Party, and one from Maretz. They are Iraqi Jews, and they are ready to participate in such a delegation. There are also professors, academics, leaders of communities, mostly Oriental Jews. They are making contact with me, they are saying that Oriental Jews can play a positive role in peacemaking in this area. So they are waiting for a chance to express their attitude toward this issue, especially Iraqi Jews. Many of them are saying they are ready to participate in this delegation. More than 200 personalities, very distinguished leaders, including leaders of the Iraqi community and leaders of Oriental Jewish community. They feel that they have been neglected by the Israeli government, that it did not integrate them into the peace settlement. They are ready now to play a role; they want to play a role.

**EIR:** I understand that there are distinguished members of the Israeli cabinet who are Iraqi Jews.

**Darawshe:** Yes. Housing and Construction Minister Benjamin Ben-Eliezer and Moshe Shahal, who is both minister of energy and infrastructure, and minister of police. Both have asked me about the initiative, but they cannot participate by themselves because they are members of the cabinet.

**EIR:** Does Saddam Hussein have to go, before any progress can be made?

**Darawshe:** I think it is a silly attitude. The United States of America cannot decide for the Iraqi people who will be their President. It's an issue for the Iraqi people. They are responsible for their future. They can decide who is their leader. It is not an American decision. The Americans can decide who their President will be, so the Iraqis can, too. If any change is going to come to any country, it is going to come from the people of the same country. And no one can export changes to other countries. It is not a wise policy. I do not accept it.

**EIR:** It is said that policymakers in Israel see the new strategic threat from Iraq as its possible disintegration.

**Darawshe:** Israel has an interest to reach a peace treaty with Iraq. Israel doesn't ask Iraq for any Iraqi territory, Iraq doesn't ask Israel for any Israeli territory. Israel doesn't occu-

py any Iraqi territory, so they both can reach an agreement. Especially now. Remember, Iraq supported the Palestinians in their struggle against Israel, and now there is a peace agreement between Israel and the Palestinians.

**EIR:** There is also a very important economic dimension to achieving peace with Iraq, especially in the context of developing a regional infrastructure such as a port in Gaza, railroads, desalination plants. How important is the economic side of this?

**Darawshe:** There is a big importance, because Iraq is a rich country with great potential, it has a lot of oil; strategically, it has a very important status and position. It is a strong country militarily, and it has a large population of 15 million people. So it is very important for Iraq to take part in the peace process, and I believe Iraq can be very helpful for the Palestinian authority to build their infrastructure. I believe it is in the interest of peace-lovers all over the world that Iraq play a positive role instead of a role of hatred and military actions. And I believe that it can come if the world shows good will toward Iraq, that they put an end to the siege of Iraq and give it a chance to integrate into the peace process. Iraq can play a positive role in these issues.

**EIR:** Has there been any discussion on integrating Iraq into regional economic planning?

**Darawshe:** Till now I don't think they have begun to work on these issues, but I know that the big project that [Israeli Foreign Minister Shimon] Peres is talking about, building a Middle East common market, is to include Iraq. Because no Middle East common market can take place without including Iraq. Iraq is also holding a very important position against the fundamentalists of Iran, and they can defend the part of the Arab world near Iraq.

**EIR:** Where do you see the opposition coming from?

**Darawshe:** The Americans. And I think America is making a big mistake on this issue. It is better to give Iraq a chance to return to the international family as an ordinary country, and to put an end to the siege, and to allow them to export oil, and to improve the struggle to survive of the Iraqi people. Also to allow them to use their income to help other countries, and especially to help the Palestinians. I believe it is also in American interests to have peace in this area.

**EIR:** I read in the papers you have gone to Jordan in this effort.

**Darawshe:** I was in Jordan last week for six days leading a delegation of 64 Israeli Arabs. I was welcomed warmly by King Hussein, his government, and his people. We held meetings with the prime minister, the chairman of the parliament, and the majority of government ministers. I did not make it to the Iraqi embassy, because Iraq was busy that whole week with its own affairs; I did not want to push

myself, I wanted to allow the situation to settle. I did not push to go to the Iraqi embassy, although I did go to the Syrian embassy.

**EIR:** How does the Arab Israeli community see its role in the current peace process?

**Darawshe:** I always believe we could be the bridge of peace between our people and our country. A bridge for a comprehensive settlement, a bridge of understanding and cooperation in education and culture and economy.

**EIR:** Is there a possibility of your joining the coalition?

**Darawshe:** We want that, the problem is the prime minister is not yet ready for that because he is afraid of Israeli public opinion—they were not accustomed to Arabs being a part of government coalitions, especially Arabs who belong to national parties. It is a kind of discrimination on a national basis. We do not enjoy the same rights. Still, there is discrimination between Jews and those who are not Jews—Arabs and others. It is discrimination and the racist way. We fight and struggle against that. There has been some improvement in the last two years because the government relies on our votes in the Knesset, but still there's discrimination.

**EIR:** How do you see the effect of today's bus bombing in Tel Aviv?

**Darawshe:** Very sad, very brutal. I am very anxious about the influence of this cruel issue. I believe that those who killed the Israelis tried to kill the peace process. I called the government and I told them that they should continue the negotiations and not give them [the terrorists] a chance to succeed. I call them the Goldstein Arabs, because [Baruch] Goldstein is a Jew who killed the Palestinian Arabs, and those killers are the same. So I condemn any killing, whether it comes from Arabs or Jews. I think extremists feed off one another and they want to kill the opportunity for peace, but I believe that they will not succeed.

**EIR:** We feel that the biggest danger to the peace process is the World Bank and its refusal to release funds to the Palestinian Authority. How do you see that danger?

**Darawshe:** I believe that the donors, including the World Bank, if they do not help the Palestinians to build their infrastructure and to pay the salaries, they will kill the peace process. Because the lack of possibilities for the Palestinian authorities will prevent it from succeeding and achieving any achievements, and there will be a lot of frustrations among the Palestinians, which will lead to a bad situation. The only way to help the Palestinian authorities is to help them build their infrastructure and economy, to give a chance for the creation of jobs for Palestinian workers, and to pay the salaries of the officials. Without that I don't see how the Palestinian Authority can succeed. It means that the success of the whole peace process will be thrown into doubt.

# Argentina's nuclear sovereignty target of privatization scheme

by Gerardo Terán Canal

The recently announced plans of Argentina's President, Carlos Menem, and his Finance Minister Domingo Cavallo, to privatize the nation's nuclear program have touched off angry reactions not only among scientific layers but in the general population. The state-run nuclear program is the linchpin of scientific and technological sovereignty of Argentina, which together with Brazil's capacity would be the basis for a scientific and economic development of the whole Ibero-American continent in the coming century.

The privatization scheme was announced in August and became the subject of congressional hearings in September. It is seen by many here in Buenos Aires as the last straw in a conspiracy to wreck national sovereignty, a process ongoing in every nation of Ibero-America. In Argentina, this process started with the Malvinas War of 1982, and continued with the plan to dismantle the Armed Forces, now going into its final phase. After the military, the nuclear science institutions, which developed under military guidance, are on the chopping-block.

On Aug. 30, the Executive branch made public Decree 1540, establishing that "it is necessary to transfer the activity of nuclear electrical power into private hands" and hence that "The Argentina Nuclear Electric Co., Inc. shall be constituted" which, according to Art. 4 of this decree, "will develop the activity of nuclear electricity generation connected to the Atucha I Nuclear Plant, and the Embalse Plant and that under construction, which is on line and running of the Atucha II Nuclear Plant."

Moreover, in Art. 10 the decree specifies: "To the Argentina Nuclear Electric Co., Inc. shall be transferred the shares and contracts of ownership of the National Atomic Energy Commission linked to the development of nuclear electrical power generation. . . ." With this decree the two operating nuclear plants, Atucha I and Embalse, and the one under construction, Atucha II, are put up for sale.

The "restructuring" of the National Atomic Energy Commission, the form of which is yet to be approved by Argentina's Congress, provides that the future owners of the nuclear plants would give a fixed sum of \$25 million for the services provided them. But the Commission's annual budget is \$120 million. The National Atomic Energy Commission employs all the scientists, engineers, skilled workers, office personnel, and other personnel who work in the nuclear area includ-

ing the direct production of the plants, which adds up to about 5,000 people at present.

## Scientific community says no

According to Dr. Manuel Mondino, director of the Commission, who stepped down as a logical reaction to Decree 1540, if this privatization plan is carried out, the Commission will cease to exist in two years.

Argentina's scientists have reacted by putting up patriotic resistance and trying to reverse this process, which will not only wreck their nation but seriously compromise Ibero-America's development hopes. During September a mobilization was carried out for a national plebiscite, which consisted of gathering signatures for a congressional bill which would abolish Decree 1540 and enact different nuclear legislation so as to guarantee that no future government tries the same stunt. According to its sponsors in the Roundtable of the Scientific and Technological Sector, made up of various national and provincial-level scientific organizations, hundreds of thousands of Argentines have already signed the petition.

Inside Congress the mobilization has also been intense. *EIR's* sources say that the Science and Technology committees of both the Senate and House agree in getting the national Congress to pass the law for which signatures are being gathered.

## The Cavallo Plan

As in the case of the destruction of Condor II—the Argentine medium-range precision missile which was the only one of its kind built outside the old Soviet Union and the United States—the vehicle of this plot is the economic policy of the World Bank and International Monetary Fund which is being applied in Argentina by the neo-liberal finance minister, Domingo Cavallo, with his "Convertibility Plan" or "Cavallo Plan." The minister, in recent statements, defended the offensive by stating that the scientists should be "sent off to wash dishes." (The neo-liberal revolution seems to share the views of the French Committee of Public Safety that sent the great chemist Lavoisier to the guillotine in 1794 stating, "The Revolution has no need of science.")

As denounced by the Roundtable of the Scientific Sector in a protest declaration, Decree 1540 is legislating the "recommendations" made by the World Bank in a 1992 report

entitled, *Argentina, From Insolvency to Growth*. "These recommendations," charges the declaration, "have the goal of reducing to a minimum the country's capacity to develop its science and technology." The World Bank report proposes to eliminate 9,000 scientists' jobs, as well as to slash the budget of such crucial institutions as the National Commission of Scientific and Technological Research, which gives scholarships to more than 1,000 young researchers, whose future will be cut off if the World Bank plan goes through.

For certain, the Cavallo Plan, which has been touted as a model around the world, has serious difficulties in balancing the budget, as even Cavallo admitted at the last International Monetary Fund meeting in Spain in September. It is the case that privatizing the nuclear plants in operation could net the treasury some hundreds of millions of dollars, and the private completion of Atucha II, which is under construction, would reduce the national budget by hundreds of millions of dollars more, which would allow Argentina to comply with its foreign debt obligations which were acquired under the Brady Plan (of the Bush administration) and could breathe some more life into that plan. But as one of the Argentine atomic energy pioneers, engineer Carlos Martínez Vidal, put it to the Senate during hearings organized by the Science and Technology Committee on Decree 1540, the truth is that "what they really want to eliminate is not budgetary expenditures, or an adjustment in cash flow, but that capacity for autonomy which can be perfectly transferred from the nuclear sector to other sectors which are developing Argentina, as has been constantly demonstrated. . . . This autonomy is what is being paid for."

If it were only a cash-flow problem, the Argentine nuclear sector is one of the country's mostly highly competitive and could be one of the mainstays of solving the growing trade deficit. Yet, because of international pressures coming from a "technological apartheid" policy toward the nations of the South, in 1992 Argentina stopped exporting \$100 million worth of nuclear technology to Iran.

### **Strategic, military, and scientific plan**

The whole process of Argentine nuclear energy has been developed by the National Atomic Energy Commission, as part of a strategic military-scientific plan. One of the main protagonists of it was Adm. Carlos Castro Madero, a physicist who was one of the four directors which the Commission has had in its 44 years of existence. In 1990, in statements to the *Revista Argentina de Estudios Estratégicos*, Castro Madero said that "the objectives of our nuclear policy are the same ones that were defined in 1977: to increase the scientific, technical, and industrial effort in the nuclear area for exclusively peaceful ends and the exploitation of the human and natural resources of the country in this field, to contribute to national development." He added that the "integration and cooperation with Brazil in the nuclear field is mandatory to all the technological, economic, and political benefits which

can be derived from it."

The Commission, founded during the first presidency of Gen. Juan Domingo Perón, in 1950, managed the nuclear plants, from their initiation through bringing them on-line. Privatization means breaking the fundamental axis of technical and scientific development which the National Atomic Energy Commission created, which is a source of national pride and a scientific-industrial model for Ibero-America and the world. As Dr. Mondino stated in a Commission publication, the National Atomic Energy Commission "is one of the most successful combinations of laboratory and factory which we find in Argentina; with a training-ground for scientists of international prestige, projects which are materialized, and two distinctive characteristics: continuity and a

## **CNEA—Argentina's 'jewel'**

The National Atomic Energy Commission (CNEA) was created in 1950 and one year later, the National Directorate of Atomic Energy was created. As engineer Carlos Martínez Vidal explained to the Argentine Senate on Sept. 8, 1994, "This organization started to work with Argentine physicists, engineers, and mathematicians," all around 30 years of age, who took "the responsibility for orienting and advancing together with the National Atomic Energy Commission. One of the primary scientific activities was research with isotopes and radiation," which was under the direction of Dr. Llemaner, a German radiochemist who arranged for Argentina to present an appreciable number of original papers on discoveries and characterizations of new radioisotopes and also something on uranium at the first and second international atomic energy meetings.

Another witness before the Senate, Dr. Gregorio Baro, director of the commission's radioisotopes and radiation division, explained that one of those working in the early days of the Argentine commission was Professor Elberg, "one of the pioneers in nuclear energy, who had worked with the discoverer of nuclear fission." The first reactor scientists were trained inside the radiochemistry group, and already in 1954-55 the group contributed 20 new radioisotopes, "many of which have been useful for the study of nuclear physics," said Dr. Baro. The radioisotopes started to be produced in an RA-3 reactor, designed in Argentina. Another machine to produce radioisotopes is a cyclotron, and in 1954 Argentina also installed one of these.

balanced budget.”

The Commission has everything essential for the development of the physical economy, as economist Lyndon LaRouche has so often described it: scientific research, laboratory development, technology development, and their application to production of goods for society.

Besides producing nuclear fission energy, in which Argentina is an exporter in all fields, and building reactors, the Commission succeeded in producing the full nuclear fuel cycle, from the mine to the reactor; it works in food irradiation as well as in medicine, and is also a cobalt exporter; it produces radioisotopes for medicine and for agriculture; it is about to finish a heavy water plant in the southwest of the country; it has a laboratory with its own particle accelerator; it

can enrich already-used uranium and various other processes. To achieve all this the Commission has set up partnerships with private capital and with some provincial governments, creating eight companies to develop the different activities.

As Martínez Vidal put it, the Commission “is the only institution which has managed to maintain itself over 44 years with levels of excellence and quality” despite the coming and going of politicians and the economic bestiality of the International Monetary Fund. This is what makes it such a target.

Manuel Mondino himself had warned since 1992, “We are all aware that this laboratory-factory combination cannot be split up, because that would mean throwing overboard the excellence achieved over decades of work and generations of scientists.”

As the result of these beginnings, today Argentine exports cobalt 60, which in Dr. Baro’s estimation, “has prolonged the life of humanity . . . by 11 million years.” In the line of radioisotopes, as in the rest, the National Atomic Energy Commission went from research into production. Today there are 700 centers which use radioisotopes in the country, mostly for medical purposes but also for industrial and agricultural uses. Argentina is one of the six countries which produces the fission radioisotope molybdenum 99 which requires a “very complicated technology.”

Engineer Martínez Vidal reported that in 1954, too, materials studies were started and from “these activities of research and development . . . Argentina passed very rapidly into experimental development.” And at the impetus of Dr. Jorge Sabato, “the ongoing struggle was begun with enriched uranium, natural uranium, so that we would not be dependent. . . . The construction of the first experimental laboratory is proposed within this concept of technological autonomy.” This was the RA-1, entirely built in Argentina.

The commission opened its technical service to industry in 1959-60. Engineer Martínez Vidal underlined that “this service was an important window which allowed the Argentine industrial sector to know from the inside and to determine that 38%” of what was needed to build the Atucha I nuclear plant “was perfectly feasible to manufacture within Argentina.”

In the 1960s, the commission started to crystallize the plan to install the first nuclear energy plant for Argentina. It was decided to use natural rather than enriched uranium, which was used in Embalse, the second nuclear plant in the country. It was also decided to give priority to completing production of the full fuel cycle to achieve independence. Dr. Emma López Ferreira, ex-president of the National Atomic Energy Commission, explained in

the Sept. 8 Senate hearings that “the stages were being concretized leading to having the manufacture of fuel elements in a productive stage.” Argentine private capital participated in this process. When embargos started during the 1970s, “then we launched the program of development of our own capacity in enrichment, which was successful.”

Argentina has a uranium mine in San Rafael, Mendoza, and has proven reserves of 11,000 tons, which are enough to feed four plants for 30 years of useful life. In the Córdoba Manufacturing Complex, the fuel is purified and a product is obtained for nuclear use, uranium dioxide. Then at the Ezeiza Atomic Center, near Buenos Aires, the partner firm of the commission, Conuar (Combustibles Nucleares Argentinos) produces the uranium pellets. These capsules are placed in sheaths of a zirconium-based alloy produced by the company FAE, Fabricación de Aleaciones Especiales, which is also part of the national complex set up by the commission.

Although today used fuel elements are not reprocessed, the commission is building a Pilot Reprocessing Laboratory at the Ezeiza Atomic Center.

During 1967-68 the first gamma-ray plant was built, which was one of the first in Ibero-America. Five years ago a private plant was installed for which the commission contributed much of the technology. Today the commission has a mobile irradiator which is being used for research on eradication of the fruit fly, Dr. Baro reported.

In 1974, the Atucha I nuclear plant came on line, built in association with the Siemens company of Germany and with 38% of its construction done in Argentina. In 1992, Atucha achieved an unequalled production record by attaining 362 days of uninterrupted power generation, which shows that the campaign to claim that Atucha I was in the worst condition in its history, was pure propaganda.—*Gerardo Terán Canal*

# Business Briefs

## Petroleum

### Venezuela, Brazil talk on joint oil company

A joint project to combine Venezuela's oil company with that of Brazil was discussed during President Rafael Caldera's recent visit to Brazil, Venezuelan Energy Minister Erwin Arrieta told the daily *El Universal* in mid-October. The project would join their respective state companies for the purpose of "exploration, drilling, refining, and commercialization" of oil.

At the same time, the Brazilian press is reporting that the U.S. Department of Commerce is involved in a project to develop the Tiete-Paraná region in Brazil. On Nov. 3, a committee to develop the area will be founded in Washington, with the task of first determining basic infrastructure and energy development projects for the region. The United States will give an initial \$1.3 million to the committee, presumably for feasibility studies, and the U.S. EximBank, Trade Development Agency, Environmental Protection Agency, and Overseas Private Investment Corp. will also be involved.

Several private companies are reportedly considering an investment of \$7 billion in the region over the next five years, which would range from energy, transportation, and other basic infrastructure to agro-industry, metallurgy, telecommunications, and high-technology laser companies. A gas pipeline extending into Bolivia is under discussion as well.

## Political Economy

### List championed over Adam Smith in Colombia

Fabio Castillo, the Colombian author of the best-seller exposé *The Horsemen of Cocaine*, issued a challenge to the free-market insanity rampant in Ibero-America in the daily *El Espectador* on Oct. 18. Friedrich List's system of political economy is superior to Adam Smith's "free market," Castillo said. He wrote:

"The First World defends laissez-faire

... [as if] free enterprise is best for everyone on the market, while protection and [state] interference in the market is congenitally wrong. Why? Why do they never mention Friedrich List, the German economist opposed to Smith and for whom local protection is a strategic matter, and the state's action on the market a necessity . . . to guarantee social welfare. . . . In his two works, *The Natural System of Political Economy* (1837) and *The National System of Political Economy* (1854), List says that economy is not a game of open rules. . . . Nations must think of trade as a strategic issue, and not simply as a question of where one can buy the cheapest shirt this week. Economy is not a matter of being right or wrong, but of strong or weak. Thus, protection is not a sin, but a decision."

Castillo commented on List's analysis of the British decision of 1846 to abolish the Corn Law, leaving peasants to battle for better prices while Britain industrialized itself. "The discussion on protectionism has not changed for the past two centuries," said Castillo. "It has always been dominated by the country which draws the best advantage from its abolition."

## Fusion Energy

### New laser project gets DOE go-ahead

Secretary Hazel O'Leary announced on Oct. 21 that the U.S. Department of Energy intends to proceed with the engineering and design of the National Ignition Facility (NIF), a new multipurpose laser which will be sited at Lawrence Livermore National Laboratory in California.

The NIF will be the most powerful laser in the world. The facility will consist of 192 laser beams directed onto a small capsule of hydrogen, causing the target to implode. The temperature and pressure inside the compressed capsule reach a point at which the hydrogen atoms fuse and release a burst of energy.

While the goal of the NIF is to produce more energy than it consumes with the hope of developing a fusion energy source, its primary mission will be to allow scientists to conduct

experiments relating to weapons physics. O'Leary said that the NIF is necessary to help ensure the safety and reliability of our nuclear stockpile while downsizing our arsenal and working toward a comprehensive test ban.

O'Leary also spoke of the NIF as part of national economic security, and said that it is through large scientific challenges that we generate spinoffs in high-tech products for the U.S. economy, "an idea we've stumbled on in the past, which we embrace today," she said.

Opposition to the NIF has come from anti-nuclear and environmental groups which cite non-proliferation concerns. Tom Cochran of the Natural Resources Defense Council, who was recently named to the DOE Fusion Energy Advisory Committee, said that the DOE "can't have it both ways"; that is, to give up nuclear testing and then to build the NIF to test nuclear concepts. But, O'Leary stated, "the non-proliferation circles in which I move" see the NIF as leading to a "no need to test" position.

## Health

### Physicians worry over drug-resistant bacteria

A growing number of physicians are ringing alarm bells over the potential for common bacteria to become drug resistant and to start a deadly epidemic which no one will be able to treat, the Oct. 20 *Washington Times* reported.

"The federal agencies responsible for taking care of this are all clearly underfunded," said Dr. David Shlaes from Cleveland Heights, Ohio. Shlaes is a member of a special task force created by the American Society for Microbiology to study the problem. "We need basic research. We need to get pharmaceuticals back into the game. We need more surveillance to find out how widespread resistance already is," he said.

Dr. Stuart Levy of Tufts University, author of *The Antibiotic Paradox; How the Miracle Drugs Are Destroying the Miracle*, said, "It's a major crisis because people are dying, and people are going to die in the future. . . . The rare event is happening again and again." Levy and Chris Foreman at the Brookings Institution are using this crisis to attack the use

of antibiotics in the livestock industry.

The problem became much worse after 1979 when Surgeon General William Stewart told the medical world to "close the books on infectious diseases." This led the pharmaceutical industry to drop research on new antibiotics. There is now a 5-7 year lag before 28 new antibiotics come onto the market.

## Poland

### Privatization program attacks independence

After a long fight within the Polish government, in October Prime Minister Waldemar Pawlak signed the mass privatization program which will allow the sell-off of 444 state industrial enterprises slated to be managed by national investment funds under joint foreign and domestic directorship.

Sources report that Pawlak signed the program only after the International Monetary Fund and the World Bank insisted that the program be implemented before funds are freed to reduce Poland's debt by 49.5%. This argument was used by the Polish "free marketeers" to put pressure on Pawlak, who had said in a late September address on national television that he disapproves of turning management of Polish enterprises over to foreigners.

## Nigeria

### Sack of finance minister sets back IMF program

Nigerian Finance Minister Kalu Idika Kalu, a former World Bank economist, was fired on Oct. 17. The move "indicates that there is a closing of ranks within the Provisional Ruling Council and the cabinet over the idea" that the International Monetary Fund's Structural Adjustment Program "is as dead as a dodo," Ashikiwe Adione-Egom, an independent economist, told Reuters in Lagos. Kalu, a great believer in privatization and returning Nigeria to free-market reforms, was the one govern-

ment official who was allowed to come to the United States in recent months following the imposition of U. S. sanctions against Nigeria.

Finance Ministry officials said that Kalu tried in vain to get the government to reverse the decision made in January to fix foreign exchange rates and outlaw the free market. Kalu was also opposed to the artificial pegging of interest rates. "Kalu's removal indicates that the government does not want to shift its policy," said Adekunle Olumide, director general of the Lagos Chamber of Commerce and Industry. Kalu's dismissal came just as work was beginning on the calendar year 1995 budget.

Kalu said at the International Monetary Fund-World Bank annual meeting in Madrid in September, "Hopefully, in the context of the next budget we will have the opportunity to review the efficacy of these new controls." Asked if he wanted the regulations lifted, Kalu replied, "Definitely." Analysts say pro-regulators in Abacha's administration appear to still have greater clout on economic policy than the free market lobby, which now includes the central bank governor.

## Infrastructure

### Berlin-Moscow high-speed railway urged by minister

The construction of a high-speed rail line between Berlin and Moscow would create a big economic boom, declared Elmar Pieroth, minister of financial affairs in the Berlin municipal administration, on Oct. 20 following his return from talks in Moscow. His remarks are among the very few that reflect some sanity in Germany these days, which is otherwise dominated by post-election political power struggles.

Investment of DM 15-20 billion (\$9.4-12.5 billion) or even DM 50 billion into either a modernization of existing rail tracks to make them fit for high-speed trains or for entirely new construction, would create a boom, Pieroth said. The project would also function as a "development corridor with new industrial settlements" and turn Berlin into the central hub of modern rail connections between Europe's west and east, like a "spider in the center of a web," he declared.

## Briefly

● **THE CURRENT RATE** of population growth is the lowest recorded since World War II, and marks a return to the trend of declining growth prevalent from the mid-1960s to mid-1970s," the U.N. Population Fund reported in its *Populi* magazine. In 1990-94, world population grew at 1.57% a year, "significantly" below the annual rate of 1.73% of the previous 15 years and the 1.68% recorded for 1992.

● **SOUTH KOREA AND CHINA** have agreed to cooperate in the peaceful use of nuclear energy, Seoul's Foreign Ministry said on Oct. 19. "A provisional agreement was signed in Beijing, and the formal signing will be held later," a spokesman said.

● **IRAQ AND RUSSIA** have decided to start the technical study of carrying out economic and oil projects, Iraqi Oil Minister Safa Hadi Jawad said after returning from Moscow the third week in October. "My talks with the Russian officials were very positive and good," he said.

● **GERMANY** is facing increasing labor unrest in response to a wave of new layoffs and calls for a new round of austerity. Workers at the Zeiss optical plant in Jena, for example, are planning protests after management said it will fire up to 3,000 of its 16,000 workers in the near future.

● **CHINA'S** Guangdong province has undertaken construction of a \$350 million dam at the Feilei Gorge water control project in Qingyuan to prevent a repeat of this year's killer floods, Hongkong's pro-Beijing paper *Wen Wei Po* reported. The dam will control the flow of North River, which poses a threat to the 10 million people.

● **FOOD BANKS** are facing a drop in funding from the U.S. Department of Agriculture from \$80 million in 1993 to \$25 million in 1994. "The impact is going to be very dramatic," Dick Goebel of Second Harvest food bank in St. Paul, Minnesota said on Oct. 18.

## LaRouche program can save Europe from IMF fiasco

by Mel Klenetsky

The narrow margin of German Chancellor Helmut Kohl's electoral victory on Oct. 16 and the recent dramatic collapse of the Russian ruble serve as a reminder that Europe is steps away from political turmoil and economic disaster. The political crisis in Germany is a result of the five years of status quo policies since the fall of the Berlin Wall in November 1989. In Russia, shock therapy policies plunge that nation into new depths of deprivation and political chaos each month.

In both cases, the approaches defined by Lyndon LaRouche and his wife, Helga Zepp-LaRouche, were not followed. Instead, the debilitating programs of the International Monetary Fund (IMF) have forced a political-social crisis in Germany, Russia, and throughout Europe. The infrastructure development perspective of Lyndon LaRouche's Paris-Berlin-Vienna "Productive Triangle" program was mirrored in the *White Paper* of Jacques Delors, the outgoing president of the European Commission. While the Delors plan is a step in the direction of LaRouche's Triangle perspective, it is not yet the necessary financial and debt-restructuring proposal and comprehensive infrastructure development conception that LaRouche first proposed in 1991.

On Oct. 12, 1988, one year before the Berlin Wall came down, LaRouche prophetically predicted that Germany would soon be reunited. In his speech at the Bristol Kempinski Hotel in Berlin, LaRouche proposed that the carrot of western technology and food capabilities be used to induce what was then still the Soviet Union to allow Poland to be developed and Germany reunified. This dramatic and radical proposal became the subject of a half-hour nationally broadcast television advertisement for LaRouche's 1988 presidential campaign.

We include that speech in this feature, along with a timeline that juxtaposes LaRouche's proposals and warnings to the warnings and reactions of others; the policies of LaRouche's opponents; and the actual events that followed. The political-economic crises of Europe can be seen from the standpoint of the IMF policies that were adopted, and the LaRouche programs that were not.

In January 1992, Yegor Gaidar and a 13-man committee of advisers led by





*An unusual and uplifting feature of the German election campaign: The Civil Rights Movement Solidarity (BBS) co-sponsored a tour by African-American Classical musicians, to revitalize Germany's heritage of Classical culture and to emphasize the nation's dedication to the civil rights of all people. Shown here are (left to right) Helga Zepp-LaRouche, chancellor candidate of the BBS, with artists Elvira Green, Aaron Gooding, Detra Battle, and James Cokley.*

Jeffrey Sachs and Anders Åslund won the upper hand in the Russian government. On Jan. 2, 1992, the ruble was made convertible to the dollar at a rate of 70:1. On Oct. 12, 1994, the ruble stood at almost 4,000, up from the 2,675 value of Oct. 4. The Russian government had to spend almost all of its reserves to bring it down to the 3,000 level.

The ruble inflation is only one sign of the economic collapse in Russia. In 1994, President Boris Yeltsin and Prime Minister Viktor Chernomyrdin abandoned the more extreme forms of Gaidar's shock therapy regime, which reduced Russian industry by more than 50% in the 1991-93 period; but they kept to a modified IMF program. The results: Industrial production in the first half of 1994 dropped by 26%. Productivity in machine building dropped 44.9%. General Kuznetsov complained in September that 95% of the military-industrial complex was not functional, and the military was receiving a little more than 50% of its already inadequate allocation. A report in February 1994 from the economics faculty of the Russian Academy of Sciences, addressed to Yeltsin and the Duma, stated that 10% of the Russian population lacked sufficient food, 33% lived under the poverty line, life expectancy has gone from 69.2 to 66 years, and infant mortality has grown from 17.4 to 19.1 per 1,000 live births. Now, the IMF crowd wants a new round of shock therapy.

### **A narrow victory for Kohl**

Chancellor Kohl won a narrow electoral victory on Oct. 16. Having promised that German reunification would bring prosperity, he was not able to meet that promise, especially

after the assassinations of Alfred Herrhausen, the head of the Deutsche Bank, and Detlev Rohwedder of the Treuhand agency, which was in charge of dealing with East Germany's state-run enterprises. Herrhausen and Rohwedder had proposed an infrastructure buildup of Germany's eastern states, rather than the IMF asset-stripping policy that Kohl was forced to follow.

East Germany went through a 40% economic contraction in the 1990-91 period, paralleling the later Gaidar-Sachs programs for Russia. Today, unemployment for all of Germany stands at 7 million. Some eastern German towns, such as Jena, have unemployment as high as 30%.

The German government held off the short-term effects of the depression with tricks, such as the granting of special budget concessions to the farming sector and medium-sized industries, and tacit agreements with the banks and industry to postpone corporate bankruptcies and industrial mass layoffs. Kohl's coalition, with a mere 10-seat margin in Parliament, will find no such gimmicks.

Our feature includes a sampling of the election speeches of Helga Zepp-LaRouche, who ran in the German elections as the chancellor candidate of the Civil Rights Movement Solidarity. Mrs. LaRouche's address to the Nordbau construction association presents the Productive Triangle approach, which harnesses the powers of the industrial belt from Paris to Berlin to Vienna in such a way that a global program of infrastructure building would unleash a worldwide economic recovery, thereby resolving the strategic and economic dilemmas that now stand in the way of East-West cooperation.

# United States policy on the reunification of Germany

by Lyndon H. LaRouche, Jr.

*Independent presidential candidate Lyndon LaRouche released this statement at a press conference in Berlin, the morning of Oct. 12, 1988.*

I am here today, to report to you on the subject of U.S. policy for the prospects of reunification of Germany. What I present to you now, will be a featured topic in a half-hour U.S. television broadcast, nationwide, prior to next month's presidential election. I could think of no more appropriate place to unveil this new proposal, than here in Berlin.

I am the third of the leading candidates for election as the next President of the United States. Although I shall not win that election, my campaign will almost certainly have a significant influence in shaping some of the policies of the next President.<sup>1</sup>

Although we can not know with certainty who will be the winner of a close contest between Vice President George Bush and Massachusetts Gov. Michael Dukakis, it is the best estimate in the United States today, that Mr. Bush will win the largest electoral vote. Obviously, I am not supporting Mr. Bush's candidacy, and I am not what is called a "spoiler" candidate, working secretly on Mr. Bush's behalf. Nonetheless, should Mr. Bush win, it would be likely that I would have some significant, if indirect influence on certain of the policies of the next administration. How this result would affect the destiny of Germany and Central Europe generally, is the subject of my report here today.

By profession, I am an economist in the tradition of Gottfried Wilhelm Leibniz and Friedrich List in Germany, and of Alexander Hamilton and Mathew and Henry Carey in the United States. My political principles are those of Leibniz, List, and Hamilton, and are also consistent with those of Friedrich Schiller and Wilhelm von Humboldt. Like the founders of my republic, I have an uncompromising belief in

the principle of absolutely sovereign nation-states, and I am therefore opposed to all supranational authorities which might undermine the sovereignty of any nation. However, like Schiller, I believe that every person who aspires to become a beautiful soul, must be at the same time a true patriot of his own nation, and also a world-citizen.

For these reasons, during the past 15 years I have become a specialist in my country's foreign affairs. As a result of this work, I have gained increasing, significant influence among some circles around my own government on the interrelated subjects of U.S. foreign policy and strategy. My role during 1982 and 1983 in working with the U.S. National Security Council to shape the adoption of the policy known as the Strategic Defense Initiative, or "SDI," is an example of this. Although the details are confidential, I can report to you that my views on the current strategic situation are more influential in the United States today than at any time during the past.

Therefore, I can assure you that what I present to you now, on the subject of prospects for the reunification of Germany, is a proposal which will be studied most seriously among the relevant establishment circles inside the United States.

Under the proper conditions, many today will agree, that the time has come for early steps toward the reunification of Germany, with the obvious prospect that Berlin might resume its role as the capital.

For the United States, for Germans, and for Europe generally, the question is, will this be brought about by assimilating the Federal Republic of Germany and West Berlin into the East bloc's economic sphere of influence, or can it be arranged differently? In other words, is a united Germany to become part of a Europe from the Atlantic to the Urals, as President de Gaulle proposed, or, as Mr. Gorbachov desires, a Europe from the Urals to the Atlantic?

## The reality of the worldwide food crisis

I see a possibility, that the process of reunification could develop as de Gaulle proposed. I base this possibility upon the reality of a terrible worldwide food crisis which has erupted during the past several months, and will dominate the world's politics for at least two years to come.

The economy of the Soviet bloc is a terrible, and worsen-

1. *Editors' note:* Two days after he gave this speech, LaRouche was indicted on trumped-up conspiracy charges in federal court in Alexandria, Virginia. After a railroad trial, he was convicted on Dec. 16, 1988 and sent to prison with a 15-year sentence on Jan. 27, 1989. He was released on parole on Jan. 26, 1994. Although his influence on the course of world events was considerable during 1989-93, that influence would obviously have been orders of magnitude greater had he not been imprisoned. See the timeline on pages 28-39 of this issue and also *EIR*, Oct. 21, 1994, pp. 60-62.

ing failure. In western European culture, we have demonstrated that the successes of nations of big industries depend upon the technologically progressive independent farmer, and what you call in Germany the *Mittelstand* [Germany's small and medium-sized entrepreneurs]. Soviet culture in its present form is not capable of applying this lesson. Despite all attempts at structural reforms, and despite any amount of credits supplied from the West, the Soviet bloc economy as a whole has reached the critical point, that, in its present form, it will continue to slide downhill from here on, even if the present worldwide food crisis had not erupted.

I do not foresee the possibility of genuine peace between the United States and Soviet Union earlier than 30 or 40 years still to come. The best we can do in the name of peace, is to avoid a new general war between the powers. This war-avoidance must be based partly on our armed strength, and our political will. It must be based also, on rebuilding the strength of our economies.

At the same time that we discourage Moscow from dangerous military and similar adventures, we must heed the lesson taught us by a great military scientist nearly four centuries ago, Niccolò Machiavelli: We must also provide an adversary with a safe route of escape. We must rebuild our economies to the level at which we can provide the nations of the Soviet bloc an escape from the terrible effects of their economic suffering.

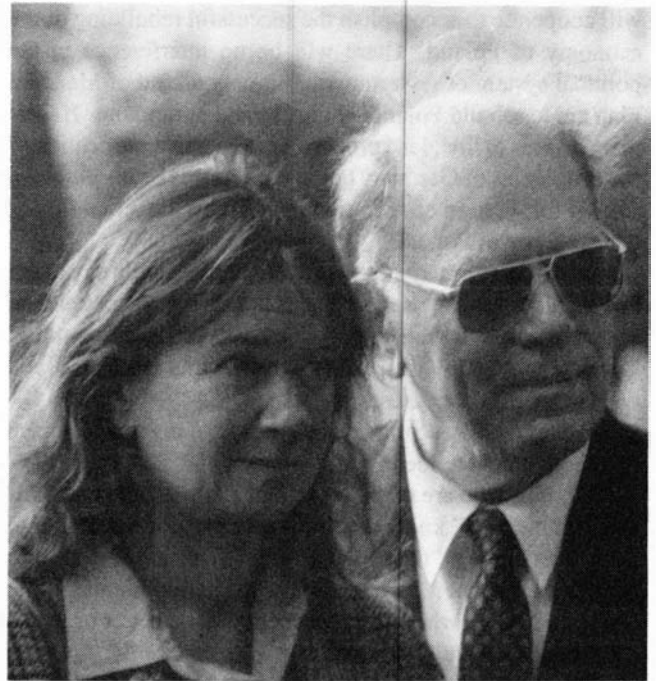
I give a concrete example.

Recently, in response to the food crisis, I sponsored the formation of an international association, called Food For Peace. This association has just recently held its founding conference in Chicago Sept. 3-4, and since then has been growing rapidly inside the United States and in other nations represented by delegates attending that conference.

One of the points I have stressed, in supporting this Food For Peace effort, is that the Soviet bloc will require the import of about 80 million tons of grain next year, as a bare minimum for the pressing needs of its population. China is experiencing a terrible food crisis, too. As of now, the food reserves are exhausted. There are no more food reserves in the United States, and the actions of the European Commission in Brussels have brought the food reserves of western Europe to very low levels. Next year, the United States and western Europe will be cut off from the large and growing amount of food imports during recent years, because of the collapse of food production in developing nations throughout most of the world.

During 1988, the world will have produced between 1.6 and 1.7 billion tons of grains, already a disastrous shortage. To ensure conditions of political, and strategic stability during 1989 and 1990, we shall require approximately 2.4 to 2.5 billion tons of grain each year. At those levels, we would be able to meet minimal Soviet needs; without something approaching those levels, we could not.

If the nations of the West would adopt an emergency



*Lyndon and Helga LaRouche visit the Charlottenburg Palace in Berlin on Oct. 11, 1988. In his speech the following day, Mr. LaRouche expressed the hope that the palace would soon become the seat of a united German government.*

agricultural policy, those nations, working together, could ensure that we reach the level of food supply corresponding to about 2.4 billion tons of grains. It would be a major effort, and would mean scrapping the present agricultural policies of many governments and supranational institutions, but it could be accomplished. If we are serious about avoiding the danger of war during the coming two years, we will do just that.

By adopting these kinds of policies, in food supplies and other crucial economic matters, the West can foster the kind of conditions under which the desirable approach to reunification of Germany can proceed on the basis a majority of Germans on both sides of the Wall desire it should. I propose that the next government of the United States should adopt that as part of its foreign policy toward Central Europe.

### **Rebuild the economies of eastern Europe**

I shall propose the following concrete perspective to my government. We say to Moscow: We will help you. We shall act to establish Food for Peace agreements among the international community, with the included goal that neither the people of the Soviet bloc nor developing nations shall go hungry. In response to our good faith in doing that for you, let us do something which will set an example of what can be done to help solve the economic crisis throughout the Soviet bloc generally.

Let us say that the United States and western Europe

will cooperate to accomplish the successful rebuilding of the economy of Poland. There will be no interference in the political system of government, but only a kind of Marshall Plan aid to rebuild Poland's industry and agriculture. If Germany agrees to this, let a process aimed at the reunification of the economies of Germany begin, and let this be the *punctum saliens* for western cooperation in assisting the rebuilding of the economy of Poland.

We, in the United States and Germany, should say to the Soviet bloc, let us show what we can do for the peoples of eastern Europe, by this test, which costs you really nothing. Then, you judge by the results, whether this is a lesson you wish to try in other cases.

I am now approaching the conclusion of my report. I have two more points to identify.

All of us who are members of that stratum called "world-class politicians," know that the world has now entered into what most agree is "the end of an era." The state of the world as we have known it during the postwar period is ended. The only question is, whether the new era will be better or worse than the era we are now departing?

The next two years, especially, will be the most dangerous period in modern European history, and that worldwide. Already, in Africa, entire nations, such as Uganda, are in the process of vanishing from the map, biologically. Madness on a mass scale, of a sort which Central Europe has not known since the New Dark Age of the fourteenth century, has already destroyed Cambodia, is threatening to take over the Middle East as a whole, and is on the march, to one degree or another, in every part of the world. As a result of these conditions of crisis, the world has never been closer to a new world war than the conditions which threaten us during the next four years ahead. What governments do during the coming two years will decide the fate of all humanity for a century or more to come.

There have been similar, if not identical periods of crisis in history before this, but, never, to our best knowledge, on a global scale, all at once.

I recall the famous case of a certain German gentleman of the Weimar period. This gentleman was persuaded that a second world war was inevitable. He searched the world for a place to which he might move his family, to be out of the areas in which the next war would be fought. So, when the war erupted, he and his family were living in the remote Solomon Islands, on the island of Guadalcanal.

In this period of crisis, there is no place in which any man or woman can safely hide in a crisis-ridden world without food. One can not duck politics, with the idea of taking care of one's career and family, until this storm blows over. There is no place, for any man or woman to hide. There is no room for today's political pragmatists in the leadership of governments now. If we are to survive, we must make boldly imaginative decisions, on the condition that they are good choices, as well as bold ones.

The time has come for a bold decision on U.S. policy toward Central Europe.

If there is no Soviet representative here in this audience at the moment, we may be certain that the entire content of my report to you now will be in Moscow, and will be examined at high levels there, before many hours have passed. The Soviet leadership has said in its newspapers and elsewhere, many times, that it considers me its leading adversary among leading individual public figures today. Nonetheless, Moscow regards me with a curious sort of fascination, and, since President Reagan first announced the Strategic Defense Initiative, considers everything I say on policy matters to be influential, and very credible.

Moscow will read the report I deliver here today. It will wait, as Soviet political leaders do, to see what other circles around the U.S. establishment and government might echo the kind of proposal I have identified. Once they see such a signal from those quarters, Moscow will treat my proposal very seriously, and will begin exploring U.S. and European thinking on this.

### **Germany's sovereign choice**

As far as I am concerned, it is Germans who must make the sovereign decision on their choice of fate for their nation. My function is to expand the range of choices available to them. So, I have come to Berlin, where the delivery of this report will have the maximum impact in Moscow, as well as other places.

I conclude my remarks with the following observation.

Moscow hates me, but in their peculiar way, the Soviets trust me to act on my word. Moscow will believe, quite rightly, that my intentions toward them are exactly what I described to you today. I would therefore hope, that what I am setting into motion here today, will be a helpful contribution to establishing Germany's sovereign right to choose its own destiny.

For reasons you can readily recognize from the evidence in view, I know my German friends and acquaintances rather well, and share the passions of those who think of Germany with loving memory of Leibniz, Schiller, Beethoven, Humboldt, and that great statesman of freedom, Freiherr vom Stein. If I can not predict Germany's decisions in this matter exactly, I believe that if what I have set afoot here today is brought to success, the included result will be that the Reichstag building over there, will be the seat of Germany's future parliament, and the beautiful Charlottenburger Schloss, the future seat of government.

If the conditions arise, in which that occurs, President de Gaulle's dream of a Europe from the Atlantic to the Urals will be the peaceful outcome of 30 years or so of patient statecraft, and that durable peace will come to Europe and the world within the lifetime of those graduating from universities today.

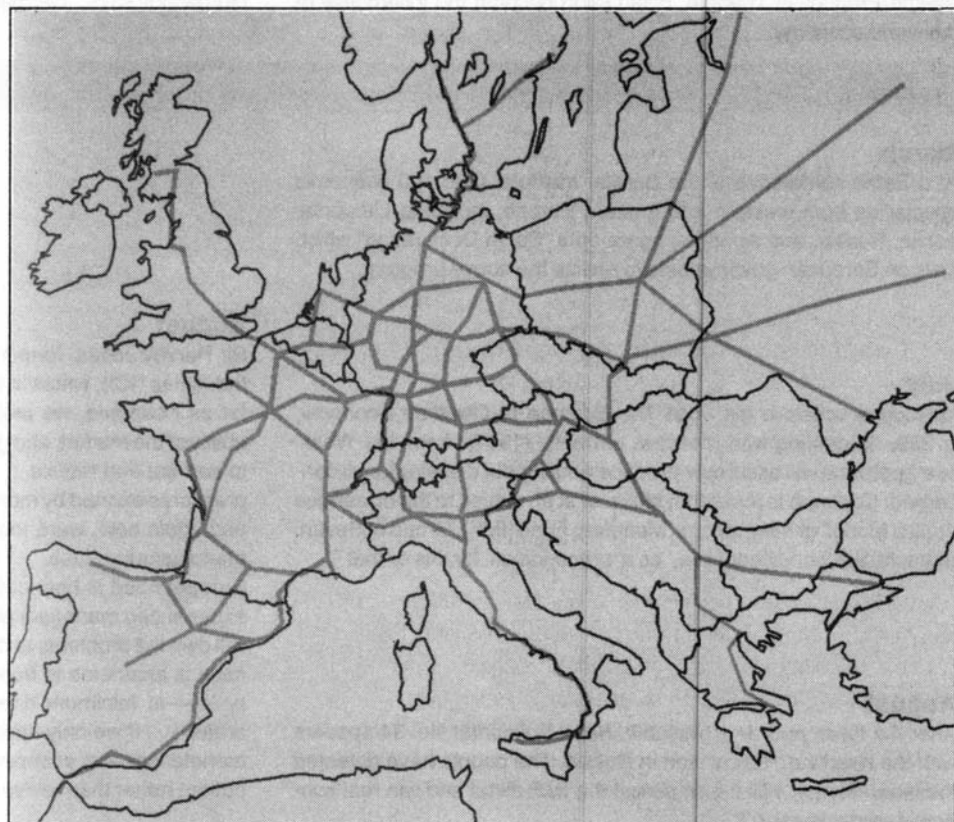
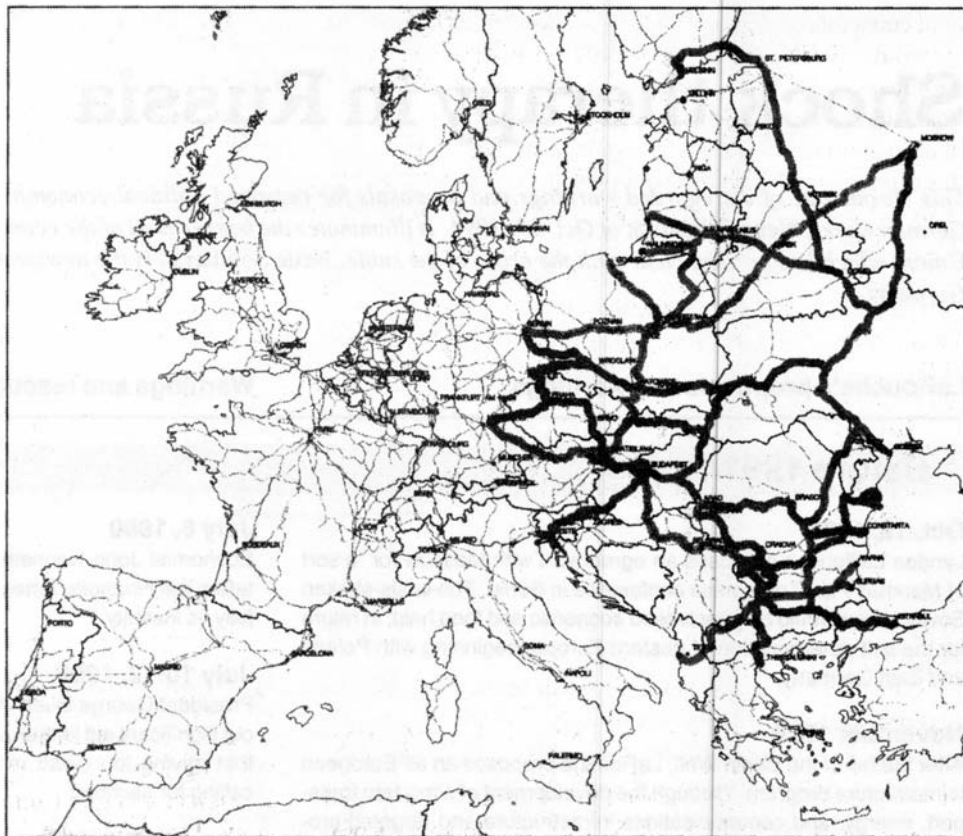
*Heute, bin ich auch ein Berliner.*

# LaRouche rail plan is on EU agenda

*The upper map, published in March 1994, shows a draft plan for European railway networks adopted in October 1993 by an ad hoc working group of the European Union (EU) and the European Free Trade Association (EFTA). It shows a plan for a network of rail lines to be constructed by the year 2010, reaching from the European heartland into eastern Europe.*

*The map bears a remarkable resemblance to the one below it, which was first circulated in August 1990—before Germany was reunified—in a German-language special report published by EIR Nachrichtenagentur in Wiesbaden, under the guidance of then-political prisoner Lyndon H. LaRouche, Jr. Since that time, the 200-page EIR report, titled (in English translation) "The Paris-Berlin-Vienna 'Productive Triangle': A European Economic Miracle as a Motor for the World Economy," has been on the desks of virtually every leading European official and planning agency.*

*The railroad program shown in the upper map forms the core of European Commission President Jacques Delors's White Paper, which was adopted by the EU heads of state in Corfu in July 1994. The White Paper specifies 11 projects in high-speed rail and highway infrastructure to begin immediately, with a second tier of projects expected to begin in two years (see EIR, July 22, 1994, p. 6).*



# Shock therapy in Russia

This chronology of disregarded warnings and proposals for reasoned political-economic dealing was translated from the German weekly *Neue Solidarität* of Oct. 19, 1994. It illuminates the background of the economic collapse in the former Soviet Union, which has become clear with the crisis of the ruble. *Neue Solidarität* is the newspaper of the LaRouche movement in Germany.

## LaRouche's proposals and warnings

## Warnings and reactions from other quarters

### Before 1991

#### Oct. 12, 1988

Lyndon LaRouche proposes an agreement with Moscow for "a sort of Marshall Plan," at a press conference in Berlin. The crisis-shaken Soviet Union would be guaranteed economic and food help, in return for the self-determination of eastern Europe, beginning with Poland and East Germany.

#### November 1989

After the fall of the Berlin Wall, LaRouche proposes an all-European infrastructure program. Through the development of a modern transport, energy, and communications infrastructure and targeted productivity increase through technological progress, the "Paris-Berlin-Vienna Productive Triangle" could soon become the locomotive of the world economy.

### 1991

#### March

At a Berlin conference of the Schiller Institute, over 100 economic specialists from western and eastern Europe, including Lithuania, Latvia, Russia, and Armenia, agree on a "Berlin Declaration" which calls on European governments to realize the above program.

#### July

LaRouche writes in his book *The Science of Christian Economy*, p. 339, "In dealing with Moscow, currently (1991), from 'the West,' one approach will assuredly produce nothing but disaster for all concerned: Continue to insist that Moscow et al. submit to the disastrous 'Polish Model' of International Monetary Fund [IMF], Group of Seven, Schacht-like 'conditionalities,' as a 'precondition' for this or that."

#### August

After the failed putsch in Moscow, *Neue Solidarität* No. 34 appears with the headline, "Revolution in Russia. The people have defeated the inner enemy. Will it also defeat the IMF-diktat and win real economic reconstruction?"

#### July 6, 1990

Economist John Kenneth Galbraith attacks "shock therapy," telling the *Financial Times*, "This, and I choose my words carefully, is insanity."

#### July 10-12, 1990

President George Bush visits Poland and Hungary, and rules out significant aid to their breakaway from communism, saying that "giving too much money might create a problem," and calling for sacrifice.

#### Nov. 14, 1990

Gorbachov says, "German reunification is not on the agenda."

#### August

Sir Harvey Jones, former head of Britain's Imperial Chemical Industries (ICI), writes in the *London Observer* of Aug. 25: "As far as I can see, we proffer an almost mystical belief in the ability of the market, and good old Adam Smith's invisible hand, to sort out and rebuild. . . . I am one of those who felt that the pressures exerted by monetarism in the U.K. in the early 1980s and again now, were too great, and wasted too much of our manufacturing base. . . . What all these countries [in eastern Europe] need is help of the most basic kind from pragmatic, experienced managers who are not there for a quick buck, but will own the problems and stick with them. The other thing they need is anathema to free marketeers: some kind of industrial policy—at minimum directing scarce resources into priority areas. . . . If we only apply the yardstick of world competition, monetarism and economic pressure, we are likely to kill the patient rather than revive him."

## LaRouche opponents' policy

## What actually happened

### Sept. 6, 1989

Harvard's Jeffrey Sachs advises Poland: "The new government should take the shock now: It can deal with political realities later."

### Nov. 16, 1989

The *Times* of London reports Prime Minister Margaret Thatcher's "reassurance to Gorbachov that the West will not try to poach East Germany."

### July 12, 1990

British Minister of Trade and Industry Nicholas Ridley compares German Chancellor Kohl to Hitler.

### Nov. 9, 1989

The Berlin Wall is forced to open, precipitating the fall of communism.

- During 1989, Polish workers' wages fall 30% from their level under communism, according to Economics Minister Marcin Swiecicki, who tells the press, "We are following the economic model of Jeffrey Sachs precisely."

### Oct. 3, 1990

Germany is reunified; Bush and Thatcher decline to attend ceremonies.



*Berlin's Brandenburg Gate after the Berlin Wall came down.*

### August

U.S. Secretary of State James Baker opposes a new Marshall Plan for the former Soviet Union on television on Aug. 25, saying, "We shouldn't make the same mistake we did in the 1970s, where we poured a lot of money down a rat hole" in Poland.

- American neo-conservative publicist Sol Sanders tells *EIR* that the U.S. should not give the U.S.S.R. a single penny. "Let them disintegrate. It will take the Russian military a very long time to pull itself together. . . . This coup was just the beginning. There will be many more coups in the future."

- The newsletter of the Wall Street brokerage firm Prudential-Bache says on Aug. 20 that it cannot predict whether the Moscow coup attempt will succeed or not, but it can say that "the coup will make the United States a more interesting place to invest in the 1990s."

### August

The Moscow coup attempt is defeated because decisive parts of the Army leadership, especially the airborne troops under Colonel General Grachov and Major General Lebed, support Parliamentary President Yeltsin. Vice President Rutsokoy plays an important role in the coordination between Yeltsin and the military.

## September

*Neue Solidarität* No. 35 carries the headline, "Yes to the Productive Triangle! No to IMF Shock Therapy! The Soviet Republics Now Need Western Help for Reconstruction." The article says, "Reconstruction in Europe requires breaking with the IMF, for IMF shock therapy is a dagger in the back of the reformers."

## December

LaRouche pushes for a rapid currency reform in Russia and Ukraine to avoid a collapse of the ruble. He says that what is needed is not a Russian or Ukrainian currency with gold backing, but a currency with gold-reserve backing, as was the case with the Bretton Woods system before 1967-68. The Russians, the Ukrainians, and the Community of Independent States [CIS] as a whole must agree on certain customs and trade barriers in order to support the currency. The point is to hold interest rates low while keeping the scope for economic agreements as wide as possible.

## 1992

### January

*Neue Solidarität* No. 1-2 writes: "LaRouche views the freeing of prices as disastrous. The absurdity of freeing of prices according to the [Jeffrey] 'Sachs model' consists in the fact that a free price mechanism is introduced although no 'market' exists overall. A great part of supply is controlled by mafias which display a peculiar symbiosis with the communist apparat and organized crime. . . . Too few goods are produced, and the goods produced are systematically hoarded by mafias. The scarce goods are administratively allotted to the 'black/green' markets by the mafias, since open internal markets with a free supply of goods do not exist. The freeing of prices allows the mafias to maximize their profits through constantly increasing prices. . . . For LaRouche it is unquestionable that monetary and economic stabilization of Russia, Ukraine and the other CIS states can only succeed on the path of dirigism. LaRouche considers state currency controls, state foreign exchange management, the creation of state credit for production, and state ownership of infrastructure, a great part of major industry and banking as unavoidable for the near future. . . . LaRouche proceeds from the understanding that the continuation of the Gaidar/Sachs program in Russia will lead in the immediate future to a regime of rule by decree including the military, in order to assure basic supplies to the population and restrain or destroy the mafias."

### March

Deputies and representatives of various political parties from Poland, Ukraine, Hungary, Germany, Italy, France, and other countries meet for a working session with LaRouche associates in Kiedrich, Germany, on the theme, "Development Is the New Name for Peace—the Need for a Eurasian Infrastructure-Reconstruction Plan." In a common declaration, they ask "to remove the restraints which the conditionality policy of the IMF imposes on national economies, through the sovereign decisions of the peoples' elected representatives."



Yegor Gaidar, the IMF's "enforcer" in Russia.

### January

Yeltsin's vice president, Aleksandr Rutskoy, warns of a new putsch which will not be comparable with that of 1991. It will be undertaken by the same circles which frustrated the putsch of 1991, and will direct itself against the mass pauperization of broad parts of the population.

- Russian economist Grigory Yavlinsky describes Gaidar's "floating of prices" as "stupidity" which will lead to "an unstoppable galloping inflation." Central Bank official Matyukhin criticizes the freeing of prices, Ruslan Khasbulatov, the speaker of the parliament, demands the resignation of the government on Jan. 13, saying, "We are entering a situation in which we [the parliament] must either convince the President to dissolve the incompetent government, or do it ourselves."

- On Jan. 22, Melvin Fagen, former director of the U.N. Economic Commission for Europe, writes in the *International Herald Tribune* that Yeltsin's shock therapy program is "likely to bring economic anarchy that destroys nascent democracy throughout the former Soviet Union. . . . In fact, prices have not been liberalized; they have been hijacked. . . . Abrupt price increases have weakened the ruble. The dollar is becoming the unofficial currency. . . . A majority in the Russian parliament appears not to be prepared to agree to shock therapy. Yeltsin should concede to the will of the people."

### February

Axel Lebahn, responsible for eastern Europe in the leadership of Deutsche Bank until 1992, writes in *Wirtschaftswoche* criticizing shock therapy as totally unsuitable for Russia. Nor will conditions exist for the convertibility of the ruble for a long time.

### March

Vice President Rutskoy accuses Yegor Gaidar and Yeltsin's economic advisers Gennady Burbulis and Sergei Shakhrai of "unconditional submission to the IMF-diktat."





*Jeffrey Sachs, Harvard University's "flea market" economist, specialist in destroying nations.*

**September**

The Soviet Union is transformed into a Commonwealth of Independent States (CIS).

**December**

The Soviet Union is officially dissolved.

**January**

Under pressure from the IMF, Yegor Gaidar and a committee of 13 advisers led by Jeffrey Sachs and Anders Åslund win the upper hand in the Russian government. The ruble is made convertible on Jan. 2. Its exchange rate against the U.S. dollar starts at 70 to the dollar, but falls to about 3,000 to the dollar over 36 months. Prices are freed for 90% of consumer goods and 80% of industrial goods. Presidential Decree 65 is promulgated on Jan. 29, allowing anyone to trade with anyone else.

**January**

Within two weeks of freeing prices in Russia, consumer goods prices climb four- to fivefold.



*The black market thrives at a Moscow subway station, as real production collapses.*

**March**

David Mulford, Bush's undersecretary of the treasury for international affairs, goes to Moscow to speed the implementation of the IMF "adjustment program."

- Under IMF pressure, state payments to enterprises are cut, and the enterprises are allowed in return to become more deeply indebted to each other. State debts are thus transformed into debts between enterprises.

- In the first quarter of 1992, the Russian Central Bank raises the interest rate it charges to state banks from 2% to 80%. All interest rate limits for bank loans are abolished, so that ruble credits for investments become unpayable.

## April

Helga Zepp-LaRouche warns against a continuation of the IMF conditionalities policy at a conference of the Schiller Institute, Polish Rural Solidarity, and the New Europe Working Group on April 7 in Warsaw. "The economy must exist for the people, not the other way around," she says.

## August

*EIR Strategic Alert* newsletter warns for the first time that because of public opposition to the decreed austerity measures, Yeltsin may set up a regime of presidential emergency rule.

## October

Helga Zepp-LaRouche warns against shock therapy in a lead article in *Neue Solidarität* No. 40. She says that it will lead to severe ethnic conflicts in Russia and to a new East-West conflict. Only one economic strategy offers an alternative, that resting on the "Productive Triangle."

- *EIR Strategic Alert* predicts Gaidar's fall in December.

## November

Schiller Institute representatives present a detailed critique of shock therapy at an economic conference with Moscow's Russian State University for the Humanities. Alternative strategies for real economic reconstruction are discussed. The Russian translation of LaRouche's book *So, You Wish to Learn All About Economics?* is presented.



*Helga Zepp-LaRouche at a conference of the Civil Rights Movement Solidarity in Kiedrich, Germany.*

- The Civil Rights Movement-Solidarity party is founded on Nov. 21-22, at the initiative of Helga Zepp-LaRouche. It presents its programmatic "Kiedrich Theses": "Three years after the memorable days of November when the Iron Curtain fell in Europe, we stand before the greatest shambles in world history. Instead of letting the great Eurasian continent grow together through an economic development strategy for the East, we abandoned the field to the 'free market'—that is, to the money-hungry sharks of 'Mafia West' and 'Mafia East'—and gave the IMF a free hand to approximately halve industrial production and living standards in Eastern Europe. . . . From Washington and London we hear it ever more baldly stated that until further notice, 'instability' on the Eurasian continent is in the Anglo-American interest. . . . Behind the sterile word 'instability' hides the horrible reality of war. The Serbian war of conquest in former Yugoslavia, blessed now by the Anglo-American as formerly by the Soviet side, is the beginning of a new *Thirty Years' War*. . . ."

## July

Professor Balcerek of the Warsaw Institute of Statistics and Planning tells Frank Hahn of the Schiller Institute, regarding the IMF program in Poland, "Of the industrial labor force of 14 million, the IMF only wants to keep 3-4 million. . . . Forty to sixty billion zlotys capital flight in 1991 accompanied a 70 billion deficit. . . . Foreign investors have put 70% of their money into the 'services sector,' that is, circulation of financial paper and speculation. . . . The 30% 'productive' investments mean ordinarily that the remains of **once viable** enterprises are taken over dirt cheap, in order to place Polish workers at the lengthened work-benches of western enterprises at starvation wages."

- Belarus Prime Minister Vlacheslav Kebich tells Paris daily *Le Monde* that Polish President Lech Walesa had warned him in two private conversations, never to repeat Poland's mistakes with IMF shock therapy in Belarus.

## September

Istvan Csurka, co-founder of the Hungarian Democratic Forum, the governing party, raises the first public criticism of the dominant influence of the IMF in the Hungarian economy in the newspaper *Magyar Forum*. Csurka says that it shows the worst effects.



*Istvan Csurka, cofounder of the Hungarian Democratic Forum party, and a critic of the IMF.*

## December

In a parliamentary address, Aleksandr Rutskoy criticizes the IMF with a sharpness unseen until now. Russia should reject the IMF-diktat and turn to a "mixed system of economy" with a strong role for the state. He calls for a program to encourage private farming, in order to lessen Russia's dependence on food imports.

**April**

Under pressure from Parliament, Yeltsin removes Yegor Gaidar from his post as finance minister. Gaidar still remains deputy prime minister, however.

**June**

Russian retirees must pay 80% of their pensions for food. Per capita meat consumption has fallen about 70% since November 1991.

- Russia's inflation rate reaches 740%. Debts of state industries have risen from 60 billion rubles in January 1992, to 2.2 trillion rubles.

**July**

Mass protests against the IMF in Poland. The farmers' organization "Samobrona" (Self-Defense) blockades highways. Strikes break out in the Silesian coal areas because the World Bank wants to shut down 51 of the 70 mines.

- Inflation is so great in Russia that the cash does not exist to pay wages. In July, the total of unpaid wages reaches 65 billion rubles, which corresponds to the income of one-fifth of the population.

**September**

Anglo-American media began a campaign against Hungarian politician Istvan Csurka for "anti-Semitic remarks" because he had criticized the IMF and speculators like George Soros.

**November**

Ukraine introduces its own currency, the karbovanets. It begins with a parity of 1:1 to the ruble and 1,000:1 to the dollar. After 36 months, it is 80,000:1 to the dollar.

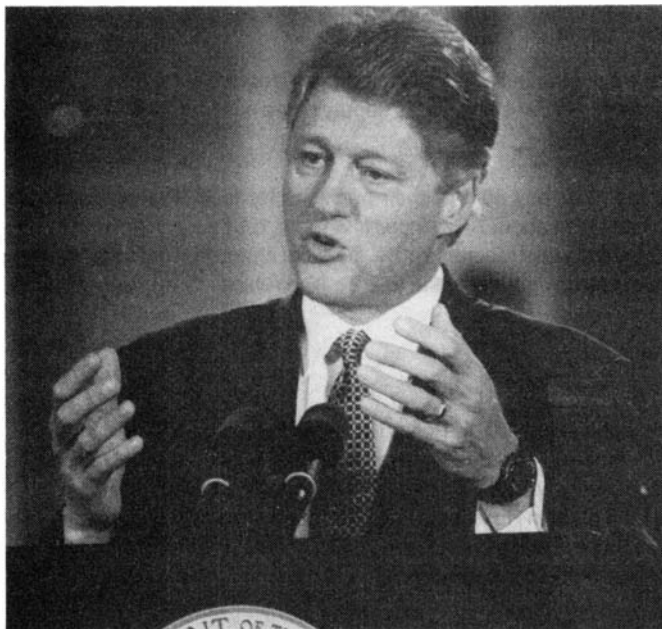


*Viktor Chernomyrdin replaces Yegor Gaidar as prime minister; IMF policies continue in modified form.*

**December**

Power struggle between Yeltsin and the Russian Congress of People's Deputies, which refuses to confirm Gaidar as prime minister. A little later, Yeltsin must give way: Yegor Gaidar is replaced as prime minister by Viktor Chernomyrdin.

1993



*President Clinton: LaRouche advises him to ditch IMF policies immediately.*

### March

LaRouche writes, in a memorandum for the summit meeting between Boris Yeltsin and new U.S. President Bill Clinton, that the two Presidents must solve two problems before all else: The Balkan war must be ended, and the old Soviet debts must be reorganized in order to allow an economic upswing in Russia. To sacrifice peace with Russia for the bankrupt IMF structures would be pure insanity.

### May

William Engdahl and Dr. Jonathan Tennenbaum of the Schiller Institute explain LaRouche's proposals for starting up the engines of the economy of Russia and of the other CIS states, at a conference of the Russian Institute for Strategic Studies in Moscow.

### June

An international conference of the Schiller Institute in Bonn discusses the theme, "Ensuring Durable Peace in Europe" through economic cooperation. Participants include top economic experts from Russia, Ukraine, and almost all eastern European countries.

### July

*EIR Strategic Alert* forecasts that domestic political developments in Russia this fall will be as dramatic as the putsch of August 1991.

- LaRouche, in a radio interview, warns of a neo-imperial hardening of Russian politics due to the impoverishment of the population, and of the growing sense there that the degradation of Russia was a deliberate objective of the shock therapy dictated by the West. The new Russian Empire will increasingly pursue a policy hostile toward the West.

### February

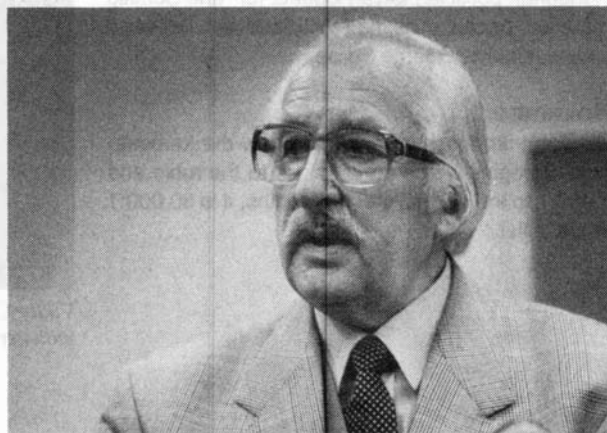
Ukrainian economist Volodymyr Kovalenko writes in *Literaturnaya Gazeta*, "In Ukraine and Russia, monetarism is leading to national economies of the Latin American type, where a group of millionaires parasitizes the general population." Ukraine should not follow Milton Friedman and Gaidar, but the German economic reform of 1948.

- Wolfgang Kartte, earlier head of the watchdog German Federal Cartel office and at this time economic adviser to the Russian city of Vladimir, warns that pure market-economy doctrine is driving Russia toward a catastrophe. After disenchanting experiences "on the spot" in Russian Vladimir, he can only give the wholly "non-free-market" advice to shield domestic industrial production against foreign price competition through protective tariffs.

- *Nezavisimaya Gazeta* prints a letter from Arkady Volsky, chairman of the Russian Union of Entrepreneurs and Industrialists and also of the Civic Union. Volsky turns sharply against the Anglo-American shock therapy and points instead to the method of the reconstruction of the German and Japanese economies after World War II, "in which the changes in the system and the building up of enterprises were put first, and only then did economic liberalization and the freeing of prices follow."

### March

The former head of German military intelligence (MAD) Gen. Paul-Albert Scherer (ret.) says at a Washington press conference that he fears that because of the bad economic conditions in Russia, the military may bring down Yeltsin.



*Gen. Paul-Albert Scherer (ret.) speaks in Washington on the danger of an escalation in Russia.*

### May

Prof. Taras Muranivsky of the Moscow's Russian State University for the Humanities presents in Washington a program for the solution of the economic crisis in the East, which models itself closely on LaRouche's proposals.



President Boris Yeltsin cracks down on dissent, applies IMF conditionalities.



The Kremlin, Red Square: shown here before the fall of communism.

## July

Yeltsin decrees the freeing of the price of coal.

## February

Escalating tensions between Yeltsin and the Russian Parliament led by Ruslan Khasbulatov. Yeltsin wants presidential rule, Khasbulatov wants far-reaching influence of the parliament and Yeltsin's downfall. A complication is that the chauvinist National Salvation Front also tries to use the despair over the growing mass poverty for its own purposes.

- Due to shock therapy, Russian industrial production falls by about 20% during 1992, agricultural production about 15%, and investment about 50%, while real wages collapse in the face of an approximate 1,300% increase of retail prices.

## March

Yeltsin is defeated in a vote in parliament. A consensus is forming in the Russian elite for presidential rule with or without Yeltsin.

- *Neue Solidarität* No. 12 warns, "In the altercation between Yeltsin and Khasbulatov, many are overlooking the power shift which has already taken place: Moscow's 'imperial' course with reference to Georgia, the Baltic countries, and Ukraine. . . . The 'Grachov Doctrine' validates the right of military intervention in the entire territory of the former Soviet Union."

## April

*Neue Solidarität* No. 15-16: "While the Russian domestic situation is becoming more aggravated, an extraordinary strategic initiative has come from Moscow. The Russian government proposes technological cooperation to the U.S., including in the development of anti-missile defense systems based on 'new physical principles.'" The offer meets with icy silence in Washington and the West in general.

- The results of Yeltsin's constitutional referendum of April 25 are massively falsified so that the number of "yes" votes just exceeds the required 50%.

- Before the referendum, Yeltsin increases the minimum wage to 8,000 rubles per month, which corresponds exactly to the minimum required for biological existence. One pound of meat costs about 1,000-1,500 rubles; a pound of tomatoes or oranges about 700 rubles, a pound of butter, 500 rubles, and one egg, 3-400 rubles.

## May

At the conference of the Russian Institute of Strategic Studies, V.I. Milovankin of the Russian Economics Ministry draws up the balance-sheet of shock therapy after more than a year. Russian national income has fallen about 20%. In 1993 production will fall another 7-12%, unemployment grow by 3 to 5 million, and prices mount 600%. The mutual debts of state industries have grown from almost nothing to 3.8 trillion rubles, and the government deficit is close to 1.6 trillion rubles or 11% of GNP. Investments in the modernization of obsolete industrial plants fall 56% in 1992. At the end of the year, this prognosis will prove to be an underestimate of the collapse.

## June

Russia increases its pressure on Ukraine. This concerns the Black Sea Fleet, Ukrainian atomic weapons, and Russian energy deliveries.

## July

Security Minister Barannikov presents evidence of corruption charges against close co-workers of Yeltsin. Thereupon, Yeltsin gives approval for Barannikov's dismissal.



Neue Solidarität proclaims the failure of the free market economy.

**November**

Under the headline, “Free Market Economy—The Greatest Failure in History,” Helga Zepp-LaRouche explains anew the infrastructure program based on the “Paris-Berlin-Vienna Productive Triangle” in a *Neue Solidarität* special. She holds the scorched-earth economic policy of Bush and Thatcher responsible for the increasing gravity of the Russian and Balkan situations.

- *Neue Solidarität* No. 50-51 asks, “Election Disaster in Russia—a Healthy Shock for the West?”

**December**

LaRouche depicts the IMF policy regarding Russia as “legalized theft.” The spokesmen for this policy in the West have refused to see how the Russian people develop ever more hatred against the West thereby—as we can see in the Zhirinovsky phenomenon. Zhirinovsky is controlled by the security apparatus, as is Yeltsin increasingly as well, after the bloody events of October.

**October**

During a session of the Evangelical Academy of Tutzing (the think-tank of the German Lutheran Church, the EKD), the director of Moscow’s U.S.A. and Canada Institute, Georgy Arbatov, depicts shock therapy as a danger to world peace. The IMF forces this policy on Russia, “in order to de-industrialize Russia, to shrink it, and to depress it to the level of an underdeveloped country.”

**December**

U.S. Special Envoy Strobe Talbott, soon to be named deputy secretary of state, criticizes the IMF policy toward Russia, saying that Russia needs “less shock and more therapy.” U.S. Vice President Al Gore says on Dec. 16 in Moscow: “I would say that every country that has representatives on the IMF board has been slow to recognize the hardships that are caused by some of the conditions that have been overly insisted upon in the past. Now that right there may be enough to create a diplomatic incident, but I don’t care because the world has to recognize the gravity of this situation and the enormity of the opportunity for the world to integrate this magnificent nation with these wonderfully talented working men and women, scientists and engineers and professionals into the common effort of humankind to build a better way of life for the peoples of our world.”

- U.S. economist Robert Kuttner strongly criticizes the policy of free trade and IMF shock therapy in the managers’ magazine *CEO* and calls for a completely new policy regarding Russia. “We need massive flows of public capital to the former Soviet bloc,” writes Kuttner. “Rather than relying solely on the shock therapy of privatization, we need commitment of western credits on the scale of the Marshall Plan, to help eastern Europe recover. Stagnation in the East slows growth in the West.”



European Commission President Jacques Delors, sponsor of a White Paper for infrastructure development.

- European Commission President Jacques Delors presents his *White Paper*, which intercedes for state-promoted infrastructure development as a strategy against mass unemployment. The program for the construction of so-called Trans-European Networks (TEN) provides for investments of ECU 220 billion in transportation, 150 billion for telecommunications and 13 billion for energy projects. (An ECU, or European Currency Unit, is equivalent to slightly more than a dollar.) East-West European railroad and highway axes which largely coincide with those of the “Productive Triangle” have high priority.

**August**

Yeltsin decrees the freeing of the price of electricity.

**October**

Sergei Vasilyev, the director of the Russian government's economic policy staff, tells the *International Herald Tribune*, "I think that the IMF is too soft toward Russia." He announces the end of subsidies to farms and the liberalization of energy prices.



*U.S. Treasury Secretary Lloyd Bentsen defends the IMF's line.*

**December**

The "diplomatic incident" that Gore had feared appears first in commentaries in financial papers such as the *Financial Times* and *Neue Zürcher Zeitung*. U.S. Treasury Secretary Lloyd Bentsen also distances himself from the vice president's statements critical of the IMF. Shortly thereafter, a campaign is staged against Strobe Talbott for alleged "anti-Semitic remarks."

**August**

The "ruble putsch": Behind the back of Finance Minister Fyodorov, at this time in the United States negotiating with the IMF, a new ruble is introduced in Russia. The currency reform is incompetently executed.

- The Russian Army intervenes in the civil war in Tajikistan. For the first time, Yeltsin describes the Tajik border with Afghanistan as Russia's border.

**September**

Ukraine finds itself in a process of political and economic disintegration. Moscow increases the economic pressure in order to nullify, in practice, Ukraine's independence.

- On Sept. 21, Yeltsin declares the parliament dissolved and proclaims the election of a "Duma" and presidential elections for Dec. 12. He will rule by decree until then. The members of the lower house under the leadership of Vice President Rutskoy and Parliamentary President **Khasbulatov** oppose this clearly unconstitutional dissolution of parliament.

- Simultaneous with the dissolution of parliament, Russia strengthens its policy aiming at reincorporation of the other republics. With the exception of Georgia and the three Baltic republics, on Sept. 23, **all the former Soviet republics** (now CIS member states) sign a treaty of economic union which considerably restricts their sovereignty, since financial, monetary, and economic policy will henceforth be subordinate to the Russian Central Bank.

**October**

Yeltsin depicts the opposition in parliament and the demonstrators on the streets as "Nazis and communists," and orders artillery fire against the parliament building, the "White House," which the deputies refuse to leave. Officially the number of deaths is put at 137; in truth it is many times higher. Mass arrests are made; press censorship is reintroduced. Moscow is under emergency rule until Oct. 18. The western press calls all this "a triumph of democracy."

- On Oct. 9, Georgia signs a military agreement with Russia.
- Foreign Minister Andrei Kozyrev declares on Oct. 27 in London that Russia is determined to prevent the integration of the East European countries into NATO.

**November**

On Nov. 3, Defense Minister Grachov and Russian Security Council Undersecretary Malinov make public parts of the new **military doctrine**. It reserves the right of Russian military to act in any part of the territory of the CIS, as well that of first use of nuclear weapons.

- Primakov, head of the Russian secret foreign intelligence service, tells the press on Nov. 25, "We cannot remain indifferent if NATO extends itself to our borders. . . . If that were to happen, we would have to rethink our concept of defense, regroup our army and change our operational plans."

- The Ukrainian karbovanets falls to 31,000 to the dollar.

**December**

In the Duma elections on Dec. 12, the secret service-directed, chauvinistic provocateur Vladimir Zhirinovskiy gets 24%. Gaidar's party, "Russia's Choice," is strongly rejected with less than 15%. Yeltsin had prudently postponed the promised presidential elections until 1996.

- The Russian General Staff presents figures according to which 1.5 million highly qualified skilled workers of the military-industrial complex have lost their jobs. Twenty-five percent of the factories no longer receive any government orders.

## 1994

**January**

The Moscow weekly newspaper *Oppositsiya* publishes an open letter from LaRouche to the Russian leadership, which says, "The continental European countries such as France, Germany, and others must cooperate with the peoples in the former Soviet Union in order to create a zone of economic development based on scientific and technological progress."

**April**

At a Moscow press conference, LaRouche warns of the inevitable near-term collapse of the speculative world financial system. Russia should not tie its destiny to this objectively bankrupt system, but must instead become a part of an international strategy of economic reconstruction.

**September**

As the lead electoral candidate of the Civil Rights Movement-Solidarity, Helga Zepp-LaRouche speaks before the North German construction fair "Nordbau" on Sept. 14. Her address presents the Eurasian infrastructure program as the way out of the economic crisis. She finds broad agreement among the mid-sized construction contractors.



Lyndon and Helga LaRouche in Moscow, April 1994, with St. Basil's Cathedral in the background.

**February**

Speaking to annual the Munich defense forum after a visit with U.S. President Clinton, German Chancellor Kohl turns with uncharacteristic sharpness against "those experts from Harvard" (implying Jeffrey Sachs) who want to prescribe to the Russians what they must do and refrain from doing in their economy. This western arrogance is extremely short-sighted; its authors will pay for it one day when it strikes back at them, possibly with severe strategic consequences. The press fails to report these passages of Kohl's speech.

**March**

At the second All-European Transportation Conference in Crete, European transportation ministers decide on a series of "priority corridors" which are to form the basis of the planned broadening of trans-European infrastructural networks in the direction of central and eastern Europe. They largely correspond to the "development corridors" along the most important high-speed railroad lines in LaRouche's 1989-90 "Productive Triangle" program.

**May**

Speaking in Stuttgart to representatives of German industry during his state visit to Germany, Boris Yeltsin calls for the construction of a high-speed railroad line between Moscow and Paris by way of Warsaw, Frankfurt an der Oder and Berlin, and a parallel highway.

- The 63rd German-French summit meeting in Mulhouse, France recommends that construction of the West European portion of the Paris-Berlin-Warsaw-Moscow railway connection be given priority in the European Union (EU) infrastructure program.

**July**

During his visit to Bonn and Berlin, President Clinton pronounces the end of U.S.-British special relationship and grants priority to the partnership with Germany. He expressly supports Jacques Delors's *White Paper*.

**September**

The German-French foreign ministers' meeting on Sept. 20 places the Paris-Berlin-Warsaw high-speed rail line in the foreground. Russian Transportation Minister Gennady Fadeyev discusses the integration of Russian railroads into the all-European transportation network with his German counterpart Wismann, especially through the construction of the Moscow-Berlin route.



**May**

The *Wall Street Journal* disparages the German-Russian talks as a geopolitically dangerous step toward a "Berlin-Moscow axis." Henry Kissinger expresses himself similarly in the London *Times*. Frank Gaffney of the neo-conservative Center for Security Policy in Washington warns against "the sort of non-transparent, largely untied and undisciplined German economic and trade relations with Moscow that have brought the West considerable grief in the past," referring to the 1922 Rapallo Treaty and the 1939 Hitler-Stalin Pact.

- Yeltsin tells *Le Figaro* that shock therapy has been "necessary" and "successful." As proof, he cites the availability of kiwi fruit in Moscow shops.

**July**

On July 19, eight days into office, Prime Minister Leonid Kuchma's new Ukrainian government begins negotiations with the IMF, as the worst collapse of industrial production in modern Ukrainian history takes place.

**September**

The World Wide Fund for Nature (WWF, formerly called World Wildlife Fund) presents its project "Parks for Life: Action for Nature Reserves in Europe," calling for a "European network of nature reserve areas" to be created instead of a trans-European infrastructural network. The scientific advisory committee to the German Economics Ministry launches a direct attack on the Delors Plan. The chairman of the committee, Norbert Klotten, a monetarist and a member of both the Trilateral Commission and the Mont Pelerin Society, presents a 96-page opinion on Sept. 13 which attacks the Delors *White Paper's* proposal for trans-European infrastructural projects as "dirigism" and "interventionism." The planned "trans-European networks" of high-speed rail lines and energy and telecommunications infrastructure disturb Klotten the most, and he rejects any public financing for them. He calls instead for further deregulation of transportation, import and export.

**January**

*Neue Solidarität* No. 4 reports on the fall of Deputy Prime Minister Gaidar and Finance Minister Fyodorov: "The most radical shock therapists have been excluded from the Russian government. At the same time, neo-imperialist forces are on the march and are staking out the Russian sphere of influence. What belongs to it: Ukraine, the Baltic, East Europe or quite possibly still more?"

**February**

At an *EIR* seminar, speakers from Russia, Ukraine, Georgia, and Armenia report on the desperate economic and social situation in their countries. Pauperization extends from retirees to teachers, medical workers, and academicians. Meat has become a luxury.

- A report from the economics faculty of the Russian Academy of Sciences to Yeltsin and the Duma exposes the fact that 10% of the Russian population lack sufficient food, and an additional 33% live below the poverty line. Life expectancy has fallen from 69.2 to 66 years and infant mortality grown from 17.4 to 19.1 per 1,000 live births. In 1990, the average family spent 30% of its income on food, but now it spends over 80%.

**March**

Ukraine faces economic collapse and social explosion shortly before its scheduled parliamentary elections.

- Russia also faces an economic emergency. Between February 1993 and February 1994, industrial production has fallen 24.3%: light industry 32%, food processing 21%, iron and steel 23%, chemicals, paper, and cellulose 35%, machine-building 48%, and agricultural equipment 80%.

- Because of the devastating food situation and collapsing health care, epidemics are spreading, including cholera and diphtheria. In 1993, the number of deaths in the Russian Federation exceeded the number of births by 900,000.

**May**

The Ukrainian karbovanets falls to 45,000 to the dollar.

**June**

The parliament of Crimea, controlled by pro-Russian separatists, announces its secession from Ukraine. In this way and also by interruptions of energy supplies, Moscow increases the pressure on Kiev to rejoin Russia.

**July**

Lukashenko and Kuchma, who support rejoining Moscow, come out on top of Ukraine's presidential elections.

- Alexander Solzhenitsyn enters Moscow on July 21. His essay, "The Russian Question at the End of the 20th Century," is published in millions of copies as an extra of the newspaper *Novy Mir*. Solzhenitsyn represents a variety of the anti-western "Third Rome" ideology, but he is precise in identifying the IMF-induced economic policy of "wild capitalism" as the cause of the general downfall and pauperization of Russia since 1992.

**October**

The ruble falls all the way into the cellar. On Oct. 4, you can get 2,675 rubles for a dollar. On Oct. 12 it falls to almost 4,000, so that nearly all the Russian reserves must be spent to bring the rate back to 3,000 to the dollar.

# Without a program for infrastructure development, Europe cannot survive

by Helga Zepp-LaRouche

*On Sept. 14, Helga Zepp-LaRouche was the keynote speaker at the opening assembly of the biggest construction fair in northern Germany, in the state of Schleswig-Holstein. Mrs. Zepp-LaRouche was the leader of a slate of more than a dozen candidates running on the platform of the Civil Rights Movement-Solidarity in the Oct. 6 German federal elections, and the leading European spokesman for an industrial recovery policy based on the "European Productive Triangle" proposal of her husband, American economist Lyndon H. LaRouche.*

*Some 500 leaders of the Nordbau construction association were present to hear her call for a global program of infrastructure building, to begin a worldwide economic recovery. The full text of her speech follows.*

The world economy is definitely in a difficult situation. The only positive thing that can be said about the problems in the economy is that they are not the result of an unavoidable natural catastrophe; they are the consequence of misguided government policies.

Therefore: If we proceed to use our powers of reason to identify what the misguided economic decisions have been, and correct these errors, then a process of economic recovery can begin in Europe.

The truly positive new development is the discussion which has begun among several heads of state and leading political figures about the necessity of great construction projects—for instance, among President Clinton, Chancellor Kohl, and Jacques Delors. These discussions are a heartening indicator that at least some people in responsible positions are seriously looking for ways to overcome the mistakes of the past period.

I would therefore like to direct your attention to the fact that a growing number of influential circles in various parts of the world are currently examining the fundamental reasons for the economic decline, and at the same time investigating possibilities for overcoming them.

## **The collapse**

If physical economic output is measured per capita and per square kilometer, it becomes clear that the world econo-

my has suffered an overall contraction since 1971-72. The economic situation in Europe is the worst since the immediate post-World War II reconstruction period.

This downward trend began roughly 30 years ago, around 1964, when Harold Wilson became prime minister of Great Britain. In Wilson's term of office a new malthusian doctrine of "post-industrial economic policy" began to spread in the United States and on the European continent. As a result of this policy, the British pound collapsed, the dollar followed in March 1968, and the Bretton Woods accords broke down altogether in August 1971. From 1971 on, total production of physical goods worldwide, measured per capita and per square kilometer, has collapsed.

It is helpful to consider the simple demographic facts with respect to the changes in humanity's physical relationship to nature on this planet since 1971. Take the changes in infrastructure, industrial production, and agricultural production. The downward tendency began with a sharpening collapse in the so-called developing sector; then, in the mid-1970s, came the effect of oil-price increases; and, finally, the collapse in the developing sector began to pull down the export-dependent economies of the industrialized nations, for example, those of continental Europe.

Next, in 1979, when Paul Volcker became chairman of the U.S. Federal Reserve System, a further reduction occurred in the rate of investment in infrastructure and agro-industrial production. Ever-wilder financial speculation took over the world economy, so that today the biggest speculative bubble in the history of the financial markets has supplanted production of real goods practically everywhere in the world. And that includes the territory of the former Soviet Union!

The rate of bankruptcies among farms and industrial companies, as well as the accelerating rate of crises in the world's financial centers, necessarily deliver a dramatic warning to all those who are examining the actual state of national economies and the world economy. This has led to a recognition that we cannot continue moving in the direction in which the world has been drifting for the past three decades, since Harold Wilson took office.

We have arrived at the point where governments no

longer have any choice other than to change the policies which have led to the spiral of collapse in productive investment. The anti-technological malthusian policy of a post-industrial utopia has exposed itself as a catastrophic failure; no economy on earth could survive a continuation of this policy.

### **The Delors plan**

Yet hopeful and important signs of a re-thinking have occurred. The growing interest in the so-called Delors plan is certainly among them. The outlook for construction of the Transrapid fast rail from Hamburg to Berlin, by now considered a realistic project, is another.

China's serious efforts to build both rail corridors of the "Silk Road" across all of Asia to Europe are also part of the current re-thinking of economic policy. Of still greater strategic importance is the speech given by President Clinton in July before the Brandenburg Gate.

After 30 years of slower and slower expansion, and then an ever more massive contraction of the world economy, the time has finally arrived to return to a policy of economic growth!

Various nations have placed an array of development concepts on the table. Like the outlines in Jacques Delors's "White Paper," or the proposal for a "Paris-Berlin-Vienna Productive Triangle" which my husband Lyndon LaRouche had already put forward in 1989, all these plans emphasize extensive infrastructure projects.

I believe that most of the population, even in our own country, has not really received an explanation of why investment in large-scale infrastructure projects represents an absolute, indispensable prerequisite for solving every economic and social problem in the entire world. It is of the utmost importance that experts who understand these things take the responsibility to explain to the population, for example, why the construction of the Transrapid line from Hamburg to Berlin represents the precondition for an economic recovery.

I invite you to examine on the relevant maps the differences in existing infrastructure between western Europe and the entire remainder of Eurasia. Compare the canal and waterway system built up in western Europe since the time of Charlemagne, with the situation in the area of the former Warsaw Pact and Asia overall. Compare the rail networks! Compare the production and distribution of energy, down to the local level.

Compare the maps of existing systems of modern water supply, well-maintained forests, and other land improvements carried out by agricultural producers and others. Compare the density of hospitals, medical care, and physicians. Compare the density of industrial capacity.

Now compare the statistics for the physical output of agricultural and industrial goods per capita and per square kilometer. Compare the productivity of labor power per

capita with the consumption of clean water, energy consumption of households and industries, ton-miles of freight transport, and with life expectancy and health levels.

### **Infrastructure spurs growth**

These comparisons show clearly that the economic growth of the past took place because we invested at the outset in basic economic infrastructure. Construction of ports, inland waterways, highways, rail systems, energy production, and the improvement and maintenance of agricultural and forest land put our farmers and industrialists and our workforce in a position to achieve the higher levels of life expectancy and living standards that we have begun to lose in recent years.

If we want to resume economic growth in Europe, we have to start by modernizing and renovating our economic infrastructure. In what was formerly East Germany, it is obvious that the communist regime's neglect of infrastructure has left behind a total disaster. There is no hope whatever that these regions can enjoy economic advantages if this deficit is not remedied.

In other parts of eastern Europe, Asia, and Africa, the situation will remain hopeless if we do not build precisely the kind of inland waterways, land improvements, railroads, and energy systems which formed the basis of the economic development of western Europe.

The question will naturally arise: How probable is such a change of policy direction? In brief—ask yourself, "What are President Clinton's chances of success?" and secondly, "Will it be possible to overcome such strong resistance against financing great projects?"

Admittedly, President Clinton has staunch enemies in London and in the circles around former President Bush, and therefore he has encountered massive problems in winning congressional agreement to his domestic program. But as President of the United States, directly elected by all the citizens, he has special constitutional powers, and, on top of that, he has great personal authority as the chief of state as the world's leading superpower.

With the help of leading circles in continental Europe and Japan, with cooperation from great nations such as Russia, China, and India, the ideas of economic growth which President Clinton articulated in Bonn and Berlin can be transformed into the dominant policy around the world.

### **The opposition**

As for the second question, the most significant resistance to growth-oriented policies comes from extremely powerful financial interests which control many influential institutions on this planet, including prominent mass media. These circles base their political power on the giant speculative bubble which is now about to collapse.

During the past six months, the crisis now intensifying in the financial markets has already weakened some of these

## Zepp-LaRouche on TV: 'We need development!'

*Helga Zepp-LaRouche appeared on a television broadcast by the Civil Rights Movement-Solidarity on Sept. 22 at 11 p.m., after the evening news. Here is the text of her statement:*

At the Cairo world population conference, the outrageous attempt was made to set up a U.N. world dictatorship, charged with deciding who is to live and who is to die. The fact that this attempt failed represents a historical turning point, and was the achievement of Pope John Paul II.

The main problem in the world is the enormous lack of development.

The horror images from Rwanda and the economic breakdown of the East make clear that the collapse of the Soviet Union was only the first phase of the collapse of the global economic and financial system.

There is only one way out: an immediate, worldwide reconstruction program. We need the economic integra-

tion of the Eurasian continent, for example, the construction of a land bridge along the old Silk Road, as far as China and South and Southeast Asia.

We urgently require a continental African development program. The same goes for Ibero-America.

Through the cooperation between Chancellor Kohl and President Clinton, the possibility for a change in policy direction has opened up: away from the disastrous Thatcher-Bush policy, which was bent on destroying the East and the Balkans, for geopolitical reasons; toward unlimited job creation in the East!

*Film clip shows President Clinton at the Brandenburg Gate on July 12, 1991, saying in German: "Nothing can stop us, everything is possible."*

Yet, from Chancellor Kohl we unfortunately still have to hear that there is no *Patentrezept* ["cure-all prescription"].

Support our policy for a reorganization of the financial system and for a global reconstruction program, so that we can exert a decisive influence over policy-shaping.

Vote for the Civil Rights Movement-Solidarity, and with it, a policy whose implementation will determine the destiny of our country, and not only of our country.

financial interests; in the coming weeks and months the crisis hitting them will become far worse.

These inevitable developments will create a more and more favorable situation for changing the direction of policy, as exemplified by the Delors Plan, the Transrapid railway, and the rail corridor along the Silk Road.

The greatest problem for the governments of Europe and the United States is the collapse of each nation's tax base, a collapse which has several manifest causes. If, for instance, an ever greater proportion of the total labor force is either unemployed or working in low-skilled service jobs rather than physical production, the productivity of labor power will decline.

To the degree that investment in improved industrial and agricultural technology collapses, the productivity of labor will obviously be reduced as well. The same effect occurs when previous infrastructural investments become obsolete because no repair or renewal has taken place. If society fails to invest in advanced technologies and modes of production, then the profitability of physical production as a whole will be slashed.

What would signify the greatest advantage for all national economies today would be a reversal of the past decades' employment trends, as unemployed and low-skilled service workers begin to rejoin a labor force employed on the basis

of applying modern technology to the manufacture of useful physical goods for consumption and production.

This about-face depends on intensified investment in basic economic infrastructure. Infrastructure is the precondition for expansion and improvement of the economy in industry and agriculture. Moreover, the mobilization of government credits for investment in this kind of infrastructure is the greatest incentive and stimulus for growth and investment in the private sector overall.

The increasingly acute failure of the post-industrial utopians, the obvious false track of the service-sector buildup, the mass bankruptcy now threatening the financial interests which have promoted speculation at the expense of productive investment, all these factors are creating a climate in which the demand for a real economic recovery will be very favorable.

And because any major economic upswing must begin by building large-scale infrastructure projects, facilitated by the issuance of government credits, this is the prescribed path to economic recovery.

I would like to use an image: We have now reached the banks of the river which divides the past of the post-industrial utopia from the future of growth, prosperity, and the well-being of all humanity. Now it is high time to cross the river together!

## The BBS solution: Think like Schiller!

*Helga Zepp-LaRouche, the chancellor candidate of the Civil Rights Movement Solidarity party (BBS), participated in a broadcast on Germany's public television station, ARD, on Oct. 12. The program was devoted to the "small parties" which were campaigning in the national elections of Oct. 16. Although the time allotted to each party and candidate was only five minutes, Mrs. Zepp-LaRouche was able to convey the essence of her party's programmatic intervention, and her view of the government of Chancellor Helmut Kohl. Observers commented that her statesmanlike message and demeanor were in marked contrast to the "zoo" presented by the other parties.*

*Film footage shown of the BBS featured the party's famous campaign slogan, "Wir haben das Patentrezept" ("We have the cure-all prescription"). The slogan has generated tremendous controversy, as Chancellor Kohl and other politicians insist that there is no Patentrezept—by which they mean that there is no solution to the current economic crisis. A BBS campaign organizer told an interviewer, "We do have the Patentrezept, and those claims that there is no such Patentrezept are nothing but a lame excuse by those who have made the wrong policies in Bonn during the past years."*

*The following is the text of Mrs. Zepp-LaRouche's summary statement:*

You will remember the mood in November 1989. Then, Europe was given the unique chance to put East-West relations on a completely new basis, and for the first time in this century, to build a real order of peace in Europe. At that time, we proposed an infrastructure program for the development of the East, an all-European infrastructure program. Only now, five years later, President Clinton and Chancellor Kohl have started to speak about similar programs. But you know yourself what has happened: This program for the development of the East has not been implemented, but rather the scorched earth economic policy of Margret Thatcher and George Bush. As a result of that, we stand now before an absolute catastrophe in Russia, with the possibility of a military coup with very dangerous consequences.

*Later in the program, the television announcer interviewed Mrs. Zepp-LaRouche:*

**Q:** I read in your publication, that you say that Helmut Kohl is in a way the guarantor against chaos.

Now, I ask myself, why do I have to vote for [Civil Rights Movement] Solidarity, if I can vote for Helmut Kohl directly?

**Zepp-LaRouche:** I have clearly differentiated, that I honor the achievement of Chancellor Kohl during reunification as important and historic. But I hold the view that Chancellor Kohl will not be in a position to implement the necessary economic programs in time. We stand before a financial collapse; we stand before the disintegration of the entire global financial system. It is even written in *Handelsblatt*, in *Neue Zürcher Zeitung*, that speculation has turned into a cancerous ulcer, which is killing the real economy. This means, that speculation really—as Denis Healey, the former finance minister of England has said—represents 98% of all daily financial transactions per day, and only 2% is real trade.

**Q:** If one wants to change that, then I look again into your program. It says there: "We have a Patentrezept, the Patentrezept: Think like Leibniz, Beethoven, Schiller"—

**Zepp-LaRouche:** I must correct you a little. The *Patentrezept* refers to the kind of infrastructure programs to overcome the world economic crisis, as have been recently discussed now by [outgoing European Commission President] Jacques Delors in his *White Paper*, as have been discussed by President Clinton during his recent visit to Berlin, when he said that there should be no limits to create productive jobs for the East.

**Q:** But I want to come back to Leibniz, Beethoven, Schiller. You have your own association, the Schiller Association, which in the new states—

**Zepp-LaRouche:** Schiller Institute.

**Q:** How can I imagine that: "Think like Schiller, Beethoven, Leibniz"?

**Zepp-LaRouche:** The problem is, we not only need a global economic reconstruction program. If, for instance, you look at the situation in the Third World, then it is obvious that it cannot go on like this.

**Q:** You do not want to have anything to do with Trotsky—who is the leading figure of the Fourth Socialist International—even though your husband, I believe, the American LaRouche, once started as a Trotskyist?

**Zepp-LaRouche:** This is one of the many media lies which are circulated about us. But let me come back again to Leibniz. It is not only an economic reconstruction program which is at stake, for the whole world, for Africa, Latin America, for Eurasia. We need the connection of western Europe, eastern Europe, Russia, China, South Asia, Southeast Asia, as a unified economic area.

# Germany faces the same priorities as it did in 1989

by Rainer Apel

Two weeks after the Oct. 16 elections for the national Parliament, Germans were not even sure whether the new cabinet would be headed by Chancellor Helmut Kohl—in spite of the fact that his three-party coalition holds a 10-seat majority. The uncertainty was based on two facts: First of all, Kohl needs an absolute majority of parliamentary seats for his re-election, meaning that he needs 337 out of a total of 672 votes. His own three-party bloc (Christian Democratic Union/CDU, Christian Social Union/CSU, Free Democratic Party/FDP) controls 341 votes—a majority of only four votes. None of the postwar chancellors of Germany has been elected with all the votes that his favored coalition nominally commanded—there has always been some “slippage” when the final vote is cast; because of that “tradition,” Kohl’s re-election, although likely, is not automatically secured.

The second fact that poses question marks over the exact shape of the new government is the uncertainty spread by the inner-party instability of the small FDP. That party, whose chairman is Foreign Minister Klaus Kinkel, is seated in the newly elected national Parliament with 7.3% of the national vote, but it has been voted out of nine state parliaments (there are 16 altogether), and it has lost parliamentary status on the municipal level in many parts of Germany, over the past two years. The FDP is, therefore, portrayed by many as a very fragile affair, a constant source of crisis and of vicious inner-party factional warfare that will infect a new Kohl coalition government with the bacillus of instability.

Developments over the first two weeks after the elections have amply documented this structural weakness of the FDP. Open factional warfare, coming close to actual splits, has broken out among the party members, culminating in the spectacular collective resignation, late in the night of Oct. 24, of the entire party executive of the state of North Rhine-Westphalia, Germany’s biggest state (and the FDP section with the biggest percentage of national party membership as well). A collective resignation was considered the only way to prevent the state party apparatus from falling apart completely. The German nation is becoming eyewitness to the method of making some heads roll, in order to prevent other

heads from rolling. But so many knives are out, so much stabbing is still going on, with vows of bloody revenge by either of the defeated sides in the FDP’s domestic confrontations, that the party’s future calculability is at stake.

For Chancellor Kohl, this is not a good base from which to govern, and the crisis of his minor coalition partner may well deprive him of the four votes he depends on to secure the absolute majority of 337 votes which he requires for re-election.

## Kohl’s opportunity

The first official session of the new Parliament is scheduled to take place in Berlin on Nov. 10. As of this writing, it is not yet clear when the re-election of Kohl is supposed to occur; it will take place, leaks in Bonn have it these hectic days, some day between Nov. 11 and the first national party convention of Kohl’s CDU after the elections, which is scheduled to be held in Bonn on Nov. 28.

The latter date is a very important one, and Kohl has it in his hands to give it great historic significance: Five years ago, on Nov. 28, 1989 (three weeks after the Berlin Wall was opened, at the peak of the East German regime’s disintegration crisis), Kohl presented a sensational 10-point program for the reunification of the two Germanys and the reconstruction of both the eastern German and the east European economies. Delivering this 10-point program in a parliamentary address that day, Kohl specifically referred to the project of restoring the old, pre-war rail link from Paris to Moscow, running through Berlin and Warsaw.

That 10-point platform seemed to reflect the programmatic impact of what had by that time been a year-long political lobbying campaign by the LaRouche movement, after the speech given by Lyndon LaRouche on Oct. 12, 1988, in the western part of Berlin, on that subject of developing the continental European infrastructure as a joint East-West project (see text on p. 24). Kohl’s platform also seemed to reflect the input of similar ideas which the chairman of Deutsche Bank, Alfred Herrhausen, had worked out during a process of distancing himself from the monetaristic outlooks of, spe-



*Chancellor Helmut Kohl (center) campaigns in Günzburg on Oct. 9, during the national election campaign. Five years ago, Kohl's 10-point program for German reunification and reconstruction included an excellent proposal for restoring rail ties from Paris to Moscow, via Berlin and Warsaw. That proposal, which was never implemented, is all the more vital today.*

cifically, the Anglo-American world of banking.

A car-bomb killed Herrhausen on Nov. 30, two days after Kohl's parliamentary address, in an assassination attack that was instantly evaluated by those in the know as a message from the extremist free-market faction among British-dominated bankers, to Germany's elites, not to intervene in the ailing and rapidly disintegrating Soviet bloc on their own, but rather to leave the field open to cutthroat "western interests."

It is said in Bonn that Kohl was blackmailed by those "interests" (which were personified by Margaret Thatcher and George Bush) to either play by the rules and forget his 10-point program, or forget the reunification of Germany.

Meanwhile, Germany was reunified—in October 1990—and U.S. President Bill Clinton, who visited Germany in mid-July this year, has stated his support for a bigger German role in the economic development of the East. Moreover, Britain's political elites are absorbed, even paralyzed, by the disintegration of their foremost national symbol, the Royal House of Windsor, these autumn days of 1994.

There should, therefore, be no reason at all for any German chancellor in this favorable international constellation not to do what was originally planned in late 1989. And the chances of succeeding now are good, especially since the extremist free-market methods applied on the former Soviet bloc by such shining lights of British economic theories as Jeffrey Sachs, have proven insane and outrightly

catastrophic. The situation in Russia is the best documentation of that.

### **The Russian connection**

It was a Russian, actually, who reminded Kohl of that old proposal for a grand Berlin-Moscow rail project: none other than President Boris Yeltsin, during his May 1994 visit to Germany. Kohl told Yeltsin at that time that he viewed the project as one of "the highest priority," and that it would be realized after his re-election as German chancellor.

The new German government also has no other choice but to push ahead with grand infrastructure development programs, if it wants to take seriously its promise to fight against a jobless rate of more than 7 million Germans. Only a bundle of big technology projects, backed by the state through long-term, low-interest investment loans, can offer the perspective of reducing the joblessness significantly.

The envisioned Berlin-Moscow rail link is exactly that type of project. Even the most conservative prognoses (by those who say the Germans should only build "their" own section of the rail track, the Poles and Russians "theirs") speak of an immediate investment incentive of 20-plus billion deutschemarks and an employment effect of 250,000 new jobs, which the realization of that 1,900-kilometer rail link from Berlin to Moscow would have on the German economy. It is about time that Kohl delivers on his old promises.

## Facade of 'stability' broken in Russia

by EIR Staff

Two years ago, on Oct. 30, 1992, pre-publication copies of the Russian edition of Lyndon LaRouche's textbook, *So, You Wish to Learn All About Economics?* were presented in Moscow at a conference of the Schiller Institute. In a foreword for the Russian edition, LaRouche talked about the collapse of "the greatest financial bubble in history," which collapse "could become the worst economic disaster in European history since either the early 17th century, or even the mid-14th century's 'new dark age.'" He warned, "From the experience of this ongoing great collapse, the nations which survive learn two leading rules for shaping of their economic policy. First, it must be recognized that economy is essentially physical economy, and that *never again must money be elevated to any higher political authority than merely a means of fostering the production and physical distribution of tangible objects of newly produced wealth*. Second, economic policy must be premised upon the fact, that the continued existence of humanity depends absolutely upon the continuation, indefinitely, of those improvements in knowledge, and in capital-intensive, energy-intensive modes of investment in productive techniques which we associate in an exemplary way with generalized scientific and technological progress."

Russia is now suffering the terrible consequences of its regime's following the dictates of *monetarism*, imported from the West. In the State Duma and in the Russian press, there are more and more demands to find another path, but no political force inside the country has intervened with the authority to find one before the political and social landscape explodes.

On Oct. 11, the Russian ruble fell by 25% against the dollar for a cumulative 50% drop in the space of two months. After massive ruble purchases by Russia's Central Bank, it rebounded from 3,926 rubles to the dollar to the vicinity of 3,000. The crisis tore up the myth of "stabilization" which the

Yeltsin regime has offered to the world and to international financial institutions.

President Boris Yeltsin fired acting Finance Minister Sergei Dubinin immediately, and Central Bank head Viktor Gerashchenko resigned several days later. The fate of Prime Minister Viktor Chernomyrdin and his entire government is uncertain, amid swirling rumors of his resignation and a no-confidence vote by the State Duma on Oct. 27, which the government squeaked through almost intact. Vitali Tretyakov, editor-in-chief of the influential daily *Nezavisimaya Gazeta*, editorialized that Chernomyrdin's departure is "a matter of time."

On Oct. 27, all the ministers of the government, with the exception of Agriculture Minister Viktor Khlystun, survived the vote of confidence, but 100 Duma representatives walked out in protest when the question regarding Defense Minister Pavel Grachov was raised.

The issues behind this demonstration were detailed in an open letter by one Sergei Lyuzhkov, a colonel from the Russian Army General Staff's press department, run on Oct. 22 in *Nezavisimaya*. The letter said that time was running out for the military's support for Yeltsin and his defense minister, General Grachov. Matters in the Armed Forces had worsened beyond toleration: the housing and social situation, lack of appropriate equipment, corruption, humiliation of the soldiers, and deepening demoralization. Lyuzhkov warned that the Army would not come to the defense of Yeltsin a second time, as it did in October 1993 when the Supreme Soviet, Russia's previous parliament, was crushed by force.

### The ruble crisis

The ruble crisis built for several weeks before Black Tuesday, Oct. 11. When the MMM firm, a self-styled invest-



ment fund which was the largest of Russia's private speculation scams, folded in July, scores of other such funds and the *nouveaux riches* speculators who run them turned to currency speculation and downward manipulation of the ruble as one means to make quick financial gains before repeats of the MMM collapse. As the ruble slid from the 2,000 to the dollar range to 3,000, a rate that in July or August would have been considered catastrophic, the regime did nothing. Then on the evening of Oct. 11, leaks from an emergency meeting of Russia's Central Bank asserted that "10 banks had colluded to dump rubles on the market." First Vice Premier Shokhin said it was the result of a plot, and a committee headed by state security officials was assigned to find the cause of the crisis.

The Russian government could have slyly welcomed the depreciation of the ruble, since it cheapened the several-months arrears of wages owed by the state to employees in industry and administration. But after the rescue interventions of Oct. 12 and following days, a large portion of Russia's currency reserves are gone. The Central Bank has just \$1.8 billion on hand for currency intervention purposes, according to *Nezavisimaya Gazeta* of Oct. 15, whereas Russian reserves stood at \$9 billion during the summer.

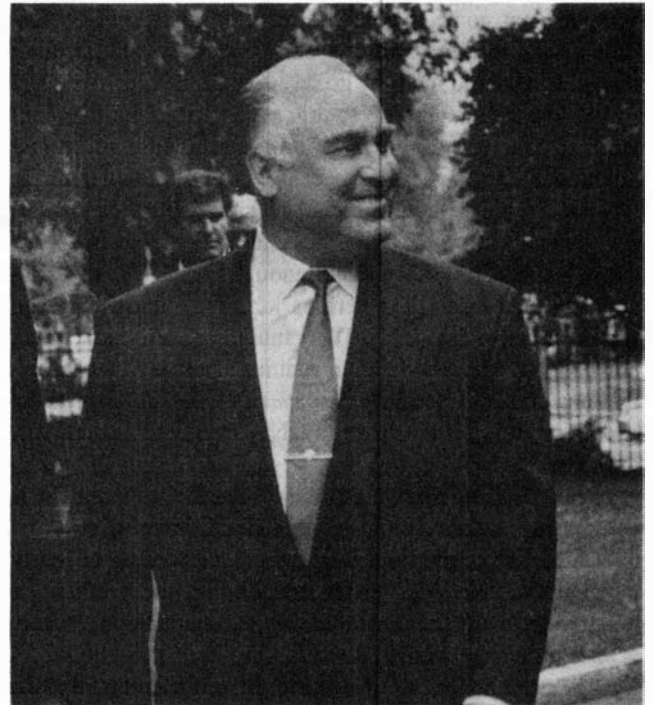
With the collapse of the currency, inflation soared again. Prices for basic foods such as bread and milk shot up by 15% just on Black Tuesday, but unlike the ruble rate did not reverse direction. This shock hit a population, where most people have not received their wages for many months, and close to half were at or below the subsistence level before October.

Several major industrial plants have been struck over the unpaid wages, but they were paralyzed already by a non-payments crisis among firms and the breakdown of supply. Production in industry as a whole is declining at an annual rate of 10-20%, reports former Russian Prime Minister Ivan Silayev, who is currently involved in creating a Union of Machine Builders, but in the machine-building industry the fall is at an annual rate of 40-45%.

Bread shortages, a sure condition for social turmoil, could loom early next year. In early summer, the Ministry of Agriculture revised its estimate of the grain harvest from 99 million tons to 90 million tons. By Oct. 13, according to Interfax, 89% of the fields were harvested and ministry officials said that only 77.6 million tons had been threshed, compared to 91.2 million at the same time last year. Leonid Cheshinsky, head of Russian Bread Production contracting corporation, said that the wheat harvest might be only 31-32 million tons, against 43 million tons in 1993, leading to shortages for the baking industry by the first half of 1995.

### **An invitation to disaster**

The posture of the International Monetary Fund (IMF) and the World Bank toward Russia is to demand further strangulation of industry and agriculture in the name of mon-



*Russian Prime Minister Viktor Chernomyrdin during a visit to Washington last June. He barely survived the Oct. 27 confidence vote.*

etary "stabilization."

At the Oct. 2-4 IMF annual meeting in Madrid, otherwise described as a conclave of desperate bankrupts who saw handwriting on the wall but couldn't read it, IMF officials told the Russians to cut more than 100 trillion rubles from the state budget or expect no IMF credits. An IMF delegation visiting Moscow the very week of Black Tuesday dangled the prize of a \$4.1 billion stand-by loan and the creation of a "ruble stabilization fund" perhaps by next spring, contingent on new austerity measures. Russian government representatives learned that, having scrunched inflation down to 5% per month during the summer (including by simply not paying wages!), they should slash spending more, to achieve a monthly inflation rate of 1%.

John Odlington, head of the IMF's Russia department, was quoted in the *Financial Times* of London Oct. 17: "This is not the time to take the easy line and to give way to pressure from industries," while IMF chief economist Michael Mussa declared, "Until a cap is put on spending, there is no hope of containing the budgetary situation. That needs to be demonstrated by the government."

The culprit in the ruble's collapse and renewed inflation, in the opinion of a specialist closely involved with IMF policy toward Russia, was the Central Bank's continued issuance of credits for the farm sector and Russia's far north. Asked if Russia should extend credit to stabilize industry, he protested, "No! They have to stop doing that. That is the problem.

They are not going to be doing that any more. They have been giving credit to industry, and that prevents the restructuring. Let the old industry go.”

At Madrid, according to this gentleman, “the Russians thought they would get credits on the basis of their current policies. They thought that, because they had gotten inflation down to 5% a month, they would get credit. But the Russians are going to have to get used to the belief that the West doesn’t think they have done enough. . . . The time has come for Russia to do a serious job. They must carry out stabilization [of the ruble]. There must be a correction. Right now, Russia’s budget deficit is running at about 10% of GNP; that must be gotten to less than 5% of GNP.” At the current exchange rate, 5% of Russia’s GNP, or 129 trillion rubles, is \$43 billion.

Struggling to meet these demands, the government is committing suicide. On Oct. 20, Chernomyrdin presided over a closed cabinet meeting, which adopted an austerity budget draft for 1995. After the session, the premier attempted to instill public confidence by announcing, “There is absolutely no reason to panic.”

The draft budget slashes spending on agriculture and industry, with particularly severe cuts in the coal sector—as specially demanded by the World Bank—although miners are already threatening to strike.

In a recent memorandum to the Russian government, the World Bank recommended that Russian coal production be cut by almost 50%. As a condition for a \$1.5 billion loan, Russia should close 40 mining complexes with a combined output of 140 million tons of coal per year. Russian coal production is 300 million tons per year now. The World Bank would like to see complete liquidation of the state coal agency Rosugol and privatization of the coal sector.

## Backlash

Workers in the energy and transportation sectors held nationwide street demonstrations Oct. 27, to protest the government’s austerity and non-investment policies. In Moscow, some demonstrators carried signs reading: “Boris Yeltsin, the people no longer trust you.” In St. Petersburg, the demonstration filled up the main square.

There is a backlash against them in political circles as well, and growing rage against the West for foisting such policies on Russia. On Oct. 8, the daily *Sovetskaya Rossiya* published a table on Russian exports under the headline “Who Devours Russian Natural Resources?” The Oct. 11 issue of *Rabochaya Tribuna* ran an article on the coal industry titled “The West’s Financial Moguls Sentence Every Other Russian Coal Miner to Unemployment.”

In *Rabochaya Tribuna* of Sept. 20, economist Dr. Vilen Perlamutrov of the Russian Academy of Sciences Institute of Market Problems asked if current policy were not leading to a replay of the draconian “war communism” of the early Soviet period. Because companies like MMM were encour-

aged, wrote Perlamutrov, “money has switched from production to the ‘buy and sell’ organizations because they offer the fastest turnover of capital and, consequently, decent profits. Meanwhile, the impecuniousness of the producers means that production volumes in the country are falling. As for our teachers and benefactors in the West, they promised us all sorts of things (first \$24 billion, then \$4 billion), but in the end gave nothing and are not going to.”

In September, opposition figures Yuri Skokov, the former secretary of the Security Council, and Sergei Glazyev, head of the economics committee in the State Duma, presented to the 3rd Congress of Russian Producers a working document on the causes of Russia’s economic crisis and ways out of it. Their outline is incompatible with a continuation of the IMF course.

Writing before the ruble crisis exploded, Skokov and Glazyev argued that official statistics showing a halt in the decline in production, inflation at 5% per month in July and August, and a 10-12% increase of real incomes during 1994, not only do not signify stabilization, but “mask the onset of a new phase of the crisis.” They said that true “stabilization” would require areas of growth in the processing sectors of industry, a rise in investments, and a growth of monetary incomes in the goods-producing sectors, whereas Russia was experiencing a “structural depression” rather than any of these.

Glazyev and Skokov identified the “irretrievable loss of the economy’s remaining technological positions and the capacity to create them” as the most dangerous process, noting that “the output of high-technology and science-intensive products is falling at a faster rate than anything else, in virtually all sectors.”

Attempting to define “directions for a way out of the crisis,” the Glazyev document set goals that would require breaking with the murderous monetarist practices of the IMF: maintaining production at the critical level necessary for reconstruction, renovation, and technological modernization (50-60% capacity utilization); defense of the domestic market from competing imports, above all in machine building; formation of domestic financial resources in production, sufficient for its renovation; defense and utilization of the investment and scientific-technological potentials; creation of institutional investors, above all large corporations, able effectively to mobilize economic resources.

On the eve of the Oct. 27 vote of confidence, Glazyev called a news conference where he blasted Russia’s 1995 draft budget. “They call the budget tough. I say it is irresponsible and short on ideas,” Glazyev charged. “Russia agrees to a 10% industry slump and lower investment activity.”

“And even then, the budget has a deficit,” Glazyev added. He said plans to cover the deficit by issuing state securities reminded him of a pyramid scheme, like the notorious MMM investment scheme: “I do not envy a government which has to repay those issues in 1996.”

# Storm clouds gather in Russia

by Roman Bessonov

*The following was filed by Russian journalist Roman Bessonov on Oct. 11, before the outbreak of the ruble crisis.*

The situation in the Russian economy is becoming more and more catastrophic, making it clear that the new "period of stagnation" will not last for long. The President's charisma is rapidly fading; almost every newspaper, including most "democratic" periodicals, openly discusses his alcoholism, and, correspondingly, his ability to rule the state.

The Gorbachov-linked *Novaya Yezhednevnyaya Gazeta* recently published a photo of President Boris Yeltsin in Germany, trying to pronounce something after consumption of a large quantity of alcohol. Readers were invited to offer the best caption for the picture. After three years of unconditional support for Yeltsin, liberal newspapers have begun to recollect a whole list of his mistakes during his time in power. It is clear that the President is not satisfying the self-styled "anti-fascist" radical liberals. Moscow News columnist Evgeniya Albats, famous for her attacks on the "red-brown opposition" and the KGB, now suspects Yeltsin of anti-Semitism, her reason being that Yeltsin has never denounced anti-Semitism and, secondly, he praised the work of painter Ilya Glazunov, recently exhibited in Moscow.

The real story with Glazunov was that the artist, while touring Yeltsin around the exhibition, pointed to a new painting that features sinister Jewish-looking faces in the center of the composition, and asked Yeltsin, "Shall we let enemies ruin our country?" The TV cameras were already on the President and the artist. Even if he were quite drunk, he could not have replied, "Okay, let them," thus satisfying the expectations of the "anti-fascist" intelligentsia. He answered, "No," providing a pretext for a campaign against him.

This is typical of the trap Yeltsin fell into after the tragedy of October 1993, when his power struggle with the Russian Supreme Soviet ended with the Parliament building in flames. More and more of his allies have betrayed him to launch their own political games. The most powerful of these, Moscow Mayor Yuri Luzhkov, controls several newspapers and a TV station. He exploits the President's dependence on him and his banks and firms (which resulted from the Yeltsin-Luzhkov alliance against the Supreme Soviet in October 1993) for his own advantage.

The "autumn of the patriarch" has arrived. But fall 1994

is a time of total crisis for the entire political and economic system in Russia; and, paradoxically, the chaos in policy and in the public mind is saving Yeltsin, buying him a certain amount of time to play out his game. None of his opponents, each pursuing his own interests, can prevail at this time.

The atmosphere of uncertainty and lack of confidence produces public apathy and a belief that any administrative measures adopted will be inadequate to change the course of events. Sensing this, politicians are turning to mysticism and astrology, as it was in czarist Russia before World War I. The famous Assyrian Pavel Globa, who was previously used by the Yeltsinites during their struggle against Supreme Soviet Speaker Ruslan Khasbulatov, has brought his gift of prophecy into play again. Globa recently predicted that there would be a scandal around Vladimir Shumeiko, Speaker of the Federation Council, and warned Yuri Luzhkov against "incautious measures" during October.

Indeed, Yeltsin's hypothetical successor Shumeiko became a laughingstock, thanks to *Izvestia*. Shumeiko reported that his new "all-Russia state ideology," which he had promised a year ago to invent, was ready. The "new strategic idea," he said, consists of three fundamental elements: 1) supremacy of spiritual over material interests, 2) preference of a normal material income to luxury, and 3) supremacy of good over evil. *Izvestia* journalist Valeri Vyzhutovich found out that these "elements" were not invented by Shumeiko himself, but copied from a brochure written by trained engineer and amateur philosopher Vladimir Potyomkin. The author had sent the brochure to Shumeiko, adding that he, Vladimir Potyomkin, was a great scientist who had discovered some unknown particles called "matrices of cognition." So Shumeiko emerged as not only a plagiarist, but as someone unable to distinguish a concept from the writings of a mentally ill "inventor."

One of astrologer Globa's predictions having come true, it may be reason for Luzhkov to heed his warning and be cautious, refraining from plots against Yeltsin until he is out of the October danger zone.

## The social democracy gambit

In fact, there are more serious reasons for Yuri Luzhkov to wait for better times to spring a plot. During the summer, his position was very strong. He had control over almost every significant political group able to struggle for real power. He created several puppet parties, and was pretty sure that he could manage the whole political process like a chess player. But he started to play too fast, as if all the figures were made of the same material. That was a mistake.

The main gambit Luzhkov was going to play was called "social democracy." The reason is clear enough. Russian political experts had managed to convince U.S. specialists (at Harvard, the Heritage Foundation, and so forth) that the Gaidar-like radical liberal ideology was too dangerous to be further implemented in Russia, because its results might lead

to an upsurge in nationalism. Therefore, social-democratic views suddenly became very popular among the Russian elite; former Soviet Communist Party Central Committee members M. Gorbachov and A. Yakovlev, who now hate each other, started to develop rival social-democratic conceptions.

There are three variants of the "pink" [meaning social-democratic, as opposed to the "red" communists—ed.] ideology for Russia already, and all came into view. Luzhkov helped Yakovlev to form his Social Democratic Alliance, and granted him a 1,000 square meter office in Moscow. But then he moved too fast. Luzhkov proposed that the nominal leader of the Alliance, Marshal Yevgeni Shaposhnikov, be a "charismatic" candidate for the presidency from all democratic and centrist forces. This idea was supported by Gavriil Popov's Movement for Democratic Reforms and Lev Ponomaryov's Democratic Russia federal party. But Yegor Gaidar, having bad relations with both Ponomaryov and Popov, refused to recognize Shaposhnikov's candidacy, and insisted in a public speech that "democrats should support Yeltsin."

On the other hand, Yuri Skokov, chairman of the Federation of Producers, was not satisfied with such a project, either. He didn't recognize Shaposhnikov as a serious figure, and wanted to have nothing (not even a marshal) in common with liberal democrats. The Luzhkov-Skokov alliance cracked.

On Aug. 22, Shaposhnikov spoke at a conference devoted to the anniversary of the 1991 "revolution," where he tried to outline social-democratic ideas for reform in Russia. Since then, he has not been introduced as a potential "progressive leader," while his friend, Gen. Nikolai Stolyarov, held secret talks with another mutual friend, former Vice President Aleksandr Rutskoy.

## Opposition maneuvers

In September, Rutskoy was elected at a meeting in Kaliningrad (Königsberg) as "coordinator" of the united opposition under the motto, "Accord for Russia." (The opposition bloc of this name was originally designed for Valeri Zorkin, another would-be candidate for the presidency.) At the congress in Kaliningrad, several speakers mentioned a project for a State Council. The idea of removing Yeltsin and summoning a State Council had been raised before in Luzhkov's circles; having no hope for being elected President, Luzhkov was going to play a "Georgian variant" in Russia.

Luzhkov's idea was to replace Viktor Chernomyrdin with Yuri Skokov as prime minister. This may be why Skokov's name has been mentioned in connection with the Kaliningrad Congress, although he was not present. But soon Skokov made clear he was playing his own game. He held separate talks with Gennadi Zyuganov, leader of the Communist Party of the Russian Federation, and then disseminated a rumor that he, Skokov, was going to run for President in 1996 himself.

The failure of the Luzhkov-Skokov alliance was promptly used by Chernomyrdin, whose position, rather weak during the summer, strengthened before Yeltsin's visit to Great Brit-

ain and the United States. One of the reasons was that Yeltsin was going to have talks on American investment in the Russian oil industry, which is Chernomyrdin's base.

Yeltsin returned from the United States at the end of September, whereupon new rumors were spread about personnel changes in the government. In his Oct. 4 speech, Yeltsin said he would not object to including some opposition political figures in the government. First Vice Premier Shokhin said in a TV interview that it would be quite possible to collaborate with Skokov and some other "good old specialists."

According to sources, Chernomyrdin had talks with both Zyuganov and Sergei Glazyev, the head of the Economics Commission in the State Duma and a signer with Rutskoy on the original Accord for Russia statement last winter. Both were allegedly expected to agree to take cabinet posts. Chernomyrdin was evidently trying to sign an agreement with Skokov, but he did not succeed. After a flood of negative news reports in which the opposition, especially the Communists, were treated with disdain, both Zyuganov and Rutskoy declared they would not work for the Yeltsin-Chernomyrdin regime.

This outcome, however, does not end the fierce struggle under the Kremlin carpets. It only proves once again that not ideas, but the naked interests of corrupt politicians, are determining the situation in the Russian elite. Those who actually rule don't care who their allies are; those who have plans to gain power readily change their views when they see a change for themselves; and if someone declines to share power, it usually means he does not want to share responsibility for the economic catastrophe. There are also corporate interests involved. The rivalry of Chernomyrdin and Shaposhnikov, for example, reflects the fight between the mining and petroleum industry and military industry.

Yuri Skokov, who is now keeping his distance from both of them and openly opposing Yeltsin, is less popular than any of them today and less popular than many other prominent politicians, including Zyuganov, Zhirinovskiy, and Rutskoy. Will he gain popularity? It doesn't seem so. His latest interview, in *Nezavisimaya Gazeta*, is dull and uninteresting, full of expressions like "social partnership" and so forth. Perhaps he's going to win not in an election campaign, but in some other way—is anything to be excluded in Russia? But his opponents and rivals have more money and more possibilities to protect themselves. And Skokov doesn't resemble Jack the Giant-killer. It may be that the only chance for Skokov is to exploit the contradictions between rival groups.

Autumn 1994 is sad and windy. Gloomy workers do not know when they will be fired from their suffering industrial plants, tomorrow or the day after. Gloomy engineers are trying hard to retrain as black market speculators. Gloomy officials don't know whose orders to obey. Gloomy political leaders have no language in which to speak to the people, no brains to rule them, no heart to work for them. Yet their struggle goes on.

# British, French sabotage hopes for justice in former Yugoslavia

by Katharine Kanter

So we, the British and French foreign ministers, flew out together. We thought, we spoke, we acted together—two representatives of the two largest European troop contributors speaking with one voice and with one message. . . . During those days in Sarajevo, in Pale and Belgrade, the two of us were able to speak, thanks to good work from our staffs, almost as if we were members of the same government, better in some cases than between members of the same government, supporting each other's presentations, briefing each other's press. And our staffs and the people we spoke to were surprised how far this went. . . . And we could do it, of course, because for month after month, the two of us and our soldiers and our diplomats had worked together on Bosnia. And I do not doubt that as we go on with Bosnia, and Bosnia remains an acutely difficult and dangerous problem, not just because of the miseries of the people who live there, but because of the dangers which persist for division and substantial difficulty within the Atlantic Alliance. . . .

—Foreign Secretary Douglas Hurd, to the Franco-British Council, Oct. 25, 1994, on the Juppé-Hurd visit to Bosnia in July 1994

Thanks precisely to the Entente Cordiale of the governments which Hurd and his colleague Alain Juppé represent, half a million human beings in Bosnia are now on the verge of death from hunger, hypothermia, and dehydration, in a country whose cities are all within 20 minutes' flying time of Rome or Vienna, and 90 minutes from Berlin. All fuel convoys into Bosnia have been stopped on orders of General Mladic, who commands the Serbian rebel militia in Bosnia, and the U.N.'s Unprofor "peacekeeping" force itself is now operating on emergency fuel supplies. What that means is that the convoys cannot move inside Bosnia, and there are no means for residents to cook food or heat dwellings.

Bihac province in the West, where the Bosnian Army has made territorial gains and has even crossed over to fight in Serbian-occupied Krajina, within Croatian territory, has almost run out of food, according to the U.N. High Commission on Refugees, whose spokesman Kris Janowski said that conditions in the enclaves of eastern Bosnia are equally ap-

palling. At Zepa, Srebrenica, and Gorazde, almost no medical supplies remain, and there is no electricity, and very little food.

On Oct. 25, the Serbians announced that they were letting through a total of 33 tons of gasoline—14 tons for the capital, 9 tons for Zepa, and 20 tons for the eastern enclaves, an enormous area where about 200,000 people are trapped in conditions which Doctors Without Borders leader Philippe Salignon calls "open air jails." Unprofor had demanded 700 tons divided among 11 convoys, and 12 convoys with food.

These zones are all under U.N. "protection," meaning that the Unprofor is supposed to have a mandate to send convoys through. Since this mandate is not being executed, it is clearly that the U.N. is working hand-in-hand with the Serbians to force the Bosnian Army to capitulate by starving the population out from under it.

## Struggle over Mt. Igman

During the latter half of October, there was an uproar in Sarajevo over the attempts by the U.N.'s Gen. Sir Michael Rose, at Serbian request, to drive the Bosnian Army off Mt. Igman, a strategic stronghold not far from the Bosnian capital. *EIR* readers may recall that on Oct. 6, military action was taken by Unprofor against 550 Bosnian troops protecting the only land route left open into Sarajevo, blowing up Bosnian bunkers and trenches. Then, Unprofor began to threaten *air strikes* against the Bosnian Army, unless the Mt. Igman route were cleared.

This route has great significance, since Sarajevo Airport, which Unprofor refuses to protect adequately, is highly vulnerable and can be taken out at any time by Serbian sniper fire. There remains one and only one overland route in and out of Sarajevo, which winds down to the sea over Mt. Igman. Were that route to be cut, the capital could fall to Serbian forces at any time.

At Serbian request, the zone was declared demilitarized in late 1993, but Bosnian Army regulars and militiamen proceeded to heavily infiltrate it when it soon became apparent that the U.N. would do nothing to keep it open. This all changed during the last week of October, when the Bosnian government, under strong military threat from the Entente Cordiale partners, agreed to withdraw its troops from Mt. Igman, despite the fact that Unprofor had made no further

commitment to keep the road open.

Intense and openly expressed hatred now prevails between the Bosnian population and the British officials occupying their country. On Oct. 22, it came to a vitriolic exchange between the Bosnia's U.N. Ambassador Mohammed Sacirbey and the U.N. Security Council's Chairman Sir Peter Hain. Sacirbey demanded that General Rose be put before a military tribunal.

Three days later, the Bosnian Parliament unanimously voted up a resolution demanding that Rose be removed from the post of U.N. commander in Bosnia, not because he was openly working with the Serbians, but because in his efforts to protect British interests, he was failing to implement the U.N.'s own resolutions. Bosnian Minister Hasan Muratovic commented: "The target of the Unprofor mission is, first, to freeze the existing situation, to get agreement from the Serbian side for every action they take, as well as to get agreement from the Serbian side to supply themselves. . . . The [Bosnian Parliament] agreed that this freezing of the situation is unacceptable, *even if the price of that is the withdrawal of Unprofor.*"

These statements by officials and elected representatives of a sovereign state, were dismissed as "noise" by U.N. spokesmen quoted in the London *Times*. True to its "Catch-22" identity, the United Nations has asked England to nominate the person to replace Rose: another Englishman, of course, Maj.-Gen. Rupert Smith.

### Western 'unity' at what price?

There should indeed be more of whatever is worrying Douglas Hurd. At two stormy NATO meetings during the week of Oct. 17, the United States was at loggerheads with the U.N. commander in former Yugoslavia, Bertrand de Lapresle, over air strikes. The meetings ended in a complete stalemate, and Oct. 18 statements by White House spokesman Dee Dee Myers as to the possibility that the United States might unilaterally lift the arms embargo on Bosnia on Nov. 15, were contradicted two days later by President Clinton. Nevertheless, on Oct. 19 it was made public that the U.S. administration was sending Gen. John Galvin, former supreme commander of allied forces in Europe, to Bosnia along with 15 American officers, in order to "help the Bosnian Army and its Croatian allies integrate their forces," according to senior American and Croatian sources. That same week, Gregory Treverton, deputy chairman of estimates of the National Intelligence Council, a private agency, arrived in Bosnia, presumably on an advance mission. Unprofor (i.e., the British and the French) treated him as shabbily as possible: He was refused armored transport for his trip to central Bosnia, and was subjected to a number of vexations and insults.

Despite the U.S. actions, the generally held evaluation in the Bosnian camp, is that nothing can be expected in the short term from the U.S. government, neither in terms of

air strikes, nor in terms of a subsequent lifting of the arms embargo, and that therefore, a complete internal reorganization is the only hope for victory. Even British military commentators, such as *Jane's Defense Weekly*, admit that an ultimate Bosnian victory is possible, thanks to the incredible tenacity and iron morale of the Bosnian troops.

In late October, it was made known that Bosnian President Alija Izetbegovic had proposed to Croatian President Franjo Tudjman, that the famous Croatian General Spegelj should be made commander of a joint military command of the Bosnian Army and the Bosnian Croatian militia. Spegelj, who is enormously popular in Croatia for having stopped the Serbian offensive in eastern Slavonia, is less popular with the entourage of present Defense Minister Susak, who, like President Tudjman, is an apostle of "compromise."

### 'Law is invented, my dear!'

But iron morale, let alone iron morality, is definitely not the tone in the western camp. Following the latest round of proposals by French Foreign Minister Juppé, French UDF Deputy Yves Rousset-Rouard, presumably in the name of the London Contact Group on Bosnia, organized on Oct. 17 a conference on "Balkan unity" the French National Assembly. Rousset-Rouard, who, if one trusts his curriculum vitae, appears to be mainly a representative of the French movie-making industry, promoted the idea of a reconstituted Yugoslavia, under another name, and appeared to be extremely surprised when his "mini peace-conference," at which he had expected that the diplomatic representatives of Bosnia and Croatia would sit calmly at the same podium with Serbian officials, broke down into six hours of absolute chaos.

Amid scenes which reminded one of political meetings in Germany shortly before the Nazi coup d'état, Bosnian Ambassador Dr. Kovac was shouted down and interrupted on several occasions by Rousset-Rouard himself, as soon as Kovac attempted to bring home to the parliamentarians present the terrifying nature of the Serbian occupation. A septuagenarian historian, Prof. Paul Garde, who attacked the concept of Greater Serbia, was drowned out and insulted with catcalls of "Fascist! Liar!" and other even ruder expressions.

The low-point of the conference was reached when Prof. Marc Gjidara, who teaches international law at Paris University, rose from the floor to attack Juppé's proposal to federate the self-styled "Serbian Republic of Bosnia" with Greater Serbia, to give away eastern Bosnia away to Serbia in exchange for the government keeping Sarajevo, and to let the Serbians have the area around Dubrovnik in exchange for compromising on the parts of eastern Slavonia which they have seized. In Gjidara's view, such areas should become autonomous. To this, the head of the Franco-Serbian Parliamentary association, Xavier de Roux, a lawyer who once specialized in Soviet commercial contracts, replied: "Law? What is human creativity for, but to make up new laws? *Law is invented, my dear!*"

## Diplomacy is not working for peace

*EIR correspondents Elke Fimmen and Sheila Jones interviewed Prof. Ivo Komsic, member of the State Presidium of Bosnia-Herzegovina, in Munich, Germany on Oct. 9.*

**EIR:** Despite the Serbian offensive in Bosnia it is claimed that the Bosnian Serbs are not getting any more support from the Serbians. Can you tell us something about the actual situation?

**Komsic:** To expect that 150 international observers can check the borders between Serbia and Bosnia so that [Bosnian Serb boss Radovan] Karadzic won't get any more aid, is an illusion. The border is 1,600 kilometers long, and such a task is ridiculous. This is a trick of French and British diplomacy in order to lift the sanctions against [Serbian President Slobodan] Milosevic. We have reliable information that pontoon bridges have already been thrown up over the Drina to keep the aid coming. But even without these bridges, supplies to the Bosnian Serbs are getting through successfully.

**EIR:** What can you say about the so-called Contact Group?

**Komsic:** The Contact Group did not have the aim of ending the war in Bosnia. As is becoming increasingly clear, its purpose was to settle the so-called Serbian question in Bosnia and lift the sanctions against Serbia. To force Karadzic to settle, the Contact Group could have achieved this more simply by pressuring Milosevic. The pressure on Karadzic was purely and simply to achieve what happened, the partial lifting of sanctions against Serbia. The only lucky part is that Karadzic did not realize that the plan [to partition Bosnia] in reality is in his favor. He is obsessed with the idea of a Greater Serbia.

**EIR:** There are now more and more signs that the United Nations and the Serbs are working very closely together. How do you view American policy in this connection?

**Komsic:** Despite our dissatisfaction we must maintain some comprehension for American policy. The main partner for America is solely and uniquely Russia. The American engagement in Bosnia-Herzegovina is determined from the Russian standpoint. The Russian engagement in Bosnia-Herzegovina is overshadowed on their side by internal



*British Foreign Minister Douglas Hurd, French Foreign Minister Alain Juppé: French and British strategy "has a clear goal: namely, Greater Serbia."*

Russian developments, by the Russian extremists, who could bring about tensions with NATO. That limits the American posture in Bosnia-Herzegovina and makes them cautious.

**EIR:** How do you see the British role? It appears as if Great Britain were doing everything to sabotage a potentially different policy of America and Russia toward Bosnia-Herzegovina.

**Komsic:** Great Britain is using the internal difficulties of both America and Russia and is attempting to push through its own policy. The policy of Great Britain is unfavorable to us, because it supports the continuity of the first and second Yugoslavia (1918, 1946). We experience this most clearly in the attitude of the British Unprofor troops. They do not represent the U.N., but their own government. The negative role of General Rose is well known. Most recently he has been preventing sorties by NATO aircraft. Together with the Karadzic clique in Pale, they declared NATO as their intrinsic enemy.

**EIR:** Can you say anything about the reasons why President Alija Izetbegovic was moved to accept a postponement of the lifting of the arms embargo?

**Komsic:** We analyzed this question for a long time in the Presidium in Sarajevo. After much discussion we came to the view that the arms embargo should be lifted now, but arms deliveries should be set up somewhat later. The motive

for this is that the Russians, British, and French have threatened that if the arms embargo is lifted, they would immediately withdraw their Unprofor troops from Bosnia. That would have meant that practically all the enclaves which are under Unprofor protection would be delivered to Karadzic. In order to prevent this, we reached this decision.

**EIR:** What is the relationship in Bosnia between Croats and Muslims? Would it not be possible to build a military alliance?

**Komsic:** It is clear that a military alliance between Croats and Muslims in Bosnia would be necessary, likewise between the Republic of Croatia and the Republic of Bosnia and Hercegovina. The same enemy has attacked us, and an effective defense is linked up to that.

**EIR:** We think, and that is also the analysis of the American politician Lyndon LaRouche, that the possibility now exists to forge a different policy in Europe, since Clinton has called for tighter collaboration with Germany and cut off the special relationship with England. This Balkan war was begun for geopolitical reasons. Thatcher and Baker egged on the Serbs to begin the aggression in order to destabilize Europe after the fall of communism. What do you think about this?

**Komsic:** The Serbians would certainly not have been able, without support, to act in Croatia and Bosnia-Hercegovina. Even the numerous U.N. resolutions against [Serbia] were not in fact implemented. The Americans after the Cold War have simply lost the political strategy toward the Balkans. They appear on the political stage of this region only with short-term measures, without any clear goal. On the other hand, the British and French strategy has a clear goal, namely a Greater Serbia over which they could impose their political goals on the Balkans. It appears that the Americans have only grasped that very recently, and now they are pushing a more decisive policy. In this sense Clinton's visit to Germany is significant. If you analyze his statements, he essentially delivered Bosnia-Hercegovina and the Balkans into Germany's sphere of influence. So it is very important that Germany take on this duty with full awareness and act accordingly. It is certain that Germany has more influence over Croatia and Bosnia-Hercegovina than anyone else. Germany must use this influence and be guided by its own interests.

**EIR:** You know that Germany has been attacked by the British press since the fall of the Berlin Wall as a "Fourth Reich," because it allegedly wants to broaden its sphere of influence.

**Komsic:** In no way whatsoever, even vis-à-vis Britain and France, must Germany give up its interests in the Balkans. It is very important that the Americans and the Germans should continue to act as the joint creators of the Washington agreement.

## Greenpeace suffers legal setbacks

by Emmanuel Grenier

The environmentalist organization Greenpeace, the darling of the news media during the 1980s, has now undergone a series of major defeats at the international level, which also shed light on the true nature of its activities. The list of court cases lost in Europe by Greenpeace keeps getting longer, and the trend doesn't seem to be ending. On the contrary, judges, police officers, and journalists seem to be less and less inclined to accept the violent methods of those who call for "environmental justice" and put themselves above the law: Be it trespassing, damaging of property, or aggravated theft, Greenpeace activists believe that (almost) anything goes for the sake of what they deem vital to the planet.

In the past, industry officials and administrators "looked the other way" when Greenpeace carried out illegal activities, but now, they have decided to systematically oppose them. It is the Belgium multinational group Solvay, which sounded the alarm of the revolt. This chemical giant, the world's number one chlorine producer, reacted when Greenpeace plunged into an insane campaign aimed at "zero chlorine." Besides the hundreds of millions of tons of chlorine found in the ocean and the hydrochloric acid found in gastric juices of mammals, nature itself produces numerous type of organic chloride molecules (molecules occurring in living processes, and consisting of chlorine and carbon atoms). In an approach typical of their "ecological fundamentalism," Greenpeace asserted that chlorine is harmful in itself, that "the breakdown of salt is a mortal sin of humanity" (that is, carrying out the electrolysis of salt, or sodium chloride, to obtain chlorine and sodium), and that "a world without chlorine" must be reached quickly.

Solvay, seeing its vital interests threatened, is responding tit for tat to the Greenpeace attacks. Any occupation of the factory or violation of property is immediately attacked and referred to the courts. Damages are demanded—with interest. Above all, Solvay is answering the Greenpeace attacks point by point and going directly to the public to reestablish the truth when it is distorted. This method has produced numerous court victories since 1991 and has culminated recently in a severe defeat for Greenpeace in Belgium, where the movement has been silenced by losing its spokesman, Martin Besieux.



Besieux, no longer a first offender since he roughed up an elderly person, was just convicted by the Hasselt Court of Corrections to three months in prison with a suspended sentence and fined 18,000 Belgian francs. He was prosecuted as co-defendant on charges of "violation and destruction of property" (the Belgian equivalent of breaking and entering) committed by Greenpeace militants at the Tessenderlo Chemical Factory in June 1992. He has also been sentenced to pay 525,000 francs in damages to the company. Above all, he is barred by law for three years from acting as spokesman. Besieux headed the anti-chlorine campaign in Belgium.

### **A vigorous reaction**

These judgments come down in the midst of other troubles. Last May, Greenpeace U.K. was forced to pay 240,000 francs to the ICI group after having alleged, without any proof at all, that their Wilton and Hillhouse production sites were the biggest polluters of the North Sea. Also in Great Britain, the Advertising Standard Authority penalized a Greenpeace advertisement, appearing in the *Daily Telegraph* and the *Independent*, on the grounds that it was "false, inappropriate, and in bad taste." The ad showed child with hydrocephalus—a congenital disorder that produces a severe swelling of the head—with the caption: "Victim of nuclear testing in Kazakhstan." The ad's text declared that "2,000 people are going to die in the next ten years from Sellafield's radioactive nuclear waste center" and claimed the nuclear industry "intends to spread radiation and the means of mass destruction all over the earth."

In France, Greenpeace beat a severe retreat on two fronts. In Marseille, 11 of its activists spent 36 hours in police custody, after having been caught red-handed in "aggravated theft." Wishing to protest against the production of chlorofluorocarbons (CFCs) by Atochem, they heisted 38 bottles containing these products from the warehouse of Dehon-Galex, a distributing company. Their plan was to ship the bottles back to the production site of Elf Atochem at Pierre Bénite in the Rhone. But the management of Dehon reacted immediately, alerting the police and providing descriptions of the Greenpeaceniks. Police commissioner Alain Gehin reacted quickly and firmly, and set up a systematic search which resulted in the interception of the two vans, the recovery of the goods, and the apprehension of the 11 activists. Three Frenchmen, four Spaniards, one German, one Portuguese, and one Turk were released after being interrogated by Judge Lucie Chapus-Bérard about the theft. They could receive from three months to three years in prison and up to 200,000 francs in fines. As part of the same investigation, town police searched Greenpeace's boat *Rainbow Warrior II*, moored at Port St. Louis on the Rhône, near Marseille, where it was running an anti-PVC and anti-dioxide campaign. The police search came up "negative," as no weapons were found on board.

Certain French authorities want to make it known to

Greenpeace that environmentalist "legitimacy" does not place them above the law. These events are not unrelated to the global campaign against Greenpeace carried out by the friends of Lyndon LaRouche, which is supported by the film "The Rainbow Man" by Icelandic producer Magnus Gudmunsson. This film, produced out of TV-2 Denmark and broadcast on television throughout Scandinavia, exposes certain practices of the movement (like the use of false documents, and collaboration with the terrorist group Earth First!). It has created a shock effect: Greenpeace has lost 50% of its members in Denmark and more than a third in Sweden. In Germany, distributor Böttiger Verlag is working to circulate the film, in the face of a green fascism which has penetrated high into the power structure.

In France, Editions Alcuin, which publishes *Nouvelle Solidarité* newspaper, *Fusion* magazine, and the journal *Industrie et Environnement*, has been at the forefront of the fight to circulate the film and the information that it carries. Greenpeace has sued the publisher four times in six months. In numerous articles, widely circulated in the industrial and scientific communities, these publications associated with Lyndon LaRouche have vigorously denounced the methods of Greenpeace. In their court papers, Greenpeace spoke of "an evil defamation campaign by Emmanuel Grenier and Editions Alcuin which it is urgent to stop."

### **Greenpeace backs down**

After having won the first trial in July, *Industrie et Environnement* has just won the second and the third, after a huge retreat by Greenpeace. The organization had attacked the newsletter for libel and requested and obtained a trial date from a judge. This accelerated procedure is generally chosen when one has a solid case and is sure to win. On Oct. 5, there was a big surprise when Greenpeace's lawyer asked the court for a postponement. The judge retorted that it was the lawyer himself who had chosen the speedy trial procedure, and refused to delay it, putting before the lawyer a choice: an immediate trial, knowing that the ruling against Greenpeace will be severe; or to ask to drop the two cases. Confused and sheepish, the lawyer chose the second option. Whereas the group had stated in its July suit that it is "urgent that their honor be made good," in October they refused to go to trial and sneaked off with their tail between their legs. In one of the cases, the trial deadline not having passed yet, Greenpeace could have restarted the procedure and sought a new court date—but chose not to.

These three legal victories did not go to the heart of the debate, which concerns the precise charges carried by *Industrie et Environnement*, but they are very significant in that it is the first time in its history that Greenpeace has sued a press organ for defamation. One trial is still on the agenda: *Fusion* magazine was sued by Greenpeace for defamation for an article titled "The Lies of Greenpeace," which appeared in the May-June 1994 issue.

# Dominicans fear plot to merge them with Haiti

by Carlos Wesley

The restoration by U.S. bayonets of Jean-Bertrand Aristide to power in Haiti has not only ignited a low-intensity civil war in that Caribbean nation, but has also heightened the risk of warfare erupting between Haiti and the Dominican Republic, with which it shares the island of Hispaniola.

This correspondent just concluded a visit to the Dominican Republic, and everywhere in the country people expressed the fear that there is a plot to merge their country with Haiti. The fiercely nationalist Dominicans have always harbored some distrust toward Haiti, a country which staged several invasions against them in the last century, some very bloody. In fact, unlike the rest of Ibero-America, the Dominican Republic gained its independence not from Spain, but from Haiti.

But the expressions of hostility and fear toward Haitians evidenced this time go way beyond anything seen on previous visits. This prompts fears that the Bush-spawned campaign to restore Aristide has set in motion a process similar to what happened after the last time the United States invaded both Haiti, in 1915—and the Dominican Republic, the following year.

Then as now, the occupation forces disarmed the population, dissolved the armies, and U.S. officers recruited and trained a police force to keep public order. One of those U.S.-trained officers, Rafael Leonidas Trujillo, later assumed command of the Dominican National Police and instituted a dynastic dictatorship that lasted 32 years, until 1961, when he was assassinated. Unfortunately, before that happened, in October 1937, Generalísimo Trujillo ordered a pogrom against all Haitians on Dominican territory. His police demonstrated their superior training by butchering 15,000-30,000 Haitian men, women, and children in just three days.

During his first sojourn as Haiti's President, Aristide unleashed a vituperative campaign against his eastern neighbor, accusing it of enslaving contracted Haitian sugar-cane workers. The campaign was backed by U.S. Rep. Robert Torricelli (D-N.J.), who in 1991 convened hearings of his congressional subcommittee on the western hemisphere on the alleged enslavement. Dominican President Joaquín Balaguer responded by deporting thousands of Haitian undocumented workers in June 1991, and relations between the two countries grew more strained. Three months later Aristide was overthrown by Haiti's military, partly because they feared

his provocations would lead to war with the Dominicans.

Dominicans also recall that while he was out of power, Aristide kept up the attacks. He accused them of instigating the coup and breaking the embargo. Earlier this year Dominicans were forced to accept U.S. military observers in their country to monitor compliance with the embargo. To escape starvation, many Haitians, who were blocked from entering the United States, fled over the border. By some estimates as many as 1 million Haitians now live among the 7 million Dominicans.

On Aug. 16, when he was sworn in for an unprecedented seventh term, President Balaguer cited as proof of the merger plot, a contract "recently signed to refinance the public debt with private companies, mostly American, [in which] the following clause was inserted, and I quote: 'This contract will be fulfilled in the same terms, even in the case that the Dominican Republic enters into economic integration agreements with other countries, or in the case that the Dominican Republic fuses with another country in the Western Hemisphere.'" Balaguer added that in 1984 Great Britain shut down its embassy and its consulate in the capital Santo Domingo, forcing Dominicans to go to Port-au-Prince, Haiti for a visa. "This calls for profound reflection," he said, "because Great Britain is a country inhabited by pragmatic people, a country that prides itself in saying that there are only two races in the world: the British race, and the human race."

A Dominican official told a reporter that he was recently visited by a British officer "who wanted to sound me out as to how our military would respond to a proposal to fuse Haiti and the Dominican Republic." Balaguer defeated the U.S.-backed José Francisco Peña Gómez in this year's presidential elections mainly by convincing voters that Peña Gómez, if elected, would push for fusion. Claiming that Peña Gómez was defrauded, the United States blatantly intervened and forced the Dominicans to amend their Constitution overnight, slashing two years from Balaguer's term, banning him from seeking reelection, and calling another presidential election for 1996.

U.S. Ambassador Donna Jean Hrinak is openly attempting to shape the organization of those elections to insure Peña Gómez's victory. Peña Gómez is a member of the pro-drug-legalization bankers' lobby known as the Inter-American Dialogue, and a leader of the Socialist International. Many Dominicans believe that Peña Gómez, who is black, was born in Haiti.

Dominican officials claim that before she became the ambassador, Hrinak helped draft a plan to resettle millions of Haitians in their country. "Look, the U.S. is not going to spend the money Haiti really needs to rebuild," said a Dominican diplomat. "Haiti is not viable right now. It's completely deforested, it lacks arable land. The U.S. does not want the black Haitians going to Florida, so they are going to force them on us," he said. U.S. officials dismiss the Dominicans' fears as paranoid fantasies, stemming from racism.

# 'Shining Path North' begins separatist rampage in Mexico

by Valerie Rush

As the narco-terrorist "Zapatistas" prepare to return to the warpath on the eve of Mexico's presidential change, more than a dozen allied "indigenous and peasant" organizations in the north of the state have declared a large chunk of territory a "liberated and autonomous region." Thousands of impoverished and desperate Indians have been manipulated into seizing local, state, and federal offices in the occupied townships, invading farms and ranches, slaughtering livestock and leveling farmhouses, tearing down the Mexican flag, and warning that government officials trying to enter these areas will be arrested on sight.

At an Oct. 27 press conference announcing their "civil insurgency," 16 alphabet-soup organizations—some of them linked to the narco-terrorist URNG in neighboring Guatemala—confirmed their separatist aims, demanded a withdrawal of federal troops from the area, and defended the Zapatistas and their commander, Chiapas "theology of liberation" Bishop Samuel Ruiz. They also convoked a National Convention of Indians and Peasants for Oct. 29 in Mexico City, which will demand a rewriting of the national Constitution and the imposition of defeated leftist candidate Amado Avendaño as governor of Chiapas.

One of the organizations, the Regional Organization of Ocosingo Coffee Growers (ORCAO), announced that it had shut down schools and fired over a thousand teachers in four townships under its control, comprising 100 Indian communities. The schools would not be reopened, the ORCAO spokesmen insisted, until the teachers "come up with a new education project in accordance with the needs of the Indians." Health clinics were next in line to be closed down, they announced. Such measures, declared ORCAO, were in accordance with the determinations made at the Zapatistas' "National Democratic Convention" held Oct. 10-12 in Chiapas.

## Are Chiapas 'killing fields' next?

If this targeting of schools, health facilities, and farms sounds terrifyingly familiar, it should. The infamous "killing fields" of the Khmer Rouge began in the villages of Cambodia, where doctors, teachers, and other supposed purveyors of "decadent European culture" were the first to be marked

for elimination. The "indigenist" Shining Path terrorists in Peru modeled themselves explicitly on the Khmer Rouge, and that model has now moved north.

The comparison of the Zapatista insurgents to the fanatic Khmer Rouge and Shining Path goes beyond land seizures and school closures, however. An *EIR* correspondent recently interviewed citizens in Chiapas from a wide social spectrum, including priests, Indians, and farmers, and came away with bloodcurdling stories of torture, mutilation, and murder by the Zapatista fundamentalists that strikingly parallel the reports of Shining Path genocide against enslaved Ashaninka Indians now breaking into the Peruvian media.

Exemplary is the case of Mariano Encino Jiménez, a member of Mexico's mass-based ruling party, the PRI. In December 1992, Mariano got into a drunken brawl with a fellow named Francisco from the Anciez (Emiliano Zapata National Peasant Association), the predecessor of today's Zapatista National Liberation Army (EZLN). Mariano killed Francisco during the fight, and the next day handed himself over to the local authorities. Anciez organized a mob to demand that Mariano be turned over to them, which the Zapatista mayor did. Anciez then forced a group of Indians from the PRI party to torture Mariano with a hammer and chisel—they pulled out his teeth one by one, gouged out his eyes, cut off his ears, tongue, and testicles—and he died from loss of blood after three days. The story was told to *EIR* by one of the agonized participants.

The same "treatment" was given to an Anciez dissident some months later, who was burned alive before he could die from his torture. Also last year, two soldiers were killed by Anciez—their corpses showed they had been tortured to death with a chainsaw. And in mid-October, an old man was mutilated and murdered; his ten-year-old grandson, witness to the deed, barely escaped amid a hail of machine-gun fire. Farmers—many of them with less than five acres of land—are being kidnapped by the Zapatistas, their livestock slaughtered or sold off, and their homes burned to the ground.

The numbers of refugees fleeing into Chiapas's main cities, where Army troops are stationed, has swollen to over 14,000, causing a crisis for lack of food, clothing, medicine, and shelter. The Mexican Red Cross, unable to travel through

the crisis zones because of Zapatista roadblocks, has announced that it will no longer be providing aid.

### **'Project Democracy' blackmail**

Under blackmail by the international human rights lobbies and by the "Project Democracy" crowd in and around Washington, the outgoing Mexican government of Carlos Salinas de Gortari has refused to expose the Zapatistas as a terrorist creation of foreign anthropologists and Marxist "theology of liberation" fanatics, being used as a battering-ram against the Mexican nation-state. Instead, it has allowed them to be portrayed as simple Indians rebelling against "exploitation" by Mexico's institutions—the government, the military, the church.

Not only has the Salinas government granted repeated concessions to the Zapatistas, including reining in Army troops in Chiapas and even assigning human rights overseers to monitor military "behavior," but it has turned its back on the vast majority of Chiapas citizens who are begging the government to restore the rule of law to the ravaged state.

It is because most of Mexico—along with the rest of the world—has been kept in the dark about what is really going on in Chiapas, that an ongoing deployment of some 400 Chiapas farmers determined to bring the truth to the rest of the country is having a dramatic effect. Several hundred of these farmers have begun holding demonstrations at the statue of Independence in downtown Mexico City to demand that the government use its troops to restore order to Chiapas, to ask restitution for the land, crops, and livestock stolen from them by the terrorists, and to demand that schismatic Bishop Samuel Ruiz—a self-appointed "mediator" between the Zapatistas and the government—be investigated for his treasonous role as a Zapatista commander. More than 100 of these farmers have been on a hunger strike to dramatize their plight.

One of their leaders, farmer Adolfo Najera Domínguez of the Coalition of Citizen Organizations of Chiapas, has begun a tour with representatives of the Ibero-American Solidarity Movement (MSIA), under the sponsorship of the Forum of Rural Producers based in northwest Mexico. The Forum, which had earlier led mass demonstrations and marches against the usury which is destroying Mexico's agriculture sector and which has repeatedly urged a revamping of Mexican banking along "American System" lines, was one of the first to sound the alarm about the "Shining Path North" in Chiapas.

Najera, who received many death threats warning him against the tour, has already spoken in the states of Sonora, Guanajuato, and Baja California, and will be going to Jalisco, Nuevo León, and Chihuahua next. Najera emphasized that those who are being stripped of their homes and land are not the "rich and exploitative latifundists" so malevolently portrayed in Zapatista propaganda, but hundreds of small and medium-sized farmers—Indian and mestizo alike.

Instead of answering this terrorism with a "definitive so-

lution," said Najera, "the truce [President] Salinas gave the insurgents allowed them to acquire more sophisticated weaponry. . . . They were the ones who broke the dialogue and this shouldn't be allowed; it is time for the Army to intervene, to establish peace and extirpate this evil. The people voted for peace, not war: 80% of the voters rejected the presidential candidate allied to the Zapatistas." Najera added that the objective of this group was to achieve the separation of the Mexican southeast, giving the pretext to certain foreign economic interests to intervene in the region and seize its oil.

Najera's report has had a shockwave effect, receiving extensive coverage in virtually every local and regional newspaper in the areas where he has traveled. His forums have been attended by a broad cross-section of the population—from farmers like himself, to businessmen, priests, students, housewives—who are universally stunned by his descriptions, and by the implications for the rest of the country.

### **Operation Spearhead**

The inauguration of President-elect Ernesto Zedillo is scheduled for Dec. 1, and shortly thereafter the seating of governors-elect around the country. In Chiapas, the Zapatistas and their allies have already made it clear that they will not permit the inauguration of Governor-elect Enrique Robledo. Declared Zapatista chieftain "Subcommander Marcos": "If Robledo is imposed as governor, there is going to be a war here. And 'here' means Mexico, not just Chiapas. If they want bullets, we will give them bullets. We will not answer with another white flag," referring to last January's ceasefire.

That the Zapatistas are but the spearhead of a destabilization plan which has included the assassinations of some of Mexico's leading figures, and which is designed to eventually unseat Zedillo himself, is suggested by the deployments of leaders of the leftist PRD party Cuauhtémoc Cárdenas and Amado Avendaño to Europe, where they seek political and financial backing for the next destabilization phase. The PRD, a prominent member of the Castro-spawned São Paulo Forum along with its armed Zapatista brethren, was badly defeated in the October national elections, but has no intention of letting that reality get in its way. As MSIA spokesman Hugo López Ochoa told a forum in Chiapas recently, the PRD/Zapatista demand to seat Avendaño is intended "as a spearhead to question the entire presidential election, prevent Zedillo's inauguration, and provoke a national crisis which would facilitate their separatist plans."

Also "coincidentally" traveling through Europe is Manuel Camacho Solís, the frustrated PRI presidential contender and former Chiapas peace commissioner. Camacho, a key insider in the undermining of Mexico's institutions, is planning to release his memoirs on inauguration day, which call for a "liberal revolution against a united government and church" in Mexico.

# Archbishop of Canterbury lectures China on British economics

by Michael O. Billington

The head of the Anglican Church, Archbishop of Canterbury George Carey, made his first trip to the People's Republic of China in September. The archbishop bestowed his blessings on the institutions of the government-sponsored and -controlled "official" Protestant Church, the Three Self Patriotic Movement, and the Chinese Christian Council, an affiliate of the World Council of Churches. The churches in China, both the official and underground branches, have been growing at a rapid rate since the bloody end of the 1989 Democracy Movement, but so has the pace of repression against the Christian community.

Carey did not confront the Beijing government, even on the highly publicized arrests and surveillance of several official church leaders, but accepted the government's partial acknowledgment of "problems," while blaming them on "abuses by local authorities." He praised the new rules established earlier this year by the government as a "step forward." Those rules called for all churches to register with the government or face legal action, but also states that churches need not be affiliated with the Three Self Patriotic Movement.

The Chinese are long accustomed to the Beijing government luring suspected opposition out of hiding with promises of new openness, only to see them crushed soon thereafter. Carey, however, expressed faith in the government's intentions, and even warned a Hongkong audience earlier in the week against "aggressively spreading Christianity in countries where the religion does not prevail," according to the Hongkong press.

The archbishop was more interested in a different message which he had come to deliver in his role as a representative of the British monarchy and the City of London. As he told the Research Center for Religious Studies in Shanghai, after a lecture supposedly on the church in British society: "I have spoken from the perspective of British economics." His theme was the now recurring cry of the London oligarchy: The Third World, and China in particular, must at all costs be prevented from developing to the level of energy throughput of the advanced sector, lying that this would destroy the environment.

The West, he said, developed without due concern for

the environment. He continued: "We can no longer afford to do this. Economy and ecology are interdependent. The pressure on a finite planet from the combined onslaught of increasing population, pollution of the atmosphere, erosion of the soil, destruction of the rain forests, and overheating of the oceans, threatens to present mankind with its greatest challenge ever. . . . If countries such as yours are as wasteful of natural resources as we have been during the process of industrial growth, the environmental consequences for all of us will be dire indeed."

## Paganism and Taoism

This is, indeed, British economics. The primate's concern is that China, as the largest nation on earth and a member of the U.N. Security Council, conform to the mounting efforts through the U.N. to impose supranational controls over the land, resources, and populations of all nations. The role of the Anglican Church in China has always gone far beyond concern for the Christian community, or even the potential Christian converts, as can be seen in every phase of the British role in Chinese history. The church freely admits that the first Anglican missionaries were employees of the British East India Company in various capacities, more concerned with establishing British power and control over trade than spreading the gospel, and often personally selling opium along with their Bibles.

The claim that such political and financial concerns are a thing of the past is a lie. Traveling with the archbishop to China was the Rev. Bob Whyte, the China expert for the Anglicans and the author of the 1988 book *Unfinished Encounters: China and Christianity*. Whyte also accompanied the previous Archbishop of Canterbury, Robert Runcie, on a trip to China in 1983. Whyte's book thoroughly documents the past and current policy of the British oligarchy to confine China in a perpetual state of economic backwardness.

Whyte makes no effort to hide his support for Maoism: "Speaking personally, I have felt the attraction of Marxism, especially in its Chinese guise. There is much that Marxism can still teach us about society, and the insights of Liberation Theology owe an immense debt to it." He rejects the univer-

salizing concept of Christianity, which transcends cultural and ethnic differences by locating the creative potential of the human mind as that which places man in the image of God.

This Anglican scholar believes that Christian theology must be reduced to the lowest accepted excretions of local folk culture. "Indigenization" and "inculturation" are the buzz words, the same used in the creation of synthetic terrorist movements under the control of British intelligence through the Liberation Theology mafia within the church, such as Shining Path in Peru or the Zapatistas in Mexico. "Inculturation," Whyte says, "implies the reformulation of theology in terms of the thought forms of the surrounding culture." One incarnation is not enough for Reverend Whyte, who calls for the "incarnation of the church within the context of present social realities."

In China this means Taoism, which Whyte calls "the great alternative to Confucian thought." Whyte asserts that Confucianism has long since merged with Taoism and Chan (Zen) Buddhism, a line commonly used in British efforts to pervert the Confucian tradition, but, unfortunately, a belief also commonly held in China over the past several centuries.

This is the opposite of the outlook of the Jesuit Matteo Ricci, the head of the first mission to China in the 16th century, who defended Confucianism as consistent with the fundamental truths of Christianity. Whyte condemns him for his rejection of Taoism and Buddhism, which Whyte says Ricci never understood. While preferring the syncretic amalgam of Confucianism, Taoism, and Buddhism, labeled as "Chinese thought" or the "Three Religions," Whyte also distorts actual Confucianism in order to make it conform to this syncretic mix. Whyte insists that the Chinese have no god, and that both Confucians and Taoists view the world as a "balance of opposing forces within an organic whole." This Taoist yin-yang moral relativism is akin to the Manichean and Rosicrucian ideology so dear to the Venetian and British oligarch, but is the opposite of Confucianism. It disregards the teachings of Confucius and Mencius on the attributes of heaven, which are the source of the fundamental virtues of man. Man is created good, a reflection of the perfection of the Creator. Whyte makes no attempt to analyze Confucianism, but rather adopts the standard distortions passed down over the past 150 years of British profiling and cultural warfare experts, many of them leaders of the Anglican Church.

The problem with Ricci, and with most efforts by the church to understand China in the past, according to Whyte, is that Christianity in the West has been overlaid with Greek thought, which has imposed a "dualism" which did not exist in the original "Palestinian Judaic messianism." This Greek "dualism" viewed the material world as separate and inferior to the immaterial heavenly world. This effort to portray Plato as a "dualist" or an "idealist" is a common ploy to

obscure the main discovery of Plato: the first *solution* to the problem of the one and the many, locating man's creative power as that spiritual quality which effects change in the physical universe. It was this concept, viewed from the Christian notion of man created in the image of God, which guided the leaders of the Golden Renaissance.

What does Whyte propose should replace Christian Platonism? His answer is clear, and repeated in virtually every chapter of this definitive Anglican study: Taoism is the "thought form of the surrounding culture" which is appropriate to an indigenous Christian theology in China. Not only does Whyte argue that Christians in China should adopt this animist nature worship as their own, but he goes further to argue that Christianity in the West can only correct the damage done by the scientific and rationalist Greek influence by adopting the same Taoist ideology in the West.

Taoism, in fact, would be closer to the original teaching of Christ, the "Palestinian Judaic messianism," than the "disastrous" history of Christian theology under Greek influence. Whyte argues that "in China, missionaries, although they did not know it, were preaching a doctrine that was in fact not biblical. . . . How serious a mistake it proved to be not to take Buddhism and Taoism seriously." He quotes the existentialist Catholic schismatic Teilhard de Chardin: "I love the Buddha of Jade because it tells me of something that Christianity must annex. I feel more and more strongly the need to free our religion from everything that is specifically Mediterranean."

### **Maoist Primate**

The Taoism of the Church of England is confirmed by the gruesome record of support by the church hierarchy in London for even the bloodiest extremes of the Maoist era. It did not require the recent exposure by Mao's personal doctor that Mao practiced polymorphous sexual perversions according to the Taoist sex manuals to know that Mao was a Taoist. He denounced the Confucian world-view and its influence throughout Chinese history, while praising the political movements associated with Taoism. Mao's mentor in history was the Legalist Emperor Chin Shihuang of the third century B.C., who ran a slave society, burned the Confucian Classics, and buried the Confucian scholars alive. He modeled the Communist Party more on the various Taoist peasant rebellions, including the pseudo-Christian Taiping of the 19th century, than he did on ideas of Marx or Lenin. Just as the Anglican Church led the British Foreign Office in support for the Taiping Rebellion (playing both sides, of course), so did the church support Mao and his policies, even while its own priests were being imprisoned and tortured!

Whyte adopts a Marxist attitude of historical inevitability in regard to the victory of the Communist Party in 1949. Those Christians, he says, and especially the Catholics and the Vatican, who supported Chiang Kai-shek and the Nation-

alist Party “showed their failure to understand the forces at work in China.” Chiang is dismissed as a fascist, and the Vatican is blamed for the rise of fascism worldwide. Leaders of the Anglican Church, as well as the head of the United Church of Canada, James G. Endicott, publicly urged Christians to support the Chinese Communist Party (CCP) as early as 1946.

Upon taking power in 1949, and especially with the outbreak of the Korean War in 1950, the CCP began a concerted effort to denounce “imperialists in missionary dress,” and to imprison or expel both missionaries and Chinese priests and ministers. Church lands and other property were seized and public “denunciation meetings” were held against the religious. National churches were formed by the government to replace the various denominations, and strict rules were imposed against contact with foreign churches. The Catholics were particularly suppressed, and obedience to the pope denounced as imperialism. Many priests and ministers were martyred in prison.

Whyte asserts that this was a blessing from God. He quotes favorably from a 1953 book called *Christian Mission and the Judgment of God* by David Paton: “It became evident to some of us, and to many more of our Chinese friends, that our mandate had been withdrawn, that the time for missions as we had known them had passed, that the end of the missionary era was the will of God.” The CCP established a government-run institution called the Three Self Patriotic Movement (TSPM) to control all church activity. Whyte opines: “In principle the series of decisions and actions that culminated in the setting up of the Three Self Patriotic Movement in 1956 must be judged as the appropriate response to the situation.”

The Vatican, which attempted to defend the freedom of conscience of the Chinese Catholics and the unity of the universal Catholic Church against the imposition of ideological dictates, is denounced by the Reverend Whyte as both ignorant of the situation in China and guilty of provocation against the Chinese government. The Roman Catholic Church, he says, showed “no background of reflection on the social and political needs of Chinese society.” The Vatican, he adds, has “never come to terms with the challenge of Marxism. The mentality is essentially escapist.” (Note that this was written only one year before the efforts of Pope John Paul II played a crucial role in bringing down the communist regimes in eastern Europe.) The pious Reverend Whyte intones that “one feels with some strength the appropriateness of a greater spirit of humility and penitence on the part of the Holy See than has yet been evident.”

With the launching of the Anti-Rightist Campaign in 1957, the TSPM was transformed into a forum for attack sessions with loyal government-selected “church leaders” outdoing themselves in denunciation of those who failed to kowtow to the CCP dictates. Thousands were condemned as rightists because of their faith, and were sent off to the

countryside to do hard labor or imprisoned. Church activity ground to a halt between 1957 and 1961. Whyte praises this as one of the greatest contributions of Mao’s genius: “The shaking of the foundations may in the long run have helped Christians to transform their attitudes. Manual labor, sharing in the frenzied activity of the Great Leap Forward; Christians were learning to be of the people.” Whyte doesn’t mention that, as a result of this Great Leap, millions of these people starved to death.

## The Cultural Revolution

There was a loosening of the oppression in the early 1960s, although many religious leaders remained in prison or were banished to hard labor. But when the Cultural Revolution exploded onto the scene in 1966, the Christians became one of the primary targets of attack as one of the “Four Olds.” The churches, along with the temples and mosques, were all seized and turned into warehouses or office space, while all religious services of any kind were banned. Religious leaders and laymen alike were dragged before attack sessions, tortured, imprisoned, and often killed. For over ten years the churches essentially ceased to exist, while the now infamous reign of terror and anarchy by Mao’s Red Guards raged across China.

Although it may be hard to believe, the Church of England’s leading China expert even bends over backwards to justify this holocaust. Whyte explains that after the opening up of China by Henry Kissinger in the early 1970s, the Anglican Church played a crucial role in the international campaign to glorify China as a new paradise under Mao’s Cultural Revolution. He quotes United Church of Canada head James G. Endicott again, this time in 1973: “It can be argued that the prevailing standards and practices of the Cultural Revolution are those that are loosely called the principles of the Sermon on the Mount” (!) Whyte refers to conferences which were held by World Council of Churches networks in Europe on “Theological Implications of the New China,” which called on Christians throughout the world to follow Mao’s lead.

Whyte admits that the proceedings of these conferences have been ridiculed since the truth of the New China’s Cultural Revolution has been made known by those who survived it, but he forcefully condemns these critics, who, he says, “had themselves never felt the real challenge of Marxism to Christian faith and could not, therefore, begin to understand the attitudes and activities of the majority of Christian leaders in China since Liberation.”

One of those who is thusly accused is Laszlo Ladany, a Jesuit who fled the mainland in 1949 and spent the rest of his life investigating and reporting on the Maoist nightmare from Hongkong. In Ladany’s 1987 book *The Catholic Church in China*, he quotes from one of the conferences defended by Whyte, held in Louvain in 1974. It is worth reproducing segments of the final report of that conference, sponsored

by the Lutheran World Federation and Pro Mundi Vita, a Catholic organization:

"Maoism has a transcendent dimension both in the self-transcendence of the individual person through identification with the masses and in transcendence of the present by the vision of the future good. In China, to an impressive degree, basic human needs have been met, dignity has been restored, people have been freed to participate in the decision making processes that affect their daily lives. . . . This leads us to affirm that since the Chinese Revolution is seen as part of God's saving action, but with a different world view, Christians are challenged to reconsider their own world-view and ethic in the light of this 'sign of the time.'

"Animosity and hostility, such prominent features of Maoist ethics, are not antithetical to Christian love.

"The new China challenges us to give up our attitudes of superiority and to acknowledge the quality of the new leadership which has emerged in China. . . . The gospel might be more powerfully expressed and fulfilled in the new type of society which is promoted in China."

These conferences, which practically labeled Mao to be the second coming of Christ, were not only theological meetings, but were used to sell Maoist ideology to the West and to the rest of the Third World. The year of this conference, 1974, was also the year of the U.N. Population Conference in Bucharest, which launched the massive depopulation drive of the 1970s and 1980s by the Anglo-American establishment, holding up the emerging "China model" of population control. This was also the year of Henry Kissinger's infamous National Security Study Memorandum 200, declaring population growth in the developing sector to be against the national security interests of the United States. NSSM 200 described the tight control over the personal lives of each citizen on the village level, as practiced in China, as the necessary condition for success.

Yale's Paul Kennedy, in his popular book *Preparing for the Twenty-First Century*, says that "Chinese industrial ambitions . . . pose a threat to the planet." WorldWatch Institute head Lester Brown, in the current *World Watch* magazine, said that it is in the "booming economy of China that we will see the inevitable collision between expanding human demand for food and the limits of some of the earth's most basic natural systems. . . . China's expanding demand for animal protein could overwhelm the world's grain producing capacity."

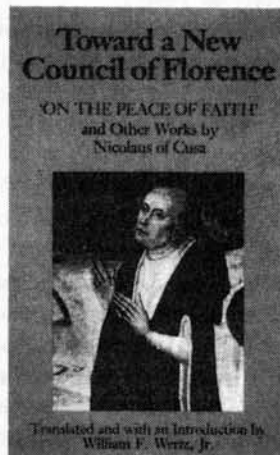
This tendency for the Chinese to eat is blamed for any future starvation in the Third World. The British royal family, which officially heads the Church of England, also runs the World Wide Fund for Nature, the parent organization for the genocidal policies espoused by the likes of Kennedy and Brown. It is to be expected, then, that the Archbishop of Canterbury and his adviser Reverend Whyte should lecture the Chinese on why British economics dictates that they may not become a modern industrial nation.

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## Chávez: 'I love Mao and Che'

*Venezuela's Colonel Chávez explains his love of Mao and Che Guevara, and dislike of LaRouche and Seineldín.*

In a stopover in Argentina during a tour of South America in September, the jacobin Lt. Col. Hugo Chávez (ret.) of Venezuela, famous for heading up an unsuccessful coup attempt in February 1992, granted an interview to the Argentine magazine *Gente*, in which he really let his hair down. "I have read a great deal of Che Guevara and of Mao Zedong. I deeply admire Che," he confessed. Chávez went out of his way to emphasize his links to the ongoing narco-terrorist insurgency in Chiapas, Mexico: "I take this opportunity to send an embrace of solidarity to the Zapatista National Liberation Army, with which I plan to meet shortly."

Chávez's late September tour of a half-dozen Ibero-American countries was purportedly to make "contacts with progressive and military sectors" and to analyze "the new role the armed forces" should play. Chávez's definition of "progressive" is apparently Maoist, Castroite, Zapatista, and all other current forms of narco-terrorism. And behind such contacts is an effort to undermine the influence of Lyndon LaRouche among nationalist military circles in Ibero-America, and those patriots who have publicly associated themselves with LaRouche, such as Argentine Col. Mohamed Alí Seineldín (ret.), the hero of the Malvinas War.

In his *Gente* interview, Chávez could hardly contain his visceral response. Asked if he was linked to the *carapintada* international, a reference to a nationalist military alliance associated with the name of the jailed

Seineldín, Chávez exploded that this was "a total lie." He added, moreover, that Colonel Seineldín's group "appears to be related to a certain LaRouche and a magazine called *Executive Intelligence Review*, and we want nothing to do with them. They are fundamentalists and we are not."

According to the Argentine daily *El Informador Público* on Sept. 30, Chávez denied to reporters any involvement with the narco-terrorist international organization known as the São Paulo Forum. But his own statements demonstrate precisely the opposite.

On Sept. 29, the Buenos Aires newspaper *Página 12* reported that during his tour, Chávez praised Fidel Castro as "a symbol of dignity for Latin America." This is not the first time he has done so. In an interview with the Caracas paper *Ultimas Noticias* earlier this year, Chávez praised the Cuban dictator effusively, knowing full well that Castro is the creator of the São Paulo Forum.

Chávez assured *Página 12* that, had his coup attempt of Feb. 4, 1992 succeeded, he would have ruled together with the Radical Cause (Causa R) party, a full-blown member of the São Paulo Forum. Radical Cause's secretary general, Deputy Pablo Medina, is currently facing a trial by military court for links to a theft of military weapons and for having "offended" the national Armed Forces, a violation of the Venezuelan Constitution. Radical Cause, according to several denunciations published in the Venezuelan media, re-

ceives financing from such suspect bankers as Gustavo Cisneros and Orlando Castro. It also receives the protection of certain U.S. State Department officials in Washington, where Medina goes whenever he has a problem.

Another purpose of Chávez's trip, was apparently to look into privatization programs sponsored by the International Monetary Fund (IMF) in Ibero-America. According to the Argentine magazine *Prisma* on Oct. 2, "Chávez was in Buenos Aires to study the oil privatization and to speak with Argentine companies from that sector." The daily *Clarín* on Sept. 27 stated that Chávez held "important meetings with individuals who have worked on privatization plans and on social aspects." In Chile, he also studied that country's privatization of its social security system, one of the IMF's proudest achievements on the continent.

Chávez also proposed, according to Agence France Presse news service, that "we must put an end to the pendular movements to which the militaries have been subjected during the past two decades, during which they either served as a base of support for dictators or, on the contrary, were official eunuchs. . . . It is time to find a point of balance between the two extremes and to assign a new role to the armed forces on the subcontinent."

What is the new military Chávez is looking for? He tells us: General Liber Seregni, a Marxist-Leninist and former presidential candidate of Uruguay's leftist Broad Front—"who we greatly love and admire"—is the "new kind of military we want in Latin America."

In other words, what Chávez wants for Ibero-America's armed forces is to turn them into the armed wing of Castro's São Paulo Forum.

# International Intelligence

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## **Schiller Institute to meet in Germany**

The Schiller Institute has announced that an international conference will take place in Germany on Dec. 10-11 on the theme of "Global Reconstruction: Economic Recovery and the Cultural Renaissance." The location is the Wiesbaden-Mainz area.

Panels will include:

- The Coming Disintegration of the Financial System
- The Fall of the House of Windsor: End of Oligarchism?
- A Program for Global Reconstruction of the World Economy
- Launching a Cultural Renaissance

For further information, please contact Mrs. Lillge, telephone (49) 6122-916155 or fax (49) 6122-916151. There is no fee for participation.

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## **Campaign launched to free Seineldín**

Argentina's Movement for National and Ibero-American Integration (MINeII) launched a campaign on Oct. 21 for the immediate release of its jailed leader, Col. Mohamed Alf Seineldín. The drive to free Seineldín—who is imprisoned along with several of his comrades at the military stockade of Magdalena, on charges stemming from the uprising of Dec. 3, 1990—was announced by Roberto Pey, president of the MINeII's executive committee, at a news conference in the province of Santa Fe.

Dr. Pey said that the Dec. 3 uprising was not an attempted coup d'état, but, as the Argentine federal courts themselves have ruled, a rebellion launched by the most noble ideals, aimed at changing the military leadership to prevent the ongoing destruction of the Armed Forces.

The MINeII will be gathering signatures on petitions calling for the release of Seineldín and his jailed collaborators, said the spokesman. He also announced that the movement has drafted an economic proposal as an alternative "to the lying and destruc-

tive plans of the national government." The MINeII proposal includes granting cheap, long-term credit for production, which is the only way to generate true wealth, said Dr. Pey.

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## **Windsors to plan strategy at Balmoral**

A "general council" of the Windsor Royal Family is planned for Balmoral Castle to discuss the crisis of the British ruling dynasty, the well-informed London correspondent of Italy's *La Repubblica* newspaper, Paolo Fila de la Torre, reported on Oct. 24.

According to his information, both Queen Elizabeth II and Prince Philip are insisting that Prince Charles speedily procure a divorce, and that he resolve to be the next king. A divorce, they are claiming, will not be an impediment to his ascending to the throne. They are also to discuss the "religious issue," centered on efforts to prevent Princess Diana from converting to Catholicism, since such a conversion would mean that Charles and Diana's children would be brought up as Catholics.

The news report is accompanied by a cartoon of such a "general council," showing the queen giving preference to her dogs over the family members in the room.

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## **Euthanasia performed on TV in The Netherlands**

The Dutch television station IKON on Oct. 20 ran a documentary showing a person being killed by a doctor performing euthanasia. Entitled "Death on Demand," the show was viewed by 680,000 Dutchmen. The station reports receiving a barrage of calls, requiring opening up 20 new phone lines, and claims that 90% of the calls were "positive" about the broadcast. According to an account in the French daily *Libération*, "more than 20 countries" have bought the documentary to be aired.

This export of criminality is matched by a new offensive in The Netherlands to legalize drugs. The London *Guardian* on Oct. 22

reported that numerous Dutch policemen, lawyers, industrialists, and health-care workers have signed a statement calling for legal distribution of drugs by 2,000 shops, run by the state, that would have a "monopoly" on such sales. One architect of this initiative says that "drugs would become like alcohol and tobacco."

The left-center coalition recently formed in The Netherlands contains several ministers favoring such an approach, notably the ministers of justice and health. Both are members of the Democratic 66 ultra-liberal party, which has led the support for legalization of euthanasia in Holland.

There is growing rage among other European countries about what the Dutch are doing, however. The *Guardian* reports that the greatest damage is not necessarily in Holland itself, but rather the fact that the country is becoming a "European supermarket for drugs." Youth from Germany and France go to Holland to obtain drugs cheaply. Oliver Guerin, a prosecutor from the French city of Lille, says, "Our young people's lives are at risk. Ninety percent of the drugs we find come from Holland. Prices here are 5-10 times lower than in France." Two thousand French demonstrators marched in the Dutch city of Rotterdam demanding an end to Holland's "trade in death."

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## **Iran said to deploy forces to Iraqi border**

The London-based Arabic daily *Al-Sharq Al-Awsat* reported on Oct. 22 that Iran had sent units of its "Revolutionary Guard" to the border with Iraq, in preparation for a major military offensive against the Iranian opposition military units located inside Iraqi territory. Sources said that Iran will inform the Iraqi government about its intentions to carry out a military operation against what Iran calls "armed gangs."

The same sources asserted that large numbers of tanks, heavy artillery, and missiles were sent to support the troops on the border. These movements come at the same time that an Iranian delegation was planning

to arrive in Baghdad, also on Oct. 22. One of the delegation's priorities was to discuss with the Iraqis the issue of the Iranian opposition groups located in Iraq.

Iranian Foreign Minister Ali Velayati will visit Baghdad later to offer the Iraqis "strategic proposals" to coordinate the regional policies of the two neighboring countries. The Iraqi government is said to have withdrawn a number of military units from the border with Iran as a sign of its good intentions.

*Al-Sharq Al-Awsat* also reported that there is a general feeling in Iran that Saddam Hussein is in a very weak position now, and it is easy to put pressure on him to get major concessions. It is said that Iranian officials will carry to Baghdad the following demands: 1) Iraq's recognition of the 1975 agreement concerning the border; 2) re-establishment of the joint committee for the removal from the Shaat Al-Arab waterway of the remains of war matériel, and re-opening it for navigation; 3) revival of the program that allowed Iranian pilgrims (120,000 a year) to visit the holy sites in Iraq; 4) removal of Iranian opposition units from the border area, and deporting their leadership from Iraq, and 5) establishment of a joint committee, aided by the International Red Cross, to solve the problem of missing soldiers from the Iraq-Iran war.

## **Russia won't accept conventional forces treaty**

Russia has informed the United States and Great Britain that it will not accept the limitations on its conventional forces imposed by the 1990 Conventional Forces in Europe (CFE) treaty. The treaty had established conventional forces ceilings for both NATO and what was then the Warsaw Pact, as well as for geographical regions, such as the northern and southern flanks of both pacts. It is this latter aspect especially, which the Russians are refusing to implement.

According to the *Sunday Times* of London on Oct. 23, this was conveyed the previous week in London by Russian Deputy

Foreign Minister Georgi Mamedov to U.S. Deputy Secretary of State Strobe Talbott. Mamedov said that the treaty, as it was signed with the now defunct U.S.S.R., is not valid, thus establishing a precedent by Russia. He also stated that because of the highly unstable situation along Russia's borders with the states of what Russia calls the "Near Abroad," notably in the Caucasus, Russia could not comply.

The London meeting has made official what Russia has been signalling for at least a year, namely that it has no intention of complying with CFE flank limitations. The implications of this extend beyond the Caucasus theater. It means that there will be no substantial Russian troops reductions on the northern flank as well, and that Russian forces opposite the Baltic states will remain intact at roughly current force levels.

## **Theology of liberation meets secretly in Brazil**

The leadership of the theology of liberation movement of Ibero-America held a week-long secret gathering 60 kilometers outside of São Paulo, Brazil in October, *EIR* has learned. The meeting was attended by, among others, 12 Brazilian bishops and Guatemalan Nobel Peace laureate, terrorist Rigoberta Menchú, as well as representatives from Chile and Ecuador and several high-ranking Protestant pastors. Unable to attend because of the crisis in Chiapas, Mexico, Zapatista commander Samuel Ruiz—otherwise known as the bishop of San Cristóbal de las Casas, Chiapas—sent his personal emissary Father García in his place.

This is the first time since the Zapatista uprising on Jan. 1 of this year and the defeat of the São Paulo Forum's preferred presidential candidates in Mexico and in Brazil, that the leadership of the theology of liberation movement has met to plan its next steps.

Much of the formal agenda was devoted to discussing the insurrections by "indigenous peoples" and "the poor," such as in Chiapas and the Landless Movement of Brazil, and their potential impact on the papal succession fight considered imminent.

● **THE PERUVIAN ARMY** made a sweep of Huanuco University on Oct. 17, arresting the dean of the university, Abner Chávez Leandro, along with the deans of the faculties of social and economic science, and several economists, professors, anthropologists, and others, and accusing them all of membership in the terrorist Shining Path.

● **KUWAITI** parliamentarians on Oct. 23 refused an offer by the chairman of the Iraqi Parliament, Saadi Mahdi Saleh, to visit Kuwait and talk with officials there about the problems between Iraq and Kuwait.

● **PERUVIAN PRESIDENT** Alberto Fujimori, currently a contender in next year's presidential election, announced on Oct. 19 that "the National Election Council has already agreed to allow the Organization of American States to come," to observe the elections. But when asked if that also held for the United Nations, Fujimori said it did not.

● **RUSSIA** has twice as many men under arms as the officially published figure of 2.3 million, according to a report by the Frankfurt-based Institute of Soviet Studies. Prof. Nikolai Nor-Mesek told the press that "under the pretext of the fight against crime and of protection against catastrophes, the militarization and arms buildup continue unabated."

● **SINN FEIN** spokesman Martin McGuinness, speaking to the British Broadcasting Corp. on Oct. 24, called for Britain to get out of Ireland. The union between Britain and Northern Ireland is essentially dead, he said. "It's quite clear that everything is about to go into the melting pot. . . . What I would like to see happening is the British government . . . giving a clear commitment that they intend to end British jurisdiction in my country."

## Battle for historical truth essential to Mideast peace

by Harley Schlanger

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### **The Seventh Million: The Israelis and the Holocaust**

by Tom Segev

Hill and Wang, New York, 1993

593 pages, hardbound, \$27.50

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There is a Yiddish proverb which states, "Truth never dies, but it lives a wretched life."

This recently translated book by Israeli journalist Tom Segev (originally published in Hebrew in 1991), describes in detail how the issue of the Holocaust has been used as a political weapon to manipulate the citizens of Israel and Jews in the Diaspora (those Jews living outside of Israel), in a manner which threatens the survival of both the state of Israel and the Jewish religion.

Segev challenges many of the fundamental assumptions which have dominated Jewish and Zionist life from the time of the rise of Hitler. He takes his readers into the midst of controversies shaped by the intense emotions associated with the persecution of the Jewish people, and speaks evocatively of matters which most Jews do not want aired, of issues enmeshed in emotional and moral ambiguity.

By doing so, he has provided a means to address some of the chronic contradictions which have crippled political debate in Israel. This book represents part of the process by which truth can be rescued from its "wretched life" and serve as a powerful ally for those interested in a real, long-lasting peace.

In a speech on Oct. 6 in Los Angeles, Israeli Foreign Minister Shimon Peres explained why it was essential that

Israel negotiate with Yasser Arafat and the Palestine Liberation Organization (PLO). "The Jewish people in history," he said, "have never dominated another. Those who have dominated us have disappeared. . . . Why should we follow? We must, therefore, stop dominating the Palestinian people."

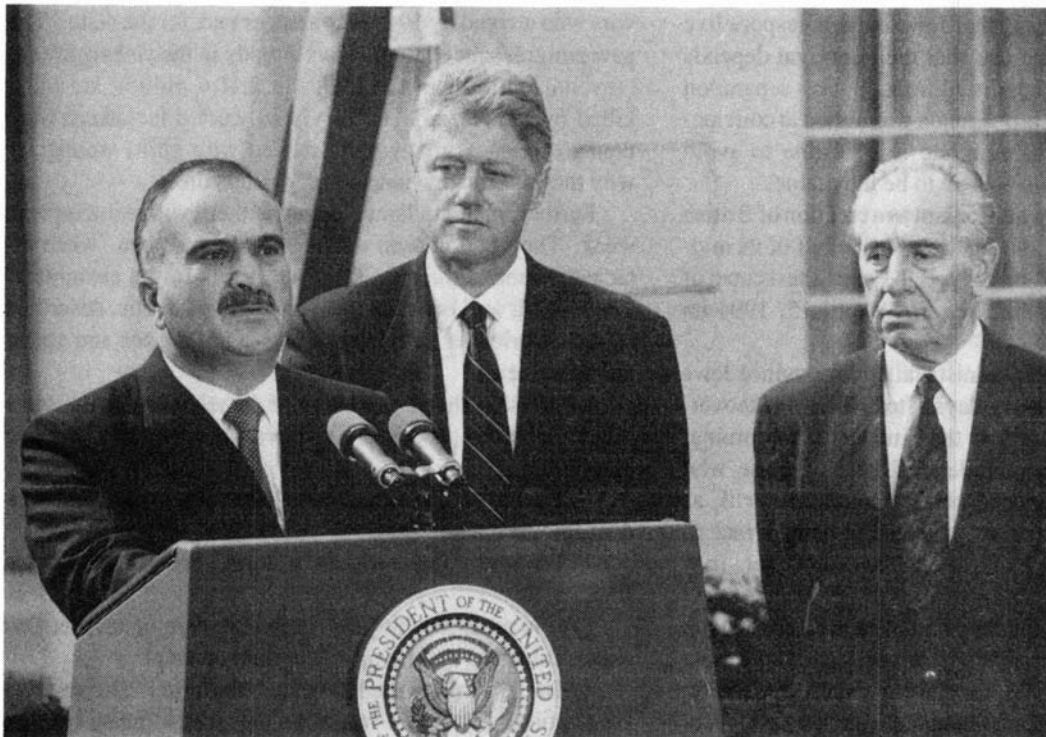
He added that Israel cannot base its future security on military might alone. "An army cannot conquer wisdom, an army cannot acquire science. In fact, technology and science change the nature of an army. . . . The modern sources of strength are universal—science, technology, information."

Since June 1967, as a result of its victory in the Six Day War, Israel has administered the territories seized in that war, using its military to keep the peace. The Israeli Defense Forces (IDF) was turned into a police force. With the launching by Palestinians of the Intifada, a generation of Israeli youth was condemned to chasing, arresting, and sometimes killing Palestinian youth.

As Peres noted, this is far from the dream of Zionism, in which Jews would find peace and security in Palestine without dominating anyone, becoming "a nation like any other nation." Instead, Israel found itself in a new ghetto, isolated, fighting for survival.

### **The crisis defined**

In an article in *Foreign Affairs* in 1978, Nahum Goldmann, the longtime president of the World Zionist Organization, warned of this danger, stressing that the transfer of more than 3 million Jews to Israel did not solve the "Jewish problem." The creation of a Jewish homeland was, for Goldmann, only part of the goal of Zionism. It was also necessary, he wrote, "to establish a center to bring about a Renaissance of Jewish culture and Judaism, in whatever form it expresses itself, in order to secure the survival of the Jewish people."



*Jordan's foreign minister, Crown Prince Hassan, appears with his Israeli colleague Shimon Peres for a handshake at the White House, the beginning of the end of 46 years of war. Author Segev calls on Israelis to hold themselves accountable to a higher, moral mission, which gives meaning to remembrance of the Holocaust.*

But this did not happen, he said, for two reasons. First, the Holocaust destroyed many of the great leaders and teachers in central and eastern Europe, breaking the chain of culture and tradition that had enriched Jewish life in the past. Second, Zionist leaders “were never intensive nor flexible enough” in negotiations with the Arabs, leading to a war when Israel was created in 1948.

Israel’s victory in that war humiliated the Arabs, Goldmann argued, and gave Israel a feeling of superiority and “the conviction that they need not worry” about Arab non-recognition. “Characteristic of this attitude,” he wrote, “is Prime Minister [Menachem] Begin’s statement that Israel does not require Arab acceptance because its existence is the affirmation of God’s promise and Jewish tradition.”

This arrogance led to the refusal of many Israelis to consider a return to the 1967 borders in return for Arab recognition, with the assertion that God mandated that the Jews settle Greater Israel. As to the “so-called historical borders,” Goldmann says that “neither the Bible nor the Talmud specify what these borders should be.” He added that great Jewish religious leaders “state unequivocally that it is contrary to the spirit of Jewish law, in which the welfare of every human being is a major commandment, to fight a war and risk the lives of thousands of young Jewish men and women to gain territories.”

Yet, until the diplomatic breakthrough in Oslo achieved by the Rabin-Peres government in August 1993—fifteen years after Goldmann’s article—Israeli soldiers killed, and were killed, to hold territories, in what Goldmann referred to as “a

radical distortion of the Zionist ideal.” Even today, a little more than a year after the famous handshake at the White House between Prime Minister Yitzhak Rabin and PLO Chairman Arafat, there are many in Israel and the U.S. Jewish community who attack Rabin as a traitor, and are preparing to fight for a return to the pre-Oslo *status quo*. They argue that Israel’s safety is secured only by its military might.

What caused this “radical distortion”?

### **Zionism and the Holocaust**

The one weakness in Segev’s otherwise exceptional study—and it is a major weakness—is his failure to draw the proper conclusion from the evidence he presents: that this distortion is inherent in the nature of Zionism itself.

Segev begins his book by saying that “the history of Israel’s painful confrontation with the Holocaust is a story of uncertain identity. The Israelis’ vision of the Holocaust has shaped their idea of themselves, just as their changing sense of self has altered their view of the Holocaust and their understanding of its meaning.”

The identity crisis he refers to is rooted in a central contradiction in Zionism, which became obvious with the founding of Israel. The Zionist movement founded by Theodore Herzl was based not on the Jewish religion, but on the narrow basis of Jews as a nation, a race. Its inspiration owes more to Disraeli’s slogan that “all is race, there is no other truth,” than it does to the Torah.

It is a profound irony that Herzl’s Zionism is premised on the same axiom as that held by anti-Semites, that Jews

and non-Jews cannot coexist, that Jews in the Diaspora live a false, perverted existence and that their survival depends not on the Jewish religion and traditions, but on separation from the Gentiles. Zionist propaganda was aimed at convincing the Jews of Europe to emigrate to Palestine to avoid persecution, which Zionists believe to be inevitable.

(A thorough evaluation of Zionism as a creation of British psychological manipulation of the Jews on behalf of its mid-19th-century geopolitical strategy is beyond the scope of this review. For more on this, see *EIR*, April 15, 1994 on "Palmerston's Zoo.")

Segev points out that the Zionists failed to convince Jews to emigrate. Even in the early days after Hitler's takeover, "most [German Jews] were less than interested in coming; all efforts to persuade them failed." Later, of those who did emigrate, "most did indeed come against their will, as refugees; they were not Zionists." Instead of being a race of "new pioneers" returning to build the land of Israel, they were reluctant emigrés.

Further, Segev points out they had little in common with the Zionist leadership, with its singleminded focus on Jewish survival. The "Yekkes," as they were called derisively, brought with them universal humanism, individualism, professionalism, law, tolerance and compromise, qualities at odds with the *yishuv* (the Jewish settlements in Palestine).

Segev devotes several chapters to the implications of this failure of Zionism, and how relations with Diaspora Jews worsened when the first confirmations of mass killings of Jews by the Nazis were received in the *yishuv*. For example, Segev quotes one leader of the Jewish Agency Executive, who said in June 1942, "The problem with the Jews in the Exile is that they prefer the life of a beaten dog to death with honor." The hostility toward Diaspora Jews increasingly characterized the attitude of the Zionist leadership toward their brethren.

This identity crisis worsened as the deaths mounted. First, the Zionists had not been able to convince Jews to leave, exposing the weakness of their appeal. Second, they were for the most part too weak to do much to help them; the one possible course of action to defend Germany's Jews, a boycott of German goods proposed by leaders of the American Jewish Congress and backed by Nahum Goldmann, was opposed by Zionist leaders. According to Segev, "Ben-Gurion saw the debate between rescue and boycott as a debate between Zionism and assimilation [which the Zionists opposed]. . . . The assumption implicit in his words was that the war against anti-Semitism was not part of the Zionist mission."

Third, those who did leave did so out of fear and for survival, not out of choice and Zionist ideology.

## Postwar crises

In the aftermath of the war, and with the founding of Israel, the absorption of more than 350,000 Holocaust survi-

vors who arrived by 1949 was a major task for the state. (The new emigrés, added to the Jews already in the *yishuv*, are the "seventh million" in the title; the first 6 million are those killed by the Nazis.) The survivors were traumatized from their experience; many were racked with guilt, wondering why they survived when so many others died.

Further, many in Israel looked at them with contempt, as weak. They had chosen a life of exile and then, when attacked, went to their deaths "like lambs to the slaughter." There was a wall between them and native Israelis, described by Ben-Gurion as "a barrier of blood and silence and agony and loneliness."

Segev said that the leaders of Israel adopted the view that the solution to this division was to promote four basic assumptions:

- 1) The only solution to the Jewish problem is an independent Jewish state.
- 2) The rest of the world did nothing, and is hostile to the Jews.
- 3) It is necessary to play up the heroism of resisters, to make Holocaust and heroism a unified concept.
- 4) The less said of the Holocaust, the better. The first two assumptions fostered a return to the ghetto mentality, the latter two shaped the political wars in Israel.

The only time the Holocaust became an issue in internal Israeli politics, before it was reintroduced by Ben-Gurion in 1961 with the trial of Adolf Eichmann, was when Begin, the leader of the opposition, used it to attack Ben-Gurion. Segev tells the story of the battle in 1951, when Ben-Gurion began negotiations with West Germany for restitution payments, and in 1957, when Israel again turned to Germany for aid, this time to obtain weapons. On both occasions, West German Chancellor Konrad Adenauer accommodated Israel. On both occasions, Begin went to war against Ben-Gurion.

While Ben-Gurion faced opposition within his own party over negotiating with Germany, he was able to squelch it, referring to his opponents as afflicted with a "ghetto mentality." (Ben-Gurion finally met with Adenauer in May 1960, and Israel and Germany formalized relations shortly after that.)

But Begin was not so easy to handle. Segev says he exploited "chauvinistic impulses. Begin was a demagogue, all majestic gestures and historical symbolism." When Begin led the opposition to negotiations with Germany, Segev says he "was preparing to declare a monopoly on the memory of the Holocaust."

In the Knesset (Israel's parliament) in January 1952, Begin declared, "There is not one German who has not murdered our fathers. Every German is a Nazi. Every German is a murderer. Adenauer is a murderer. . . . All his assistants are murderers." He called the talks "another Holocaust of the Jews," triggering a riot, which injured more than 200 demonstrators and 140 police, and 400 were arrested.

For Begin, opposition to these talks was part of an "ongo-

ing struggle to shape the memory of the Holocaust and formulate its lessons. Begin placed the Holocaust at the center of a system of values, emotions, and ceremonies and saw it as the source of all norms of good and evil, purity and impurity. . . . Begin sought to develop the heritage of the Holocaust into an almost religious dogma." He became, Segev writes, "the high priest of this new religion."

In reviewing events in the ensuing years, Segev says that Begin "may have been ahead of his time; years later the Holocaust did indeed develop into a sort of civic national religion."

The debate over the Holocaust came to dominate political life: "Instead of talking about the reality of their country and its future, the party leaders were agonizing over—and torturing one another with—horrible accusations that had their roots in the Jewish Europe that was no more. . . . The leaders of each party were intent on proving to themselves and to the voters that it was not they but their opponents who were the villains of the Nazi period. In this free-for-all the Nazis and their crimes became no more than symbols or allegories."

Ben-Gurion was not above using the Holocaust to fit his purposes. "The Eichmann trial would also enable Mapai [Ben-Gurion's party] to reassert its control over the heritage of the Holocaust, which it had lost" to Begin.

From then on, the Holocaust was incorporated into every major political debate. Segev says that the preemptive strike in the 1967 war grew out of a generalized feeling that Israel was in danger. "Its roots lay in the Holocaust." After the war, in the debate over what to do with the territories, the Holocaust was cited "as a reason why Israel could not return to its previous borders." When Begin was challenged to justify Israel's invasion of Lebanon in 1981, he threw back to the Knesset the words, "No one, anywhere in the world, can preach morality to our people." Having been brutalized once, the victim is freed from morality.

Segev quotes author Boaz Evron's response to this mentality: "Since the world is always presented as hating and persecuting us, we see ourselves as released from the need for any moral consideration in our attitudes to it."

## The real lesson of the Holocaust

One of the effects of Ben-Gurion's use of the Eichmann trial was the change from the view that those killed by the Nazis went "like lambs led to the slaughter," i.e., which conveyed a negative view of passive, weak victims, to the creation of "an increasing tendency to identify with the victims of the Holocaust as individuals."

Segev said this has further blinded Israelis to the truth behind the Holocaust. "The effort to rehabilitate the image of the Holocaust's victims and survivors," he writes, "to support the ideological struggle of the state, and to shape the memorial culture deterred Israel's historians from trying to understand Nazism. They feared, perhaps, that such an at-

tempt would be interpreted as a justification of it or as a challenge to its abstract, almost mystic status as the symbol of absolute evil."

It was this blindness that was addressed when the late philosopher Yeshayahu Leibowitz referred to the Israeli invasion of Lebanon as a "Judeo-Nazi policy."

This blindness was also scored by Yehuda Elkana, the director of the Institute of the History of Science and Ideas at Tel Aviv University, in an essay in the Israeli newspaper *Haaretz* in March 1988, condemning Israel's brutal repression of the Intifada. He warned of the dangers which come from an existential fear "nourished by a specific interpretation of the Holocaust and by the willingness to believe that the entire world was against the Jewish people, the eternal victim."

Elkana continued: "An atmosphere in which an entire nation determines its relationship to the present and shapes its future by concentrating on the lessons of the past is a danger to the future of any society that wishes to live in relative serenity and relative security, like all other countries. . . . The very existence of democracy is endangered when the memory of the past's victims plays an active role in the political process. . . . The use of past suffering as a political argument is like making the dead partners in the democratic process of the living."

Segev concludes this important book by arguing that, while Israelis must not forget the Holocaust, there is a higher, moral mission to which the Jewish people must hold themselves accountable. "They need, rather, to draw different conclusions. The Holocaust summons all to preserve democracy, to fight racism, and to defend human rights. It gives added force to the Israeli law that requires every soldier to refuse to obey a manifestly illegal order. Instilling the humanist lessons of the Holocaust will be difficult as long as the country is fighting to defend itself and justify its very existence; but it is essential. This is the task of the seventh million."

This theme is obviously very much in the minds of Prime Minister Rabin and Shimon Peres as they proceed with negotiations for a lasting peace in the region. In his toast to King Hussein at the White House, Rabin called for changing the axioms, the assumptions which have in the past left Israel isolated, ghettoized, and the Arab states hostile toward Israel's existence.

It is reflected in the opening pages of Peres's book *The New Middle East* (New York: Henry Holt & Co., 1993) in which he writes, "We must study history to learn its critical lessons, but we must also know when to ignore history. We cannot allow the past to shape immutable concepts that negate our ability to build new roads."

These "new roads" are paved by the courageous work of those such as Segev, who is willing to challenge the fixed views of the obstructionists, who only know how to build walls.

# Zhou Enlai: Some insights and some omissions

by Michael O. Billington

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## **Eldest Son: Zhou Enlai and the Making of Modern China, 1898-1976**

by Han Suyin

Hill and Wang, New York, 1994

483 pages, hardbound, \$27.50

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Despite the fact that Zhou Enlai was second only to Mao Zedong in the leadership of the Chinese Communist Party (CCP) from its inception until his death in 1976 (the same year as Mao's death), and, in addition, was a central figure in 20th-century international diplomacy, still, there have been few biographical studies of his life, and none which goes beyond the surface. The recent publication of *Eldest Son* by Han Suyin does not change that unfortunate state of affairs, but is nonetheless a quite readable account of certain aspects of Zhou's life by a lifelong admirer who, between 1941 and 1975, held a dozen extended private interviews with him. If the reader is forewarned of the extreme pro-CCP prejudice and the romanticism of the author, then her personal knowledge and insight into 20th-century China provide the basis for a revealing glimpse of the ubiquitous Zhou Enlai.

In fact, Han Suyin contributes, perhaps unwittingly, to the mass of evidence that Zhou Enlai throughout his life was the key figure in the British creation of the CCP and their shaping of CCP policy. From his youthful studies of Darwin, J.S. Mill, and other social Darwinists, to his close alliances with British diplomats in the 1950s and 1960s; from his protection of British Hongkong, to his infamous friendship and collaboration with self-confessed British agent-of-influence Henry Kissinger in the 1970s, Zhou always considered himself to be in basic agreement with the British geopolitical outlook, although viewed from the perspective of China's parochial self-interest.

Author Han Suyin, of mixed Chinese and European (Belgian) heritage, was granted just this September the China Literature Foundation's "International Understanding and Friendship Literature Award" and \$5,000 cash, presented by one of the "Old Men" of the CCP's original leadership, Wan

Li. To have been so honored indicates that her biography of Zhou Enlai faithfully follows the party line, as have all of her many books on China (all in English) during her 78 years. Her multi-volume autobiography conveyed a romanticized view of pre-revolution China, with Chiang Kai-shek portrayed according to the politically correct CCP line as a monster—a portrayal she maintains in the biography of Zhou Enlai.

## **From the 'Great Leap' to the 'China Card'**

Generally, Zhou is shown to have served faithfully as Mao Zedong's primary adviser and administrator, even while attempting to moderate the recurring fanatical excesses of Mao's reign of terror (the Rectification Campaign of the 1940s in Yanan, the Great Leap Forward and the Anti-Rightist Campaigns of the 1950s, and the Cultural Revolution of the 1960s and 1970s). Han Suyin, who herself glorified the Cultural Revolution in her writings before the horrors of that era were made public, justifies Zhou Enlai's allegiance to Mao throughout each psychotic episode by arguing that, had Mao been brought down at any time after the Long March, then the Russians would have seized control of China, either directly or through the more doctrinaire Bolshevik-trained layers within the CCP leadership. Such reasoning was certainly not unjustified as regards the intentions of Stalin and his successors. However, what remains unexplored is the obvious coincidence of this view with British geopolitical interests, both in regard to keeping the Eurasian powers divided against each other, and in regard to the self-destruction of China virtually assured by continued Maoist rule.

Ultimately, this geopolitical view led to Henry Kissinger's "China Card" in the 1970s. Even in the heady days of the hyper-doctrinaire Anti-Rightist Campaign in the 1950s, Zhou had established close ties with leading British and French colonial masters. Han quotes Zhou in regard to his relations with the British High Commissioner in Malaysia, Malcolm MacDonald (the son of the Labor prime minister) that this was "one of the most fascinating friendships of my life." Pierre Mendès-France, the head of the French government after the fall of Dien Bien Phu (Vietnam) in 1954, was praised by Zhou as a "very sincere friend" who had an "excellent grasp of politics." In fact, Zhou brokered the 1954 agreement dividing Vietnam into North and South, convincing his ally Ho Chi Minh that the French and the United States would live up to their pledge to hold nationwide elections in 1956. Han Suyin reports that "Zhou did not encourage immediate socialism in Southeast Asia" because, among other things, "the presence of Overseas Chinese communities, wealthy and unbendingly capitalistic . . . sent money back to China."

Han Suyin reports that Zhou viewed both the Korean and the Vietnam wars as primarily Russian-instigated provocations intended to incite a war between the United States and China, keeping China dependent on Russia. The Korean



War, in fact, drained off both the money and the millions of youth desperately needed for the development of China in the early 1950s. As to Vietnam, although Zhou had been a close friend of Ho Chi Minh since their days together at Sun Yat-sen's Whampoa Military Academy in the 1920s, he never approved of Ho's intent to maintain, under his own leadership, the political merger of Vietnam, Cambodia, and Laos, which the French had originally united into colonial French Indochina. Zhou preferred a non-communist, or at least an anti-Vietnamese *variety* of communism in Cambodia and Laos, not only to prevent a strong Vietnam on China's border, but to prevent a Russian-influenced communist Indochina from encircling China. This, of course, was one area of agreement between Zhou and Henry Kissinger. Han Suyin quotes Kissinger: "The problem for the Chinese is to stop Hanoi or Moscow from laying their hands on Cambodia." Han Suyin fails to mention that part of the deal that Zhou and Kissinger reached to end the Vietnam War and reestablish relations between China and the United States was that the United States would turn over Cambodia to the Chinese-trained and -supplied Khmer Rouge, who then carried out one of the most systematic mass slaughters of innocents in history.

### Zhou's 'moral ambivalence' and Taoism

Han Suyin provides an insightful clue to Zhou's ability to support Mao at Mao's worst—even to carry out immoral and often bloody policies which he knew to be wrong—in order to retain some influence to "moderate" the disastrous results. She quotes Kissinger *praising* Zhou for this "talent," saying that Zhou exuded a "moral ambivalence" but, at the same time, an "inner serenity." Han Suyin then writes: " 'Moral ambivalence' is an inapposite term, indicating Kissinger's ignorance of Taoism, that fundamental duality of spirit which made Zhou accept that good and evil are inseparable Siamese twins. The Judaic notion of guilt and expiation did not haunt him." It is precisely this moral relativism, this acceptance of evil, which characterizes the cult of Taoism, which has been the pole for tyranny throughout Chinese history, as opposed to the Confucian belief that man reflects the perfection of the Creator, and that man must fight evil even if it costs his own life. Not only did Mao identify with the anti-Confucian elements throughout Chinese history, but it was precisely this same Taoist tradition which the British recognized as a kindred spirit to their own gnostic, anti-Christian radical empiricism. Han Suyin is wrong to think that Henry Kissinger doesn't understand Taoism.

A final note: Han Suyin leaves out of her biography one of Zhou Enlai's most infamous contributions to China's communist era. It was Zhou who implemented the draconian birth-control measures, including the official limit on how many children were permitted and the forced-abortion policies. Mao, in fact, had totally opposed population control, believing that more hands meant more production, rather

than just another mouth to feed. Zhou Enlai, during the early 1970s, while meeting regularly with Kissinger and many other leaders of the Anglo-American establishment who flooded into Beijing at that time, implemented the new population policy, turning China into the model for the genocidal depopulation lobby centered around the United Nations and William Draper's Population Council. It could not be the case that Han Suyin was unaware of this fact, since she herself was one of the leading spokesmen for the policy, even writing a chapter for Draper's magazine praising China's program.

There is no question that Zhou Enlai's opposition to the more insane aspects of Maoism contributed to the overthrow of the Gang of Four after his death, and that the reform era has been significantly influenced by his ideas. Zhou always fought for scientific research.

The Chinese development of nuclear technology and other scientific research continued, due to Zhou's protection, even while the country was plunged into chaos.

The ending of the isolation realized under the reform era since 1979 is to a large extent a realization of his policies. But this is all the more reason that a more critical and comprehensive study of Zhou's life is needed, so that the future does not become a replay of the disasters of the past.

## Books Received

**Crossing the Threshold of Hope**, by Pope John Paul II, Alfred A. Knopf, New York, 244 pages, hardbound, \$20.

**Leibniz: Determinist, Theist, Idealist**, by Robert Merrihew Adams, Oxford University Press, New York, 1994, 433 pages, hardbound, \$55.

**Moses Mendelssohn and the Enlightenment**, by Allan Arkush, State University of New York, Albany, 1994, 304 pages, paperbound, \$19.95.

**The Life and Death of NSSM 200: How the Destruction of Political Will Doomed the U.S.**, by Stephen Mumford, Center for Research on Population and Security, Research Triangle, N.C., 1994, 384 pages, hardbound, \$24.95; paperbound, \$18.95.

**Scarcity or Abundance? A Debate on the Environment**, by Norman Myers and Julian L. Simon, W.W. Norton, New York, 1994, 254 pages, hardbound, \$21.

**Behind the Mask of Chivalry: The Making of the Second Ku Klux Klan**, by Nancy MacLean, Oxford University Press, New York, 1994, 292 pages, hardbound, \$30.

## North drug charges may yield post-election probe

by Edward Spannaus

In the final two weeks of the Virginia campaign for U.S. Senate, George Bush's stalking horse Oliver North has been heavily hit with widely publicized charges about his involvement in massive drug-smuggling operations in the 1980s.

Under these and related pressures, North has stumbled recently at a number of points, and is rapidly losing ground, according to many observers. But if he wins the Senate seat on Nov. 8, some consider it even more urgent that there be a new congressional investigation of the coverup of Contra drug-running operations which North and the Bush apparatus perpetuated during the failed "Iran-Contra" probes.

Among North's more notable recent foot-in-mouth episodes was his suggestion on Oct. 24 that Social Security should be made voluntary. "We've got 62 million Americans on the wagon that 91 million American households are pulling. We've got to find ways to get people off the wagon. Otherwise, nobody's going to be able to pull it." Typically, his campaign spokesmen had to immediately disavow North's statement, claiming it was not a major policy statement.

North also came under fire after putting a tearjerker ad on TV featuring former hostage David Jacobsen, who thanked North for saving his life. Other hostages responded by blaming North for their captivity because of his willingness to pay for hostages. Former hostage Robert Polhill, who spent three years chained to a wall, said regarding Jacobsen: "He's one of the guys who North got out. But I'm one of the guys who North got in."

George Bush's control of the Contra and Iran arms-for-hostages operations has been documented anew in a recently published book, which also details how the secret Bush-North White House operation was run in close coordination with British intelligence (see p. 75). On Oct. 28, the London *Independent*, reporting on the new allegations of British ties

to the North operation, said that they contradict both the conventional British view of "Irangate," and also specific statements by former Prime Minister Margaret Thatcher.

### Ollie's Cocaine Contras

After being suppressed for months, the North drug-running story began to be reported in much of the major news media beginning on Oct. 22. This followed months of hammering away on the issue by the "Defeat that Son-of-a-Bush Committee," headed by LaRouche Democrat Nancy Spannaus, with a campaign that included 1 million leaflets, radio ads, songs, and two tours of Virginia by former Drug Enforcement Administration (DEA) agent Celerino Castillo.

The *Virginian Pilot and Ledger Star*, the major newspaper in the Tidewater-Norfolk area, featured a huge, front-page article on Oct. 22 headlined, "What Did North Know?" with other prominent headlines such as "Contra Flights of Guns—and Cocaine," and a photo of DEA agent Castillo together with then-Vice President Bush. The *Pilot* story included detailed evidence from North's own notebooks, from the "Kerry Report" of the Senate Foreign Relations Committee, chaired by John Kerry (D-Mass.), and from Castillo.

The *Washington Post*, which had been planning to run its story on North and drugs on Sunday, Oct. 23, rushed its story into its late editions on Oct. 22 so as not to be "scooped" by the *Pilot*—thus losing much of the readership the story would have received on Sunday. The *Post* story described much of the same evidence, and quoted, among others, former U.S. Customs head William Von Raab, who proclaimed himself "absolutely stunned" by North's drug-related notebook entries, and who said that North should have made that information available to him at the time.

In the wake of the new round of coverage, incumbent



*These billboards and the campaign song "Goodbye Ollie" have unnerved the cocaine colonel's supporters all over Virginia.*

U.S. Sen. Chuck Robb charged that "during the time when we were spending millions of dollars trying to stop drugs at our borders, Oliver North's office in the White House was the secret passage to bypass the DEA and U.S. Customs." Robb also said that if North had not reported the drug-trafficking evidence which he claims to have, "then he is guilty of perjury."

North typically denounced the drug allegations as "hog-wash," and refused to address the substance of the reports. On Oct. 24, North responded with a press conference by former Assistant Secretary of State Elliott Abrams and former U.S. Attorney General Edwin Meese, held in Arlington. Abrams claimed that "all of us who ran that program [the Contras], including Oliver North, were absolutely dedicated to keeping it completely clean and free of any involvement by drug-traffickers."

The reality is quite different. Abrams was up to his eyeballs in the Contra drug operation; he authorized State Department payments to known drug-traffickers for "humanitarian" aid shipments to the Contras; the same pilots and planes that flew "humanitarian" aid to the Contras, flew cocaine out of El Salvador's Ilopango airfield into the United States. Abrams probably had more to do with setting up the drug-running operation than even North did.

Former Senate investigator Jack Blum charged in response to the Abrams-Meese press conference that "every effort to investigate this was hamstrung by either the White House or Mr. Abrams or Mr. Meese." Speaking on WTOP radio in Washington, D.C., Blum said: "They were all interested in making sure that the supply effort continued, not that the drug trafficking stopped."

Contradicting North's claim that he is "the most investigated man on the planet," Iran-Contra special prosecutor Lawrence Walsh issued a statement on Oct. 25, saying that he had never exonerated North's Contra operation of drug-trafficking charges. Walsh said he had preferred to concentrate his efforts elsewhere.

### **'Many people died . . .'**

The coup de grâce to North's denials and lies came in a press conference given by former Senate investigator Blum at the State Capitol in Richmond on Oct. 27. "He worked with drug traffickers, and he worked with terrorists," Blum charged. "He should answer for that, and he should answer publicly."

"We had a drug epidemic in the United States, people were dying on the streets, we had shoot-outs, crack was beginning to make an appearance, and here you have a guy in a public policy position—indeed, a whole administration, many of whom now are stepping forward to defend him—that made a decision that the Contra war was more important than dealing with this drug problem," Blum told a large group of newspaper and television reporters. "The time has come for these people to face the political consequences of their actions."

"Oliver North has to take responsibility, and answer to it," Blum continued. "If he's not held accountable now, exactly when will he be held accountable?"

"Many people died because of those drug shipments," Blum declared.

Blum's charges were backed up by a senior Republican staffer who also worked on the Kerry Committee investigation. Clifford Kiracofe, a former aide to Sen. Jesse Helms (R-N.C.), interviewed by AP, said he agreed with Blum's view that North knew about the drug trafficking. "My intuitive judgment is that North did know or should have known. He was micromanaging that operation very closely."

Blum concluded his press conference by remarking that North "is a man who has utter contempt for legal processes, for the notion of checks and balances, and for the idea of constitutional government."

"It is peculiarly inappropriate for a man like this to be representing the state of Virginia, where many of these concepts first flourished. . . . His disdain for them is quite remarkable, and makes him totally inappropriate as a senator for this state."

# Summit of the Americas agenda being fought out

by Cynthia Rush

President Bill Clinton has invited leaders of 33 Western Hemisphere nations to meet with him in Miami on Dec. 9-11 in a "Summit of the Americas," whose official discussion themes have been publicized as "economic integration, strengthening of democracy, and the promotion of sustainable development." But the actual focus of the administration's agenda being coordinated by the President's special assistant and close friend Thomas "Mac" McLarty, remains to be seen.

There is clearly a fight taking place around this issue. Numerous government agencies, non-governmental organizations (NGOs), and other business and banking groups have positioned themselves in hopes of imposing their policy outlook on the agenda. Exemplary is the active deployment of factions affiliated with the Inter-American Dialogue (IAD) think-tank, whose policy for the hemisphere centers around the concept of "limited sovereignty," the destruction of the institution of the armed forces, and enforcement of the International Monetary Fund's (IMF) free-market dictates.

On Oct. 13, Woodrow Wilson Center member Paul Sigmund, a proponent of destroying Ibero-America's armed forces who is also associated with the Rockefeller Foundation and the Council on Foreign Relations, appeared in Lima, Peru to promote the IAD's line. In a seminar on the Miami summit sponsored by the globalist think-tank CEPEI, Sigmund praised the U.S. intervention into Haiti as "a new concept of International Order," and called for the extension of the idea of intervention toward "humanitarian intervention . . . in favor of democracy, and intervention legitimized by the international community."

Sigmund and others of his ilk are aware that the destruction of the military and national sovereignty still faces significant opposition in Ibero-America. On Oct. 21, following a meeting of Central American army leaders in Tegucigalpa, Honduras, Honduran Army Gen. Lázaro Avila Soleno warned that "Central America is sovereign . . . and no one, not the international lending agencies, can condition their financial aid nor undermine the sovereignty of our states." General Avila said that the region's armies would not tolerate further reductions in their manpower or budgets, and attacked the IMF by name for pressuring governments to accept its demands.

## Sovereignty the key

In an attempt to get around this opposition, Sigmund and his CEPEI colleague Enrique Obando discussed during the Lima seminar how to nullify the "non-intervention principle" contained in articles 18 and 20 of the Organization of American States (OAS) charter. Sigmund said that the solution lay in expanding the justification for "collective intervention" to "lack of democracy and violations of human rights [as] threats to peace." With the demise of the continent's military regimes, Sigmund added, agreements such as the 1991 Santiago Commitment, which calls for "collective action to defend democracy," became possible. As a positive example of its enforcement, he pointed to the hemispheric condemnation of Peruvian President Alberto Fujimori's 1992 "self-coup," in which he shut down the Congress and assumed emergency powers to fight narco-terrorism.

Paralleling Sigmund's presentation, in mid-October Argentine ambassador to the OAS Hernán Patiño Meyer brought to U.S. ambassador to the OAS Harriet Babbitt a proposal backed by Canada, Chile, Argentina, and the United States, that the Miami summit debate "the new conditions of security in the Americas after the end of the Cold War, and the democratization of the continent." Patiño Meyer, a rabid demilitarizer, presides over the OAS Special Commission on Hemispheric Security. He stresses the need to "reevaluate" the relationship between the OAS and the Inter-American Defense Board, which in reality means discussing how to place the independent board under OAS control, so that it can be deployed in multilateral adventures in Ibero-America.

Nor has Richard Feinberg, the Dialogue's former president who now runs Ibero-America policy from the National Security Council, been idle in organizing the summit agenda. In a major speech on Sept. 20 before the IAD, he repeatedly emphasized that the most crucial aspect of agenda preparation is consultation with "civil society." This phrase is the buzzword for the NGOs which, in the Dialogue's view, are to rule in place of the sovereign state and implement the malthusian financial and environmental dictates of the British-run international oligarchy.

Feinberg would be loath to have the summit take up the proposal made recently by Venezuelan President Rafael Caldera that free market economic policies be debated in Miami. Caldera, who is bucking the IMF's program in his own country, has also put forward some positive initiatives for infrastructural development with neighboring Brazil and implied that such projects could be extended to other nations.

These proposals were worrisome enough to some in the State Department, whose operations often run counter to the White House, that deputy Assistant Secretary of State for Inter-American Affairs Michael Skol was sent to Caracas to "talk to" the Venezuelan President about the summit. As an ambassador to that country during the reign of deposed President Carlos Andrés Pérez, Skol had warmly endorsed the latter's IMF program.

# British and Bush ran Iran-Contra

by Edward Spannaus

What is known as the "Iran-Contra" affair actually began much earlier than is commonly thought, and was run by Vice President George Bush in coordination with British intelligence, says a newly published book. The factual account presented in *The Secret War against the Jews* by former U.S. Justice Department attorney John Loftus and Mark Aarons, is the only account outside of *EIR* and associated publications which has so precisely identified the role of the Bush secret White House apparatus and the role that Oliver North played within the Bush machinery.

Much of what the new book presents has been known to readers of *EIR* for years, and parts of it were also recounted in *EIR*'s 1992 book, *George Bush: The Unauthorized Biography* (Washington, D.C., 1992). A full review will appear in a forthcoming issue of *EIR*. But meanwhile, *EIR* readers will be especially interested in its relevance for current U.S. election campaigns.

## The first arms-for-hostages deal

The chapters of the book dealing with the Iran-Contra period, document, with much new evidence, two crucial aspects which *EIR* has exclusively reported: 1) the central role of George Bush's Crisis Pre-Planning Group (CPPG) and the Special Situations Group (SSG), created in late 1981-82; and 2) the 1984 arms-for-hostages deal involving North, the British arms dealers Leslie Aspin, Ben Bannerjee, and others (see *EIR*, March 25 and May 6, 1988).

The importance of the 1984 deal is that it blows the official chronologies of Iran-Contra to smithereens. The reports of both the congressional Iran-Contra committee and special prosecutor Lawrence Walsh, present the first arms-for-hostage deal as having been attempted in 1985, and run through the Israelis. It is the contention of Loftus-Aarons that the British, working with Bush and CIA head William Casey, set up the Israelis to take the blame for the arms-for-hostages arrangements, in order to divert attention from the British-run operation which began a year earlier. The first channel, run by British intelligence and the Office of the Vice President, utilized Leslie Aspin, the Azima brothers, and Monzur al-Kassar, the Syrian arms- and drug-smuggler who was actually working for Soviet military intelligence, the GRU.

In the Reagan administration, National Security Decision Directive #3 established a new intelligence organization for Vice President Bush. Bush was running "a White House

within the White House." The SSG could coopt, or circumvent, any government agency. Already in 1982, say the authors, Bush, Robert McFarlane, and Donald Gregg were planning to use the British to go behind the back of Congress. "The vice president's private back-channel to MI-6 was the best-kept secret in government," the book contends. And already by May 1982, North was deployed to work for Bush's CPPG.

The first arms-for-hostage secret deals had their origins in the efforts by Bush, in conjunction with Casey, to undertake "preemptive action" against terrorists in the Middle East—counter-kidnapping operations. Bush personally approved sending CIA officer William Buckley to Lebanon to recruit a Lebanese team to kidnap terrorists. This is what Buckley was doing when he was taken hostage, and this is one of the things he revealed under torture. This is one of the reasons Bush and Casey were so frantic about ransoming Buckley with money or with arms.

The first deal was put together by British intelligence and arms dealer Leslie Aspin, beginning in March 1984, only a week after Buckley's capture. Aspin's middleman was Monzur Al-Kassar. By May 10, 1984, North had been brought into the operation, and met with a British intelligence officer about the hostage ransom effort.

Also in 1983, as *EIR* has repeatedly pointed out, Felix Rodriguez was hired by Gregg for the Contra operation. Thus, by 1983, both sides of Iran-Contra were being run out of the CPPG and Bush's office. By 1984, North was also involved with the Contra operation being run out of Bush's office. Bush had three different channels all delivering Communist-bloc arms to Central America: Al-Kassar, General Singlaub, and Richard Secord-Albert Hakim.

North was sent to London and then to Paris on Nov. 14, 1984 as Casey's courier to arrange a \$5 million deposit in the Paris branch of Bank of Credit and Commerce International (BCCI). North recorded much of this in his notebooks, which show that North was working with the British and French on an arms-for-hostages deal a year before the Israelis (who supposedly came up with the idea) shipped arms to Iran in 1985.

Congress never learned the story. North's secret November 1984 London-Paris trip was never investigated in either the Iran-Contra or BCCI investigations.

"By the beginning of 1985 people were beginning to whisper in Washington that some kind of crazy spy operation was being run out of the White House," write Loftus and Aarons. "Even the CIA staff did not know about Bush's Special Situations Group. Agency insiders thought it was all 'Ollie' North's fault that there was a 'mini-CIA' operating over at the White House running such operations. Actually, it was a mini-branch of MI-6, and North certainly was not in charge. His diary shows he repeatedly briefed Don Gregg, Bush's national security adviser, and, occasionally, Bush himself."

# George W. Bush faces Harken, other scandals

by Evelyn Lantz

In the final six weeks of the Texas gubernatorial race between Gov. Ann Richards and George W. Bush, a dose of reality has been introduced into the campaign. On Sept. 28, the Richards campaign raised the Harken Energy scandal, in which George W. Bush sold almost \$1 million worth of stock based on confidential inside information and then apparently used the political influence of his father, President George Bush, to avoid prosecution.

The Richards campaign has been hitting hard at this blatant corruption coverup. George W. Bush, with little other than his well-known name to offer voters, has campaigned on his "business experience." As Richards campaign ads have pointed out, Bush's "business experience" involves four companies which have lost a total of \$371.6 million. His real business experience is exemplified by his insider trading in Harken Energy stock.

George W. Bush served on the board of directors of Harken Energy and on its audit committee in 1990, when he sold 212,140 shares of Harken stock. A few weeks later, Harken's quarterly report became public, showing losses so devastating that after they became public knowledge, Harken's stock lost 60% of its value.

An investigation was begun by the Securities and Exchange Commission (SEC) after Bush reported the secret sale to the commission eight months after he was legally required to do so. The SEC which investigated Bush was run by Richard Breeden, who had been deputy counsel to President Bush when he was vice president. Breeden had been a lawyer with the Houston-based law firm of Baker and Botts, the firm of Bush family intimate and then-Secretary of State James Baker III. Breeden had, of course, been appointed to his position by President Bush.

The general counsel for the SEC at that time was James R. Doty. Doty had previously helped George W. Bush negotiate the 1989 purchase of the Texas Rangers baseball team. Bush purchased 2% of the Rangers ownership with a loan which he repaid with the 1990 profits from his shady Harken stock sales. Doty now is a Washington partner at Baker and Botts with Richard Jordan, the lawyer who represented Bush before the SEC. While Breeden and Doty both recused themselves from the direct investigation, it is not surprising that Baker and Botts was able to produce results favorable to George W. Bush.

As the Harken story began to hit the news media, the

polls showed Richards and Bush in a neck-and-neck contest. Richards has continued to hit hard at the corruption issue, putting Bush on the defensive. While he has insisted that he was thoroughly investigated and cleared, he has refused to release documents relating to the case.

## Race-based fear tactics

Governor Richards has not yet raised a much larger and more dangerous scandal: There is a cabal of Bushmen using race-based fear tactics to try to get elected to major offices across the country. In addition to George W. Bush's campaign for Texas governor, his brother Jeb is running for governor of Florida, Oliver North for U.S. Senate from Virginia, and, in California, Gov. Pete Wilson is running for re-election and former Texan Michael Huffington is campaigning for U.S. Senate. All of them are running on three issues: immigration, crime, and the death penalty. The argument for their policies is the ugly reemergence of the racial pseudo-science of eugenics. Another prominent member of this network is William Weld, leading member of the "Get LaRouche" task force which railroaded Lyndon LaRouche into prison, and the current governor of Massachusetts.

The most open use of race-baiting is in California, where Governor Wilson's only hope of re-election in the economically collapsing state is his promotion of Proposition 187, which blames the (predominantly) Mexican immigrants for the state's economic woes. Proposition 187 would bar illegal immigrants from access to any government service, including medical care and education. Wilson is promoting this insane and immoral policy despite a recent study which shows that illegal immigrants in California actually *contribute* \$12 billion to the state's economy, and a recent *Business Week* article which demonstrates that while immigrants pay \$90 billion in taxes nationwide, they receive only \$5 billion in government services. In late September, former President Bush spoke at California fundraisers for Wilson which netted more than \$1 million.

In Texas, George W. Bush has adopted his father's infamous "Willie Horton" approach. His "tough on crime" campaign has consistently attacked Richards for her failure to *end all parole* for violent offenders, a large number of whom are young black men in their twenties.

That the new crop of Bush babies is taking a page from the book of Adolf Hitler in substituting racial scapegoating for real solutions should come as no surprise. Prescott Bush, grandfather of George W. Bush, was one of the leading financial agents for the interests of Nazi Germany, even after the United States entered the war. And former President Bush endorsed the racially-based intelligence theories of Shockley and Jensen and placed them in the U.S. *Congressional Record* in the 1960s.

President Clinton, at a recent press conference, repudiated both California's Proposition 187 and race-based theories of intelligence. American voters should do the same.

## LaRouche Dem blows open race for Congress

by H. Graham Lowry

LaRouche Democrat Jim Wyrick, running as the sole opposition to the Republican incumbent, has blown the lid off the race for Washington State's 8th Congressional District seat. Any cynical schemes among the state's "Bush-league Democrats" to allow first-term Rep. Jennifer Dunn to waltz her way to re-election unopposed, collapsed in ruins during an extraordinary 48-hour span which brought Lyndon LaRouche's ideas to the attention of hundreds of thousands of voters in this suburban Seattle district—and to more than a million people in the metropolitan area.

On Oct. 19, the *Seattle Post-Intelligencer*, with a circulation of approximately 250,000, published Wyrick's forceful, 750-word reply to Dunn's regurgitation of the Republican Party's "Contract with America." The next day, Wyrick's 300-word campaign statement in the state's official election guide began arriving in the mail to the district's 250,000 voters. The *Seattle Times* the same day ran congressional candidates' views on the recent defeat of campaign finance reform legislation. Though the paper has a circulation of nearly 500,000, Dunn did not reply. Wyrick took the occasion to blast congressional Republicans for their "pattern of sabotage" of needed legislation—and the "ignorance, selfishness, gullibility, and corruption" of American voters as the fundamental problem with Congress.

### Educating the electorate

This two-day barrage setting forth Wyrick's campaign platform drove his Republican opponent from hiding—the strategy she adopted as soon as the results of the Sept. 20 primary election were in. Dunn's victory was a foregone conclusion in this largely Republican district, but the alarm bells sounded when Wyrick took 30% of the total votes cast, while daring to enter a race which Democratic party hacks had scratched. After Oct. 20, the campaign escalated to a public battle of ideas—one for which Dunn was completely unprepared. Wyrick, moreover, had clearly seized the ground as the standard-bearer of the Democratic Party in the contest.

In his reply to Dunn in the *Post-Intelligencer*, Wyrick declared that the Republicans' "Contract with America" would better be called "taking out a contract on America." He called it a proposal "to continue those policies that have—as my associate, statesman, and economist Lyndon LaRouche has

stated—put the world on the brink of the most catastrophic financial and economic collapse in world history. . . . Dunn and her Republican colleagues, having blocked and wrecked the entire legislative agenda of this session, now wish to lay the blame on the Clinton administration and the Democrats in the Congress for all the ills of the country."

During the past 12 years of Republican rule, Wyrick declared, "We were transformed from an industrial, agricultural and scientific power in the world into a 'post-industrial society.' . . . Proposals with great sounding names, like the 'American Dream Restoration Act,' may fool some voters who have lost the ability to think . . . [but] those who will compare this nation to what it was during the period of President John Kennedy's Apollo Moon Project, will not be fooled."

Wyrick noted that "Dunn says nothing about foreign policy, which is not surprising because the Bush administration left for President Clinton an array of horrors produced from his new world disorder. Let's be honest. It was under George Bush that the Serbians began the genocide in Bosnia. It was under George Bush that the catastrophes of Haiti and Somalia began.

"What has Clinton done? He has not solved these problems, which have remained on Bush administration autopilot. But it has been during Clinton's presidency that peace has come to the Middle East and South Africa. It was Clinton who defused the North Korea crisis. It was Clinton who arranged the cease-fire in Northern Ireland. Not too bad, given Republican obstruction."

In the state's election guide, Wyrick also hammered at the British role in the attacks on Clinton. "Because President Clinton has shown a tendency to challenge the Bush-leaguers' looting of the world economy, he is under British-directed assault." Wyrick asked, "Will you allow the presidency and the nation to be destroyed by these foreign interests and their Republican Party dupes?"

Wyrick called instead for a reawakening of the "rebuilding spirit" that characterized America during and after World War II. "We must declare an 'economic state of emergency,' and put the present Federal Reserve System into bankruptcy receivership. We must create a Hamiltonian National Bank. . . ; issue new credit for great infrastructure projects creating 6 million productive jobs; tax out of existence usurious speculative activity; and kick-start the economy with a 'science-driver' Mars colonization project."

Dunn, meanwhile, has appeared to face Wyrick at several campaign events, touting women's rights, abortion, workfare, and budget cuts, while asserting her "concern for the people of my community." When a local editor complained of Wyrick's "refusal to address local issues," he countered by pledging to "run a maglev [magnetic levitation] train right through it," to "get those 20,000 [laid off] Boeing workers . . . back to work building major components for the new transportation system."

# National News

## N.Y. Times blasted for Whitewater 'reporting'

Harper's writer Gene Lyons was the featured speaker at an Oct. 25 press forum organized by *Harper's* magazine, where he lit into the *New York Times's* coverage of the so-called Whitewater scandal, involving alleged wrongdoing on the part of Bill and Hillary Clinton. Gene Lyons has written an article for the magazine's October issue entitled "Fool for Scandal: How the *Times* Got Whitewater Wrong."

In his press briefing, Lyons compared the original March 1992 *New York Times* story on the Whitewater land deal, by reporter Jeff Gerth, to the earlier scandal at the *Washington Post* around reporter Janet Cooke. Cooke won a Pulitzer Prize for a story she wrote for the *Post*, about an eight-year-old heroin addict, which turned out to be fiction. Cooke was fired. "In the case of Jeff Gerth and the *New York Times*," Lyons said, "the story wasn't quite invented from whole cloth, which in my view makes it worse than when you simply invent a fictive character; nobody gets hurt. When you use real characters and invent a fictive story, real people get hurt."

Lyons hypothesized that "the scent began to run out" on the story that Gerth had been fed, but that the *Times* took the decision to "print it." Lyons later added, "The stories are so full of lies that it's difficult to believe they're accidental."

## AMA, Hospice against Oregon suicide initiative

The American Medical Association (AMA), Oregon pharmacists, and the Oregon Hospice Association have all come out opposing the state's ballot initiative which would make it legal for physicians to prescribe lethal doses of medications to so-called terminally ill patients who request it. The initiative, Measure 16, is backed by the Hemlock Society and Oregon Right to Die, and has received the support of the Oregon

Medical Society, against the national AMA.

The AMA's statement said, "If Oregon doctors participate in assisted suicide, they will be performing an unethical act."

Both the pharmacists association and the hospice association have expressed their anger that Oregon Right to Die claimed it had the support of these groups in its motivation in the state's voter pamphlet. The Oregon Hospice Association voted to oppose assisted suicide on Sept. 9. A representative said, "We are outraged that the Oregon Right to Die would make false claims about our position."

This isn't the first time that a Hemlock-led campaign has used unscrupulous tactics. During a similar effort in 1992, *EIR* investigations discovered that several hundred thousand dollars in campaign donations were laundered through a nonexistent out-of-state organization, or through large illegal, anonymous donations.

## Schiller, 'poet of freedom' birthday fêted

The Schiller Institute, founded 10 years ago by Lyndon and Helga LaRouche, has designed a model proclamation for U.S. cities and states to commemorate the 235th birthday of the German "poet of freedom," Friedrich Schiller on Nov. 10. In 1984, at the urging of the institute, dozens of cities, including Washington, D.C., and the states of New Jersey, Texas, Virginia, South Dakota, North Dakota, Wisconsin, Oklahoma, and Louisiana issued proclamations.

The proclamation calls on Americans to celebrate Schiller's birthday because:

"Nov. 10, 1994, is the 235th Anniversary of the birthday of the great 18th-century German poet, playwright, and historian, Friedrich Schiller; and

"No one has combined the idea of republican freedom with poetic beauty more effectively than Friedrich Schiller, whose writings celebrate the achievements of the American Revolution, and who has been justly called 'The Poet of Freedom'; and

"The 1859 centennial celebrations of Friedrich Schiller's birthday in hundreds of American cities were a crucial demonstration of support for the embattled American

Republic and for the cause of freedom for all Americans; and

"Schiller's Ode to Joy . . . as set to music by Beethoven in his Ninth Symphony, reflects the universal aspiration of man for freedom, as evidenced by its embrace as the song of freedom five years ago this month both in the fall of the Berlin Wall and in the demonstrations in Tiananmen Square."

## 'Goodbye Ollie' campaign irks Italian daily

A major Italian daily, *Corriere della Sera*, carried coverage of radio ads by Virginia congressional candidate William Jones, ridiculing GOP Senate candidate Oliver North in a song, "Goodbye Ollie," and referred to Jones as an "anarchist." The song is a parody of the Broadway musical "Hello Dolly," and denounces North's complicity with Contra drug-running operations.

*Corriere's* correspondent reports attending a North parking lot rally when the advertisement was aired on car radios. Reporter Ennio Caretto continued: "From the stage, a Bible in his hands, smiling face, North invokes: 'Lord, forgive them, they do not know what they are doing!' The crowd cheers, laughs, hisses to express their satisfaction. 'It is the anarchists,' the former marine states. 'They are not our enemy number one. Our enemy number one is Clinton's Washington.'"

Caretto described North as "a neo-conservative, a neo-Christian."

## Prison construction bonds a boon to Wall St.

The "three strikes" law that jails so-called violent offenders for life after the third conviction, will be a windfall to Wall Street firms that sell bonds to finance the construction of prisons, according to the *Los Angeles Times* on Oct. 17. The article, headlined "The Price of Punishment—The Booming Business of Running California's Prisons," stated: "Wall Street will be one of the biggest winners as California builds prisons to



## Briefly

house felons sentenced under the 'three strikes' law." The article said that since 1984, big investment firms have made more than \$35 million from California's prison construction program, and under 'three strikes' they will reap far more. To finance prison construction, California sells two types of bonds—traditional voter-approved general obligation bonds and more complex lease revenue bonds. To sell the bonds, the California state treasurer turns to Wall Street. Investment firms such as Morgan Stanley and Goldman Sachs form syndicates to buy the bonds at a discount, then resell them.

"With minimal outside oversight, California has spawned a multibillion-dollar prison construction industry that extends from Wall Street money managers to hard hats who build the bastilles of concrete, steel, and razor wire," the *Times* continued.

In 1982, when California embarked on the program to build prisons, the state paid \$218 million in debt service on bonds used for all state projects, from university construction to purchase of state parkland. Now, wrote the *Times*, the state pays almost twice that sum each year to repay principal and interest on prison bonds alone.

### **GOP overblowing election projections**

Beginning in early October, with an editorial page commentary, the *Washington Post* has been reporting that the projections of sweeping Republican victories in the Nov. 8 mid-term elections may be largely hype. The commentary noted that polls and opinion pieces in September mostly reflected the fact that Congress was still in session, and Republican advertising was focusing on anti-Washington sentiments. Once congressmen returned to the districts, and Democrats began the final weeks of direct campaigning, the traditional support for incumbents would reassert itself, said the commentary. On Oct. 19, the *Post* noted that top Democrats whose reelections are rumored to be in trouble, including Sens. Ted Kennedy (Mass.) and Harris Wofford (Pa.), have campaign war chests that are significantly larger than their opponents'.

In a related development, national media were reporting in late October that Republican Mayor Rudolph Giuliani of New York endorsed Mario Cuomo, a Democrat, for reelection as governor of New York. In addition, former Nixon Attorney General Elliot Richardson and William Colby, former Director of Central Intelligence (1973-76), have endorsed Virginia Sen. Chuck Robb. Robb's GOP opponent, Oliver North, has received the endorsement of George Bush, Colby's successor at CIA.

### **Court rules against Minnesota AG Humphrey**

Former Democratic-Farmer-Labor Party candidate for Minnesota Attorney General Lewis du Pont Smith renewed his call for the impeachment of Attorney General Hubert "Skip" Humphrey on Oct. 20, after the Minnesota Court of Appeals ruled that Humphrey had illegally intervened into two child abuse cases in Crow Wing County in 1993. At the time that Humphrey intervened, neither of the two alleged child abusers had been "charged with indictable offenses," as the law states an accused must be. In fact, the prime witness for the state in one case had changed her story and insisted the accused was innocent; circumstantial and physical evidence excluded the suspect in the other case, as even the doctor examining the child acknowledged in writing.

Du Pont Smith, an associate of Lyndon LaRouche and a target of the "Get LaRouche" task force in which Humphrey's office was deeply involved, said in his statement: "The only reason that Humphrey illegally intervened into Crow Wing County was to attack and try to politically destroy an honest prosecutor, Jack Graham," by painting him as "soft on child abusers" because Graham "refused to knuckle under to Humphrey and his gang."

"In fact, Section II of [my original] draft impeachment resolution . . . spells out Humphrey's crimes in this case, which has now been completely vindicated by the Court of Appeals. I will be pressing for appropriate action by the legislature."

● **BALTIMORE** Mayor Kurt Schmoke, under pressure to terminate the city's contract with the for-profit firm Education Alternatives, Inc., which runs 14 public schools, noted the recent drop in the test results of EAI's students compared to other Baltimore public schools. EAI President John Golle denied that his \$140 million contract might be in trouble.

● **AN INNOCENT** Virginia man was finally freed on Oct. 21 after spending 10 years in prison for a crime he did not commit. Edward Honaker, who was given three life sentences for rape, was given clemency by Gov. George Allen. DNA testing proved his innocence, but Virginia law prevents him from using the new evidence 21 days after conviction.

● **PRESIDENT CLINTON** told Framingham, Massachusetts high school students on the signing of the "Elementary and Secondary Education Act of 1994": "Let me tell you something: Every single scientific study that has been done in the last several years shows alarming increases in the toxicity and the danger of marijuana, especially to young women and what might happen to their child-bearing capacity in the future."

● **ARNOLD FORSTER** and David Kirschenbaum of the Anti-Defamation League tried to argue that Israeli spy Jonathan Jay Pollard "was scapegoated for CIA mole Aldrich Ames," in the Oct. 21 Philadelphia *Jewish Exponent*. They asserted that the intelligence Pollard stole never made its way to the Soviets. In fact, *EIR* has shown that Pollard was acting both as a "false-flag" agent for the KGB, and as a Mossad operative.

● **DAVID ROCKEFELLER** will be speaking in Minneapolis on Nov. 10 in his capacity as vice president of the Alaska Conservation Foundation. The foundation's funds go "to protect and sustain Alaskan eco-systems, and to preserve Alaskan native cultures and environment."

## Editorial

### *At last, a war on drugs*

In 1980 and 1981, members of *EIR*'s editorial staff closely collaborated in the creation and editing of the magazine *War on Drugs* published by the National Anti-Drug Coalition, co-founded in 1978 by Lyndon LaRouche and his associates.

The magazine argued against the specious arguments being put forward to justify decriminalizing drugs; it documented that marijuana was not benign in its effects—be they physical, psychological, or social; and it argued that the spread of drugs could only be stopped from the top down, by mounting what would be a military effort against the multinational drug cartels. Such a war would involve control of the billion-, perhaps trillion-dollar, flow of drug money laundered through the banking system, by imposing stringent banking regulations to enforce accountability.

The June 1981 issue of *War on Drugs* reported on Operation Stoppag, which was run collaboratively by the U.S. Coast Guard and the Drug Enforcement Administration (DEA) to seal off waterways in the Caribbean which stretched for more than 1,400 miles from the Yucatán peninsula to the eastern tip of Puerto Rico, and included DEA pilots as well as Coast Guard cutters. The magazine saw this as a paradigm for the kind of large-scale military effort which is required to stop the production and distribution of illegal drugs. The 45-day trial run was so successful that it seized 900,000 pounds of marijuana—at least one-third of the marijuana flow into the United States.

Unfortunately, the combined efforts of the drug legalization lobby and the Anti-Defamation League were effective in forcing the magazine to close down, and aborting efforts such as Operation Stoppag. Instead there was Nancy Reagan's well-intended but impotent campaign which encouraged young people to "just say no." One cannot but suspect that the role of Ollie North and his associates in illegal drug trafficking was one of the elements in defeating prosecution of a successful war on drugs at that time.

The massive scandal around North's involvement that surfaced worldwide in the end-phase of the Virginia senatorial race should provide an impetus for finally

facing the magnitude of the drug problem—which has corrupted major institutions of government. Major media stories released documented evidence from North's own notebooks and other source material which document that North, a national security operative, was not only fully aware of Contra drug-trafficking and never did anything about it, but allowed guns for the Contras to be shipped on airplanes piloted by known drug traffickers.

In response to attacks, North successfully solicited Elliott Abrams and Edwin Meese to testify for him. This backfired, since it underscored the involvement at the time of Abrams, as former Assistant Secretary of State for Inter-American Affairs, and Meese as White House Chief of Staff and then Attorney General, in these same dirty operations, which were run by a task force which accountable to then Vice President Bush. It is no wonder that the Reagan and Bush administrations had such a poor record in stemming the spread of drugs in the United States.

The reemergence of the Contra scandals involving illegal trafficking in guns and drugs is not just a matter of electoral politicking, although it is outrageous that a person such as North be considered for the post of senator, much less elected to the United States Senate. Since 1980, the drug problem has, if anything, escalated. As a consequence of the failure to follow through on a serious commitment to stop drug trafficking, young children are being routinely gunned down in city streets and schoolyards.

A new study government has documented the dangerous side-effects of marijuana use especially on young girls who hope to become mothers. President Clinton referenced this in a recent visit with Massachusetts schoolchildren. He rightly said that using drugs is not only criminal, it is stupid. It is also stupid to treat drug use as a matter for children to decide. Of course they should not use drugs, or allow themselves to be employed by drug pushers; but drug traffic will never be stopped until the kind of measures which were advocated by DEA agents and the National Anti-Drug Coalition, are put into effect.

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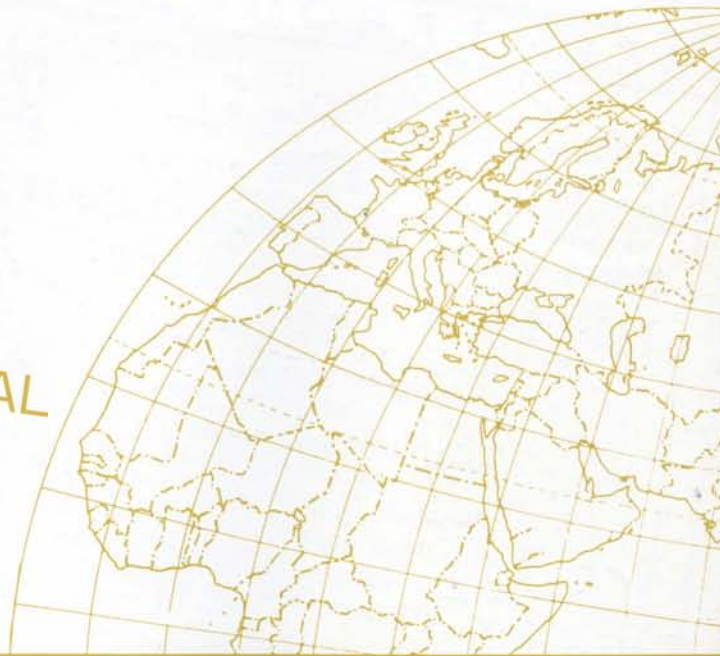
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September 23, 1993 EIR Alert quotes Lyndon LaRouche on the Russian crisis: "Yeltsin may have lost his head, he has engaged in what we call, in military terms, flight forward."

October 4, 1993 Boris Yeltsin orders assault on the Russian Parliament, killing hundreds and jailing opponents.

January 4-6, 1994 EIR Alert describes the Jan. 1 uprising in Chiapas, Mexico as a foreign-run assault on the nation-state, a "Sendero Luminoso North."

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