

EIR

Executive Intelligence Review

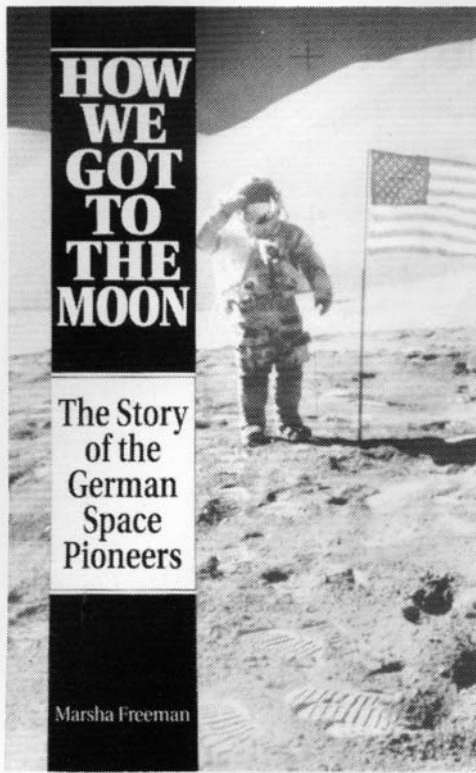
January 19, 1996 • Vol. 23 No. 4

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Afghansis are behind the Chechen outrage
British launch imperial offensive in Asia
GOP 'Red Guard' in showdown with Clinton

**Will the Philippines
go 'down Mexico way'?**





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From the Associate Editor

The staff of *EIR* staggered out from under the snowdrifts into which the Blizzard of '96 had cast us, to bring you an issue somewhat slenderer than usual, but full of exclusive reports.

In the *Feature*, Dennis Small and Gail Billington give their assessment of the situation in the Philippines, following a visit there last November at the invitation of a grouping of patriots. Their intervention caused quite a stir in that strategically important country, which has been targetted by the British in their new empire-building assault upon Asia. Indeed, British Defense Secretary Michael Portillo arrived in Manila hard on the heels of the *EIR* team.

That British strategic reorientation is discussed by Mark Burdman in *International*. The British oligarchy, through the Commonwealth, controls over 60% of the world's precious metals trade, 14% of petroleum distribution, the majority of the food trade, and the majority of international financial speculation. As we said in our Sept. 15, 1995 analysis of "The Big Commodities Hoarding Crunch of 1995," these big-money interests perceive the impending bankruptcy of the world financial system, and are shifting their assets into primary commodities, from their Commonwealth base. That is what is behind the current deployment of British "top brass" to Asia.

In Konstantin George's analysis of the crisis in Chechnya, regular readers of *EIR* will see how right we were, in our *Special Report* on the role of the "afghansi" in international terrorism ("New Terror International Targets South Asia," Oct. 13, 1995). The afghansi were spawned by Margaret Thatcher and George Bush, and are being played by British intelligence circles, in their "Great Game" to destroy Russia.

Finally, looking over the snowdrifts at Washington, it is clear that Newt Gingrich and his "Red Guards" are determined, not to balance the budget, but to destroy the federal Executive and this constitutional republic. Readers of last week's dossier, "Newt Gingrich Looks at the Future," will not find it surprising that no settlement has been reached, and that the congressional "Gang of 73" are now talking about holding the government hostage until the November elections.

Susan Welsh

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Mr. Albert is a member of the organizing committee of the Kilusan Tungo sa Pambansang Tangkilikan (Katapat), which held its founding convention in Manila on Nov. 23, 1995.

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Nations take emergency action as food crisis grows

by Marcia Merry Baker

In the first weeks of January and closing days of 1995, government leaders in Russia, eastern Europe, Ibero-America, Africa, and Asia all announced special measures to try to deal with a growing shortage of food. Their moves all reflect the continuing impact of the International Monetary Fund (IMF) and its policy of food control and “free trade” on behalf of the world commodities cartels.

At the same time, the food cartel companies are making unprecedented moves—mergers, takeovers, political deals, and covert operations—to extend their domination over food even further. We have provided a “who’s who” documentation of the cartel companies in a recent *Special Report* (EIR, Dec. 8, 1995, “Food Control As a Strategic Policy”), which we will update in the new year.

The food companies are all interlinked with the London-centered international financial and commodities interests, best called the “House of Windsor” networks. Prominent names include Cargill, Inc., Archer Daniels Midland/Töpfer, Continental, ConAgra, Louis Dreyfus, Bunge and Born, André, IBP, Unilever, Nestlé, Grand Metropolitan (Pillsbury), and a few more. Depending on the food commodity, these companies control from 10% to over 90% of world trade, and significant domestic supplies as well.

These political and financial interests now regard the worldwide breakdown in food systems as an opportunity for political control and gain, through hoarding, speculating, and destroying the food self-sufficiency of nations.

Food stocks at near-record low

Globally, stocks of all staples are at near-record low levels on standard, per days-of-use basis, even calculated on below-minimum nutrition levels of consumption. This holds for all

grains, dairy foods, edible oils of all types, meats, and sweeteners.

Prices on the commodities exchanges reflect this in various ways. Prices of grains are rising. Over the past year, corn per bushel rose about 50%. This represents a gain to the cartels, as they continue to underpay farmers for their product, and also to stick them with farm-to-market transport and other costs. Nations that are import-dependent for grains, face impossible prices and financing terms.

The cartel companies monopolize not only grains, but the seeds for crops. For example, in 1995, Cargill’s Seed Division acquired Vineyard Seeds—the name synonymous with white corn.

As for meats, the cartel processing companies—Cargill, IBP, ConAgra, Hormel/Smithfield, which control about 80% of U.S. meat processing—are underpaying U.S. farmer producers so flagrantly, and exporting U.S. meats to Asia by such bully-tactics, that they are making mega-profits and are targets for federal investigation.

Cargill, ADM/Töpfer, Tate and Lyle (the British sugar company that owns Illinois-based A.E. Staley), and CPC, are under federal grand jury investigation for international supply-control and price-rigging of corn-derived animal feed, citric acid, and corn sweetener syrup.

Will such prosecutorial initiatives go anywhere? That will depend on the public and constituency action in 1996. So far, Agriculture Secretary Dan Glickman, echoed by congressmen of both parties, is saying that the world food crisis is “good” for business. Apart from some rearguard demands for investigation of the meatpacker “concentration” and a few other issues, Washington is serving the interests of the London-based commodities crowd.

USDA does nothing

On Jan. 5, Glickman ruled out U.S. use of a grain export embargo to conserve grain for U.S. needs, saying, "We are not in any way in any kind of danger situation or any kind of serious shortage situation. We're pleased with what's happening in the markets. . . . For the first time in years we have strong prices—why should we want to do anything to disrupt that?"

Glickman confirmed that the U.S. Department of Agriculture (USDA) is considering releasing farmers from their 10-year Conservation Reserve land set-aside contract, for an "early out" permission that would free up more land for crop use.

For the U.S. livestock sector—where meat animal farm producers are hit by high feedgrain prices (and low meat prices) Glickman said that the USDA is "watching developments." He said, "We understand that the livestock sector is suffering, and we will do what we can in terms of exports and looking at other things as well."

The food cartel companies are making record profits off U.S. production in a food-short world. The money value of U.S. food product exports hit a record high of \$54.1 billion in the fiscal year ending Sept. 30, 1995. The USDA projects U.S. food product exports to hit \$58 billion this fiscal year.

More than half of the value of annual exports comes from the so-called HVCs (high value commodities) almost entirely controlled by the British-centered food cartel companies.

Emergency national actions

In this context, food-short nations are taking emergency measures. What stands out is the need for concerted action by groups of nations to deal with the collapse of the financial system, and to mobilize expanded agriculture production. That is not occurring.

We here review just the most recent situations:

- *Bulgaria.* The first week in January, the government forbade all exports of grain and oilseeds for all of 1996, and announced that the State-held reserve stocks of grain would be released to meet domestic needs. The intention is to provide a minimal supply of bread during the winter.

This crisis comes after the cabinet of Prime Minister Shan Videnov deregulated the Bulgarian food-producing sector, and volumes of flour and grain were sold abroad, through world cartel channels. A certain "Orion" brokerage outfit is considered to be the Bulgarian connection. On Jan. 9, opposition parties in the Bulgarian Parliament introduced a no-confidence vote in the government of Prime Minister Videnov, on grounds of neglect of the nation's interests, and violation of the Constitution by undermining of the food supply.

- *North Korea.* Severe food shortages now exist from a shortfall of grain availability of at least 1.2 million tons. Government officials have appealed for food relief. About half of the grain shortfall may be accounted for by the heavy 1995 summer floods—an occurrence not unexpected in this

upper peninsula, where there are steep slopes. The water management infrastructure has not been built to protect agriculture. The other immediate cause of grain shortages is the collapse of food imports from Russia and China since 1991, leaving North Korea vulnerable.

A late December report from the U.N. World Food Program and Food and Agriculture Organization stressed: "Even under normal growing conditions, [North Korea] has serious problems in attaining the food production level necessary to guarantee the appropriate food supply to its population. . . . There may therefore be the need for government . . . to take certain medium- and long-term measures to improve domestic agriculture and food security."

- *Venezuela.* On Jan. 2, the prices for a market basket of 12 basic food items formerly maintained on price controls, rose from between 26% and 57%. These are the first official price hikes in the aftermath of the 43% currency devaluation decreed in November, under IMF dictates. The food price hikes had been anticipated for January, to the point that grocers used the Christmas holidays to retabulate prices on their goods, based on the new 290 bolivars/dollar, even though the inventory had been purchased at the previous 170/dollar rate. Food price hikes will lead to an immediate fall in consumption for poor Venezuelans.

Poland short of wheat

The particulars of bread supply in Poland, whose potential natural resources for food surpluses are famous, illustrate the breakdown in national food systems. At present, grain prices are rising because of shortages on the market. According to a report in the Warsaw daily *Gazeta Wyborcza* on Dec. 19, during just the fourth quarter of 1995, the price of wheat rose by almost one-third, up from 320-350 zlotys (\$140) per ton to 420 zlotys in December. A year ago the price was 260 zlotys per ton. Flour and bread prices will be rising accordingly, and the cause is simply that wheat supply is smaller than demand.

There are now disputes over why this is occurring. What is indisputable, is that 1.5 million hectares of farmland has been set aside, out of crop production, in response to pressure from the European Union. The potential crop yield of this land area corresponds to the volume of grain imports now needed in Poland. As much as 30% of the land formerly in State farms, now lies fallow.

The direct beneficiaries are the grain cartel companies—in particular, ADM/Töpfer, which control trade.

The Polish Main Statistics Office (GUS) estimated before the harvest that the production of grain would be 20% higher than in 1994, that is 25.4 million metric tons, which would have been 3 million tons more than the average annual consumption in Poland. However, at the end of 1995, the supply of grain on the market turned out to be much smaller than expected. *Gazeta Wyborcza* commented that, in reality, no one knows what Poland's grain reserves are; and perhaps the GUS has made a mistake.

MSIA to Zedillo: Mont Pelerin Society seeks to destroy Mexico

The Ibero-American Solidarity Movement (MSIA) in Mexico issued an Open Letter on Jan. 1, calling on Mexican President Ernesto Zedillo to cancel his scheduled speech at the Jan. 14-17 meeting of the Mont Pelerin Society in Cancún. A translation of the complete text appears in the Jan. 15 issue of the weekly newspaper New Federalist.

... [W]e have learned that you are scheduled to open the regional meeting of the Mont Pelerin Society . . . called "This Hemisphere of Freedom," and it will honor Michael Novak, dedicating a special session to him. . . .

Mr. President, you should not give the opening speech, nor the closing speech, nor even show up at that event. It is one thing for us to have political differences, but it is a completely different thing for you, in the name of all Mexicans, to endorse an organization that actively promotes: 1) drug legalization; 2) slavery as a viable economic model; 3) the destruction of the institutions of our nations, including the Armed Forces and the Catholic Church, as well as the disappearance of the nation-state itself as the embodiment of national sovereignty; and 4) promotes "free trade" policies which are based on the "philosophical" doctrines of a certain Dr. Bernard Mandeville.

One can already see the destructive effect of such Mont Pelerinite policies, in the havoc being wrought on the United States by House Speaker Newt Gingrich and his followers.

1. Drug legalization

Milton Friedman, the 1976 Nobel Prize winner in economics, in his book *The Tyranny of the Status Quo*, proposes drug legalization, even though he acknowledges that "it could increase the number of addicts." In effect, Friedman said: Our belief that it would be desirable to legalize marijuana or other drugs does not hang on whether marijuana or other drugs are harmful or harmless. . . . At least until 1991, Milton Friedman was listed as the vice president of the Mont Pelerin Society. . . .

2. Slavery as Viable Model

The Mont Pelerin Society openly supports the so-called "cliometric" subschool of economics from Milton Friedman's University of Chicago. The leading cliometrician is

Robert W. Fogel, winner of the 1993 Nobel Prize in economics, who defends the chattel slavery that prevailed in the southern United States prior to the Civil War. In his book *Time on the Cross: The Economics of American Negro Slavery*, which he co-authored with Stanley L. Engerman of the University of Rochester, they argue: "Economies of scale were achieved only with slave labor. . . . The larger the farm, the larger the percentage of persons who were slaves." "Too, black slaves were the first group of workers to be trained in the work rhythms which later became characteristic of industrial society." . . .

3. Destruction of institutions

Friedrich von Hayek, winner of the 1974 Nobel Prize in economics, is the founder of the Mont Pelerin Society and one of its main ideologues. In 1942 Hayek penned an essay titled "The Road to Serfdom," which would also be the title of his book, the basis on which the Society was founded in 1947. In that essay, he claimed that "the notion that the world may finally achieve peace through the absorption of the separate states into federated groups and, ultimately, into a single federation, far from being a new one, was in truth the hope of nearly all the liberal thinkers of the 19th century. . . . An international authority which can effectively limit the powers of the state over the individual, would be one of the best safeguards of peace."

There are numerous statements from members of the Mont Pelerin Society avowing that the Armed Forces of our nations are an unnecessary expense, and that the Catholic Church represents an obstacle to their policies.

Steve H. Hanke, one of the scheduled speakers at the Cancun meeting, in his book *Currency Boards for Developing Countries—A Handbook*, proposes the elimination of central banks and their replacement by currency boards, which are nothing else than the "monetary policy" that the British Empire has applied—and still applies—to its colonies since the last century. . . .

4. The Satanic doctrines of Bernard Mandeville

On Sept. 23, 1966, Friedrich von Hayek gave a speech at the London Academy in which he acknowledged that a certain

Dr. Bernard Mandeville was the real inspiration for the laissez-faire doctrines of Adam Smith. In fact, added von Hayek, Mandeville was the seminal influence of the "ethical system" developed by Smith in his *Theory of Moral Sentiments*. The Dutch-born Bernard Mandeville (1670-1733) was the Satanic "philosopher" who organized London's infamous "Hell Fire Clubs." Mandeville's philosophy is summarized in his "The Fable of the Bees; or Private Vices, Publick Benefits." Mandeville's fundamental axiom is that "human nature" is based on the seven deadly sins, and that there are no selfless acts by man, neither out of pure goodness nor for love of God. Mandeville holds that if man's nature is sinful, then private vices lead to public good.

In his so-called poem "The Grumbling Hive: or Knaves Turned Honest," Mandeville says:

"Then leave Complaints: Fools only strive
To make a Great and honest Hive. . . .
Fraud, Luxury, and Pride must live
Whilst we the Benefits receive."

In his "Essay on Charity and Charity-Schools," Mandeville writes: "The surest wealth consists in a multitude of Laborious Poor . . . without them there could be no enjoyment, and no Product of any Country could be valuable. To make the Society Happy and People Easy under the meanest Circumstances, it is requisite that great numbers of them should be Ignorant as well as Poor. . . ."

As you can see, Mr. President, Raúl Salinas de Gortari would have been a very faithful disciple of Bernard Mandeville, the bedside philosopher of the members of the Mont Pelerin Society, and, most particularly, of the honored Michael Novak, who has won undeserved fame for having created a "religious" argument in favor of free trade, which is banded about in Ibero-America as a defense of the doctrine of free trade from the "teachings" of the Catholic Church.

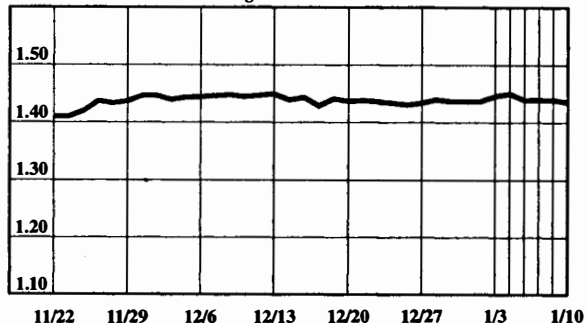
In July 1994, Novak gave a conference in Krakow, Poland. . . . In it he argued that if one wants to establish a lasting republic, it must be established for sinners, because sinners are not merely a moral majority, they are virtually the moral unanimity. In his book *This Hemisphere of Freedom: A Philosophy of the Americas*, Novak insists: The only realistic possibility is to build an economy for sinners, the only moral majority.

Mr. President Zedillo: We want you, by your rejection of the meeting of the Mont Pelerin Society in Cancun, to give the people of Mexico a sign that you are not prepared to turn this nation into another "Fable of the Bees," such as the one we knew under the previous administration of Carlos Salinas de Gortari. . . . Those of the Mont Pelerin Society want "Fraud, Luxury, and Pride" to return to Mexico whilst they "the Benefits receive." This would not only destroy your government, but also our nation.

Currency Rates

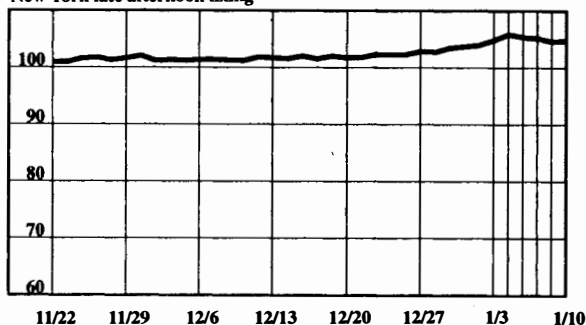
The dollar in deutschemarks

New York late afternoon fixing



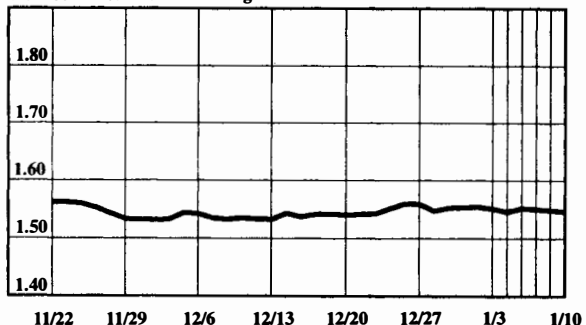
The dollar in yen

New York late afternoon fixing



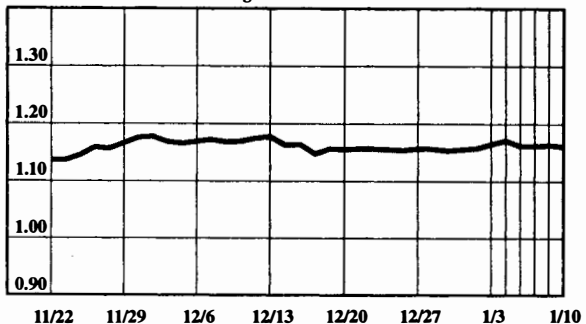
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Business Briefs

Finance

World system in need of reform, says China paper

The world financial system is in crisis and needs repair, Yang Yuanhua, a senior editor of Xinhua, the government news agency, wrote in an article entitled "World Finance in Need of Reform," in the Oct. 9-15, 1995 *Beijing Review*, an English-language weekly. "It is imperative to restructure the financial institutions to promote global economic growth," he said.

Yang identified financial globalization and liberalization as problems which contribute to the fact that "international financial markets have become more fragile" since the 1980s, caused directly by "political and economic instability." Yang endorsed the comment of Japan's *Mainichi Shimbun*, that "financial authorities can no longer control the market as easily as they did before."

Another symptom of the problem, Yang said, is the ever-increasing futures trade, which includes speculative derivatives instruments.

Yang blamed the Group of Seven "big power" countries, which agreed last year to prevent the Mexican-style financial crisis, for having "not adopted any concrete measures to achieve that end."

Africa

IMF policy takes its toll in Zimbabwe

The year 1995 marked the end of the first phase of the International Monetary Fund's Structural Adjustment Program in Zimbabwe, during which the government instituted monetary and fiscal reforms to improve the investment climate, President Robert Mugabe said in his eighth state of the nation address in parliament, the National Broadcasting Corp. reported on Dec. 21. The result of following IMF prescriptions has left the economy of this southern African nation in shambles.

The only bright spot Mugabe could report was in tourism, in which there has been considerable investment. This sector of the

economy is expected to grow by 7% in 1996. He said that the sixth All-Africa Games had put Zimbabwe on the world sporting map and resulted in construction of sporting facilities.

But livestock production has been adversely affected by the drought, Mugabe reported, and a free food program for the handicapped has been initiated to alleviate the suffering caused by the drought. He also noted that human immunodeficiency virus (HIV)-related ailments are on the increase.

The South African newswire SAPA said on Dec. 21 that "Zimbabwe has never been in a worse economic crisis. . . . IMF officials are now occupying desks in important ministries, watching the purse strings to ensure that the government does not again blow its chances of [getting] finance. . . . The country's farmers, who gave Zimbabwe its reputation as Africa's breadbasket, cannot afford to plant the crops needed to give the economy a head start after a five-year cycle of devastating drought. Half of the country's 11 million people are on the edge of starvation."

Eastern Europe

75 million driven into poverty since 1989

At least 75 million people in eastern Europe have been driven into a precarious state of poverty since 1989, the French daily *Libération* reported on Jan. 3, based on a new Unicef report that focuses on the "grave social crisis" facing eastern European countries because of the introduction of "reform" policies.

Author Giovanni Andrea Cornia wrote that, in Russia, "poverty affects the phenomenal proportion of 72% of families of three children and more." Homelessness has become widespread in countries where it didn't exist before, he said.

Throughout eastern Europe, new vulnerable groups have emerged, including children, the unemployed, and the "new poor." There is an overall rise in male mortality. One important contributing factor identified, is "psychosocial stress," which has brought about rampant heart disease, ulcers, suicides, and related phenomena.

Europe

Maastricht will hurt Germany, says bank

The budget cuts demanded in the convergence criteria for monetary union under the Maastricht Treaty, would lead to economic damage to Germany of DM 20 billion (\$12.5 billion) in 1998 alone, warned a recent study by the research department of Bayerische Vereinsbank, one of the five big German banks.

The model is based on the assumption that a group of six to seven countries, not including Italy, Spain, and Great Britain, would form the European Monetary Union in 1999. The massive budget cuts in all European Union states needed to meet the Maastricht criteria, would cause a decline of German exports and could lead to a European-wide deflationary spiral, said the study. The markets will react to the growing uncertainty with higher interest rates, perhaps a "risk premium" of 0.75%. This, in turn, would further decrease investments and private household consumption. No other country would profit less from the EMU than Germany, it concluded.

Meanwhile, Prof. Herbert Hax, chairman of the advisory commission to the government on economic matters (known as the "five wise men"), urged that the EMU be postponed "two to three years," in an interview in the German business magazine *Boerse Online* on Dec. 29.

Great Britain

Privatization blamed for water supply collapse

The policy of privatizing the British water supply has come under fire, as hundreds of thousands of households in the U.K. were left without water, as a result of burst water pipes and mains throughout large parts of Scotland, Wales, and across the North of England in late December. The breaks occurred after bitter cold weather and an ensuing thaw.

Labour Party parliamentarians Chris Mullin and Bill Etherington have written to

Secretary of State for the Environment John Gummer, urging him to investigate what provision water companies had made for such emergencies, and whether resources had been affected by privatization. "The North of England is used to severe winters, but it has never before been necessary to cut off our water on anything like the scale now contemplated," stated Mullin.

The public services union Unison estimates that, since privatization was implemented in the region, the number of employees working for water companies has been halved.

In a Jan. 3 editorial, entitled "We're All to Blame for Water Crisis," the London *Independent* tried to shift the blame away from the privatized companies, saying that "decades of underinvestment" is the cause of the crisis, which is "the responsibility of the publicly owned predecessors" to the private companies. In fact, "the chief culprit and victim is the private citizen who has failed to invest sufficiently in the domestic infrastructure," it raved.

Meanwhile, the privatized water companies are advising householders to "go dirty for a couple of days," as the way to deal with the crisis.

Asia

South Korea moving toward deregulation

Whatever the end of South Korea's current political crisis, Seoul financial agencies are moving rapidly to implement the suicidal deregulation demands of London and Wall Street, which are being imposed as conditionalities to allow South Korea to join the Organization for Economic Cooperation and Development.

On Dec. 29, the Finance Ministry announced plans to allow a widening of foreign investment in Korean stock and bond markets, which was allowed in a limited way for the first time in July 1994. The Korean government, it said, will set up a \$100 million fund in April 1996 in the United States, to help foreigners invest in the Seoul bond market. The Korea Bond Fund will be listed on the New York and London stock exchanges in May. "The move heralds the era of full-

fledged opening of the financial market," Hong Sung-kap, a bond trader at LG Securities, told the London *Financial Times*.

Also, on Dec. 29, the Korea Stock Exchange said that it had granted its membership to two more foreign firms—the top Anglo-American banks ING-Barings and Hannuri-Salomon Brothers.

Deregulation has been ongoing since 1993, when the government drew up a five-year deregulation plan. In November 1995, the Finance Ministry freed all lending and deposit rates, with the exception of those on checking accounts, much as Japan did before it was hit with the "bubble economy." "Interest rate deregulation is the key condition for financial reform," a spokesman said.

Germany

Bundesbank official roasts financial sector

Gerd Haeusler, one of the five directors of the Bundesbank, attacked the German financial sector for taking high risks, in an interview in the Frankfurt-based business magazine *Boersen-Zeitung* on Dec. 30. He warned of "enormous problems," if investors feel that they can safely merge their activities with those of major banks on the assumption that, should the banks fail, governments will bail them out. Everybody has to be aware that if he takes risks, he could suffer losses, he said. "For the financial system, there exists the danger that the responsibility between banks and the State could become very blurred."

Haeusler also criticized banks for shifting operations to London. Because of the strength of the mark, there could be, in theory, an independent German interest rate policy. However, the trading of the mark is more and more concentrated in London. "The product is made here, while it not only is traded in London, but it also is judged by the research departments of investment banks there."

In the same issue of the magazine, Assistant Finance Minister Jürgen Stark accused German banks of "disloyalty" and of undermining Germany's status as a financial center. Why should an international investor come to Germany, if the big German banks are taking their business to other financial centers? he asked.

EUROPE'S banking sector will lose thousands of jobs in 1996, including 20,000 in the U.K. alone, led by Midland Bank and National Westminster, according to the British press. In Germany, up to 20,000 jobs will be eliminated, in part, because German banks, such as Deutsche Bank, are shifting more and more of their operations to London.

AT&T announced on Jan. 2 that it plans to eliminate 40,000 jobs out of its 300,000 workforce, 70% of which are to be gone by the end of 1996. The company plans to split into three companies. About 6,500 managers have accepted a buyout package; 30,000 will be direct layoffs.

CARGILL announced that it intends to invest \$1.5 billion over 10 years in grains and oilseeds in Asia, the Singapore *Asian Age* reported on Dec. 12. Cargill has 4.5% of its net worth in Asia, and intends to extend this to 10%.

BULGARIA has forbidden all export of grain and oilseeds in 1996, and will liquidate State stores of grain to meet demand, the Austrian daily *Die Presse* reported on Jan. 3. Bulgarian papers are blaming an economic empire called "Orion," the owners of which are supposedly tied to the circle around Prime Minister Jean Widénow, for the crisis. Orion allegedly bought up wheat and sold it abroad.

DEVELOPING nations' foreign debt jumped dramatically, from \$1,570 billion in 1993, to \$1,714 billion in 1994, according to the OECD. The increase came despite drastic fiscal austerity measures taken by governments in many countries.

RUSSIA is accelerating the export of fertilizers, while domestic use came almost to a halt, *Agra-Europe* reported Jan. 2. In January to October 1995, Russia exported 12.72 million tons, 18.5%, more than in the same period in 1994. At the same time, exports to the republics of the CIS were 155,000 tons; in 1991, they were 1.57 million tons.

Philippines heads for Mexico-style financial blowout

by Gail Billington and Dennis Small

In presentations in Manila on Nov. 20-25, 1995, *EIR*'s Ibero-American Intelligence Director Dennis Small intervened in a discussion that has been ongoing in the Philippines since the December 1994 blowout of the Mexican financial system. Will the Philippines be the next Mexico?

Small's answer was, in the words of leading journalist and talk show hostess Jullie Yap Daza, "what they have been afraid to hear, but keep hearing anyway, and only half-believing half of what they hear."

Yes, Small said, the Philippines could well be behind another dozen countries going Mexico's way. What blew out the Mexican economy was not something *in* Mexico. It was the global speculative bubble, epitomized by the derivatives crisis, which will blow out the entire world financial system, and every national economy therein, especially those countries that have thrown their doors open to this financial cancer. The biggest threat to the Philippines, he added, is that people in Manila are thinking the way Mexicans thought before December 1994. "A gigantic financial tidal wave is about to break on Third World countries," and they refuse to see it coming.

The following package fills out the answer Small gave his audiences in the Philippines, illustrating that the direction of the Philippine economy closely tracks that of Mexico. The international debt bomb that blew up in Mexico in 1982, in large part, also blew up the Marcos government in the mid-1980s. But it is the commitment of successive Filipino governments to carry out International Monetary Fund (IMF) free-trade policies, picking up momentum after the early-1986 ouster of President Ferdinand Marcos, and escalating exponentially since 1992, that is driving the Philippines to be next in line behind Mexico. In both cases, the speculative cancer has been welcomed, while the underlying physical economy has been decimated.

Small was invited to Manila to present *EIR*'s analysis of the Mexican crisis to the Nov. 23 founding convention of the Kilusan Tungo sa Pambansang Tangkilikan (Katapat), roughly translated, the Movement of Mutual Support of True Filipinos. Katapat is the latest in a long line of movements in the Philippines, brought together



Dennis Small of EIR addresses the founding conference of the Katapat movement in Manila, Nov. 23, 1995. The Katapat emphasizes that "the Filipino should be the sole determinant and principal beneficiary of the Philippines' economy."

to defend national industry and agriculture against the IMF/World Bank-sponsored "trade liberalization" and "structural adjustments." Katapat brings together, particularly, small and medium-sized businesses in the retail trade sector, agriculture and industry, labor and non-governmental organizations (NGOs).

Small wrote *EIR's* report, "How LaRouche Knew the Mexico Debt Bomb Would Explode," which summed up what *EIR* had warned, since 1991, *had* to happen in Mexico by the end of 1994. With Small in Manila, was Gail Billington, human rights representative of the Schiller Institute, to present the campaign for exoneration of Lyndon LaRouche, Small, and her husband, Michael Billington, who is imprisoned in Virginia serving a 77-year sentence on trumped-up charges of "securities violations."

In all of his presentations, Small reported that LaRouche and several associates were made political prisoners of the Bush administration for telling the truth about the bankruptcy of the IMF system and organizing a worldwide movement to replace it, among other reasons.

Whistling past the graveyard

What Small said in November 1995 picked up on a discussion *EIR* had initiated in Manila in December 1994, just as the Mexican peso crisis and the Orange County, California derivatives debacles were breaking into international headlines. At that time, *EIR* economics writer Richard Freeman had presented LaRouche's Ninth Economic Forecast, identifying the cancerous growth of derivatives speculation as

symptomatic of the advanced stage of decoupling of financial speculation from the physical economy. He warned at the time that when the derivatives bubble burst, it would bring on the collapse of the IMF/World Bank monetary system.

Where one year before, this analysis was met with some incredulity, the tenor of discussions in November 1995 was highly concentrated and engaged. Financial markets in Manila and the rest of Asia had been rocked by sudden withdrawal of funds to cover losses from the Mexico crisis in first quarter 1995, and remain depressed. Twice in the first quarter, the Philippines Central Bank had suspended trading in the peso. The collapse of Britain's oldest merchant bank, Barings PLC, in Singapore in March, had wiped away most remaining skepticism. Barings was one of the biggest traders in Manila.

Since then, government spokesmen and others have been at pains to point out the supposed differences between Mexico and the Philippines. For example, Howard Handy, Manila representative of the IMF, told the London *Financial Times* in March 1995, "I have yet to hear a serious or respected economist argue that there is a parallel between the Philippine and Mexican economies." When in February 1995, *Fortune* magazine predicted that the Philippines was the next most likely "emerging market" to go "belly up," President Fidel Ramos pointed to fundamental differences between the two countries, noting that the Philippines peso value is determined by "market forces," and that his government would not waste "precious foreign exchange reserves" defending it.

As the following report shows, not only in Mexico City are people whistling, loudly, past the graveyard.

Philippines puts out welcome mat to cancer of financial speculation

by Gail Billington and Dennis Small

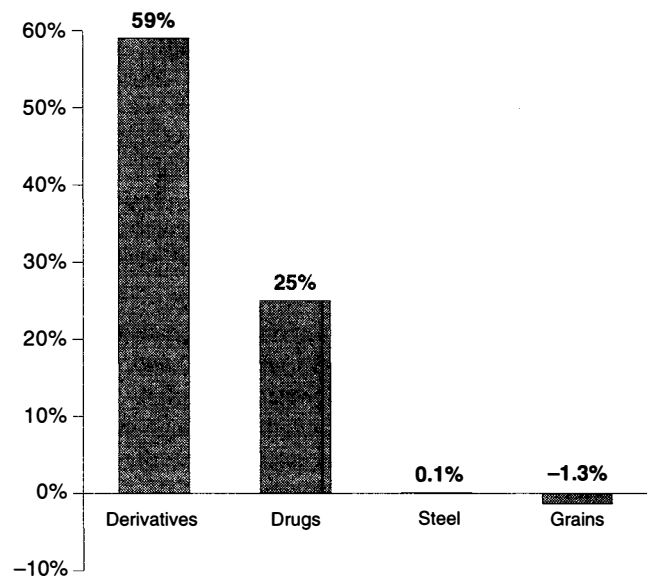
There is an eerie similarity between the debt-laden economies of the Philippines and Mexico, looking over the period from 1980 to the present. Both are relatively populous Third World nations: The Philippines has 68 million people, Mexico close to 95 million. Both have large and growing foreign debts, although Mexico's \$141 billion at the end of 1994 is proportionately much larger than the Philippines' \$38 billion. Both resisted implementing International Monetary Fund (IMF) policies in the early 1980s, before being crushed into submission by the international financial oligarchy. And both nations are today being torn apart, economically and politically, by similar "free trade" policies being imposed from abroad.

Behind these two similar cases, there lies a common cause: the disintegration of the world financial system, and the suicidal adoption at home of liberal economic policies as demanded by the City of London and Wall Street.

Why is the Philippines in fact "heading down Mexico way"? It is not a matter of some Mexican "Tequila Effect" spreading outwards to other unfortunate countries, such as the Philippines. The fundamental problem lies neither in Mexico nor in the Philippines, but in the IMF/World Bank monetary system itself. **Figure 1** shows that over the last eight years, the fastest-growing "business" in the world has been the financial speculation known as derivatives, which have risen an astonishing 59% per annum on average during this period, while productive physical economic activity has been collapsing. Grain production per capita, for example, sustained negative growth during this same period, while steel production remained dead flat. Only drugs, at 25% per annum, came anywhere close to equalling the growth of unadulterated speculation.

We present here, in graphic form, the evidence to prove our case regarding the Philippines. The documentation shows that the governments of the Philippines, since 1983, have made and are making the same mistakes the Mexican governments made and continue to make. Using official Philippines government statistics and those of the IMF, World Bank, International Labor Organization, U.N. Food and Agriculture Organization, and the U.S. Department of Agriculture, we will put to rest the myth that the Philippines economic crisis was *caused* by the extravagant foreign borrowing and lavish lifestyle of deceased President Ferdinand Marcos; that the Philippines is still paying off the "illegitimate" Marcos debt;

FIGURE 1
World growth rates, 1986-94
(average annual percent)



Sources: U.S. Departments of Agriculture and Commerce, EIR.

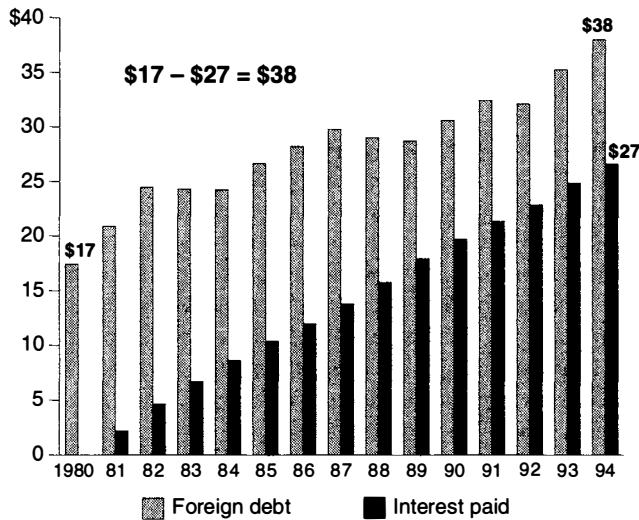
but that "people's power" and "free trade," ushered in by Corazon Aquino and Fidel Ramos, have miraculously produced today's "recovery."

The reality is otherwise: The Philippines was growing up to 1982, such that the country is still largely living off the infrastructure and other development achieved prior to 1982. The ability of the country to feed itself has yet to return to levels reached in the late 1970s. That process of nation-building under the Marcos government, flawed as it may have been, was sabotaged, deliberately, from abroad, starting with the 1982 debt crisis and continuing through the depression of 1983-85. In 1986, a far more serious debt and economic crisis was unleashed, and has gained momentum exponentially, as first the Aquino, and now the Ramos administration, rammed through IMF "free trade" policies. As a result, the Philippines today cannot feed itself without vast (and unreliable) foreign

FIGURE 2

Philippines: debt and interest paid

(billions \$)

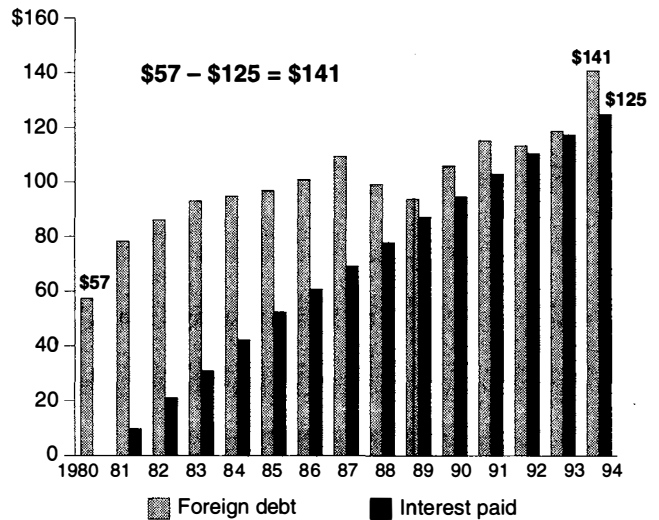


Source: World Bank.

FIGURE 3

Mexico: debt and interest paid

(billions \$)



Source: World Bank.

imports; and it is exporting the country's greatest wealth, its own population, as Overseas Contract Workers (OCWs), in order to obtain foreign exchange with which to pay the foreign debt.

The Philippines does not *have* to "go down Mexico way" on IMF orders; but to stop that from happening, it has to recognize why current policies will inexorably lead to a Mexico-style implosion.

The Marcos ouster: Nation-building comes to an end

In the early 1970s, the Philippines was the third largest developing economy in East Asia and the Pacific, behind Indonesia and South Korea, with the largest U.S. business presence in all of Southeast Asia. So too, until December 1994, Mexico was Wall Street's "success story" among developing countries.

Looking at **Figures 2 and 3**, comparing the Philippines' and Mexico's foreign debt and cumulative interest paid, it is clear that both countries have been the victims of "bankers' arithmetic" for the past 15 years. Despite slight differences in certain years, even the rates of increase are virtually identical. What is "bankers' arithmetic"? In 1980, the Philippines owed \$17 billion in foreign debt; over the next 14 years, it paid \$27 billion in cumulative interest alone on that debt; yet at the end of the period, in 1994, it owed \$38 billion, more than double the original debt. That is, $17 - 27 = 38$. Talk about illegitimate debt!

Mexico, in 1980, owed \$57 billion; it paid \$125 billion,

and it then owed \$141 billion. That's right: $57 - 125 = 141$. That's enough to give anyone a "Tequila Effect."

Mexico's debt is almost four times larger than that of the Philippines, although both have been growing at about the same rate. If we look at their respective regions of the world (**Figure 4**), we see that Ibero-America is the relative slow poke, with "only" 5.5% per year growth of the foreign debt. East Asia and the Pacific, including Southeast Asia, set the pace on debt accumulation for the entire world in the last 15 years, at over 11% per annum—twice the Ibero-American rate. Are several of the Philippines' neighbors perhaps ahead of Manila in the line-up behind Mexico, as candidates for the next debt bomb explosion?

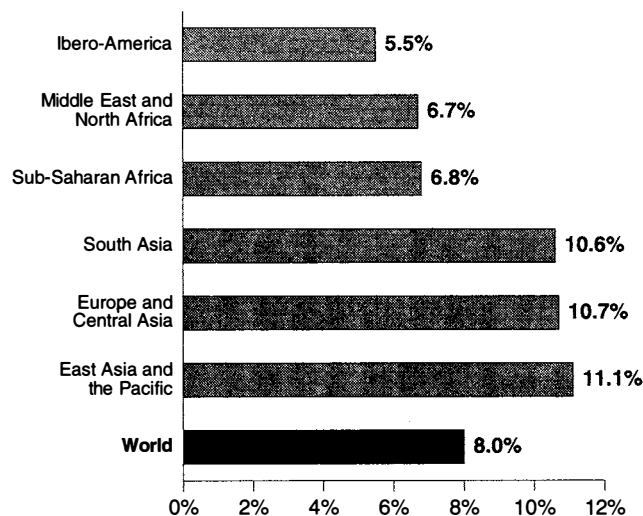
In Mexico, the debt crisis first exploded in 1982, as it did in the Philippines. This was a global crisis. Developing sector countries, particularly a group of the most politically, economically, and strategically significant countries, were hit with a double whammy, following the open-spigot credit *lending* and borrowing of the 1970s. U.S. Federal Reserve Chairman Paul Volcker first enunciated "controlled disintegration" as a deliberate policy during his confirmation hearings as Federal Reserve chairman. Then he raised interest rates into the stratosphere to expedite that policy. Caught between the late 1970s double-digit interest rates, spearheaded by Volcker's Fed, and the high cost of energy imports following two oil hoaxes, by the summer of 1982, the debt bomb was ready to blow in Mexico and in many other countries.

Volcker's "controlled disintegration" fit perfectly with the strategic approach to these leading developing sector na-

FIGURE 4

Annual growth of debt, by region, 1980-94

(percent annual change)



Source: World Bank.

tions, spelled out in U.S. National Security Study Memorandum 200 (NSSM-200) of Henry Kissinger, who admitted in a 1982 speech at London's Royal Institute of International Affairs (Chatham House) that he takes direction from the British Foreign Office, while telling American Presidents what to do. NSSM-200 identified the population growth in Third World nations as a national security threat to the United States, and then specified a hit-list of developing nations with the greatest potential for rapid industrial, technological growth. The message was summed up in the late 1970s by both Kissinger and National Security Adviser Zbigniew Brzezinski, who told Japan, specifically with regard to its investment plans in Mexico and Iran, that the United States *would not tolerate any new "Japans" in the Third World.*

The Philippines' particular importance was its geographical location, and the presence of the largest U.S. military installations in Asia on its territory, including the irreplaceable Subic Bay. But in 1983, a new geopolitical arrangement was reached between the circles of Soviet President Yuri Andropov and the Bush-Kissinger circles within the Reagan administration, in opposition to the new strategic antiballistic-missile defense doctrine, the Strategic Defense Initiative (SDI), which had been adopted by the Reagan administration. The Harriman wing of the Democratic Party fully supported this new geopolitical "spheres of influence" policy: United States out of Asia; Soviet Union out of Ibero-America.

President Marcos didn't believe, or didn't want to believe, that the United States would sack him; that Reagan, personally, would abandon him. He was wrong. By 1984-85, the pow-

er center in Washington was in the hands of the Project Democracy cronies of Vice President George Bush, and his London and Wall Street patrons. Acting Chief of Staff of the Philippine Armed Forces Lt. Gen. Fidel Ramos, with backing from U.S. Ambassador Stephen Bosworth, played a key role in facilitating Marcos's ouster.

Manila's 1983 forced negotiations with the IMF were not the first, but were perhaps the most devastating, both in the conditions attached and the prolonged process of negotiation. These negotiations set out the regimen that would dominate financial and economic policymaking to the present.

Until the fateful shooting of opposition leader Benigno Aquino on Aug. 21, 1983, Marcos had kept the banks and the IMF at bay, to some extent. But within six weeks of the assassination, the Philippines' foreign reserves plummeted to less than enough to cover one month's imports. Marcos declared a debt moratorium on principal payments, and a 20-month wrangling with the banks ensued, while his political ouster was mobilized and orchestrated from abroad. An IMF letter of intent was not agreed to until November 1984, contingent on reaching agreement with the creditor commercial banks. This was not signed until May 1985, and even then, the standby loan was not released until after Marcos was out in February 1986.

The bailout package was a classic IMF swindle. The \$9.7 billion IMF and commercial bank package consisted of three pieces: a \$925 million "new money" facility, \$3 billion in trade credits, and \$5.8 billion for debt rescheduling (\$3.4 billion in short-term loans and \$2.4 billion in medium- and long-term loans that came due on Oct. 17, 1983 and Dec. 31, 1986). In other words, the entire package went either for debt rescheduling or, as in the case of the "new money" components, to pay off overdue debts and current obligations. Nothing went to private industry; no new development loans were made available to the government. Instead, this was the typical IMF racket: "no money in, all money out" to pay the debt.

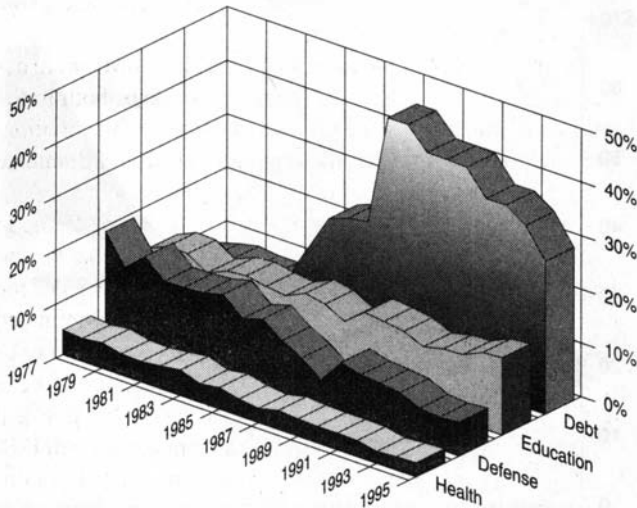
The "restructuring" measures agreed to by Finance Minister Cesar Virata included:

- takedown of any protectionist measures with respect to tariffs, including removing certain items from the restricted imports list, and liberalization of imports;
- promotion of exports, with restructuring of investment incentives to that end;
- "rationalization" of certain industries;
- implementation of a "flexible" exchange rate for the peso, which was devalued 34% in 1983 and another 29.3% in 1984;
- deregulation of interest rates and other bank reforms;
- dismantling of monopolies, aimed at the so-called Marcos cronies, particularly in the sugar and coconut industries;
- privatization of some government corporations; and
- diversification of energy resources.

The Philippines went into its worst depression since World War II, from which, it was forecast in 1983, the country

FIGURE 5

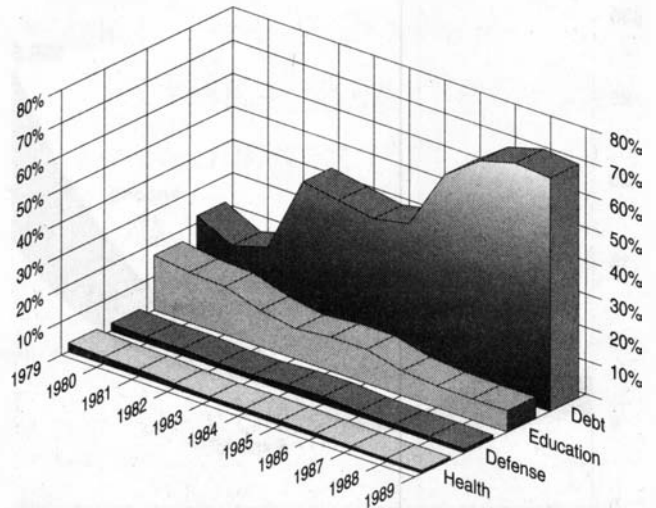
Philippines: government budget
(percent of total public expenditures)



Source: Department of Budget and Management, Philippines.

FIGURE 6

Mexico: government budget
(percent of total public expenditures)



Source: Informe de Gobierno, 1990, Mexico.

would not recover before the mid-1990s. President Marcos's 11 "major industrial projects" were shelved.

Aquino: debt comes first

A comparison of **Figures 5** and **6** shows that 1982-83 was an inflection point, but that a far worse crisis has been developing in the Philippines since 1986. Debt service as a percentage of the total government budget, more than tripled between 1982 and 1994, leaping from 9.6% to 33.9%. It diminished to a "mere" 28.4% in 1995. Defense spending was cut by more than half, from 13.9% to 6%; health care was cut by 40%, from 4.2% to a pathetic 2.5%; and education remained stagnant at 12-14%.

The slashing of military expenditure takes place in the context of decades-old insurgency campaigns against the constitutional government of the Philippines, from both the left Communist Party of the Philippines/New People's Army and derivative networks, including the Alex Boncayao Brigade hit squad in the Metro Manila area, and the Islamic separatist insurgency, which, up until 1995, had largely been contained to the southern island of Mindanao. A clear qualitative shift has taken place in 1995, indicated by overwhelming evidence of connections between Filipino Islamic separatists and the global afghansi apparatus linked to the British and George Bush. Thus, it should be clear that, beyond looting the Philippines, IMF policies have created a serious national security crisis by destroying the defense budget.

Mexico's situation is similar, where the government is also facing a British-sponsored separatist insurgency—the

Zapatistas in Chiapas.

The Aquino administration's (1986-92) priority commitment to "normalize" relations with the IMF and creditor banks shows clearly in the debt line in Figure 5. From the outset, Aquino massively indebted the government, both at home and abroad. This was justified under the rubric of "pump priming." The result was that debt service as a percentage of the total government budget increased 85% in her first year in office, and stayed at over 40% of the total national budget throughout her term of office. Under the successor Ramos administration (1992-), debt service has averaged a still whopping 34% of the total budget. Compare this to the average of 16% per year from 1981-85 under Marcos. No wonder the banks have been ecstatic about both Aquino and Ramos: They have been handed one-third to one-half of the entire government budget, year after year, for the last decade, under these two governments.

The Aquino administration's Policy Agenda for People-Powered Development, approved in June 1986, was fully incorporated into Manila's agreement with the IMF the following February, and further elaborated in the Medium-Term Development Plan, approved in November 1986. In 1989 and 1990, the government budget was further targeted in IMF negotiations, and austerity measures imposed included more reductions in government spending (except for debt service, of course), devaluation of the peso by a further 27% in 1986-90, abolition of subsidies on domestic petroleum prices, and liberalization of foreign investment laws.

The trade picture also clearly reflects Aquino's imposition

FIGURE 7

Philippines: balance of trade

(billions \$)

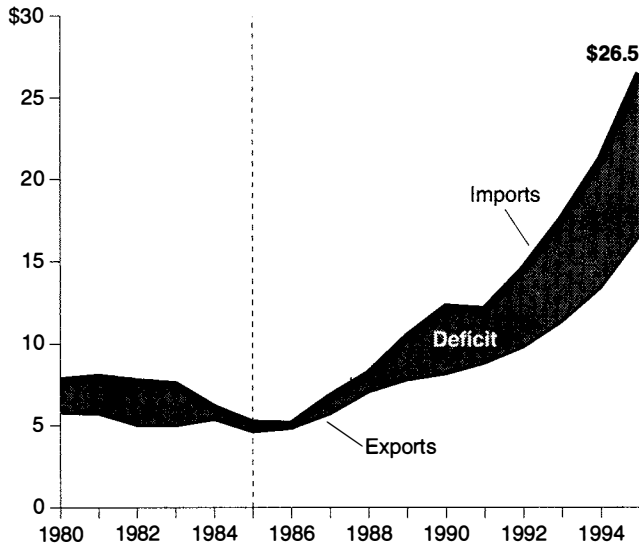
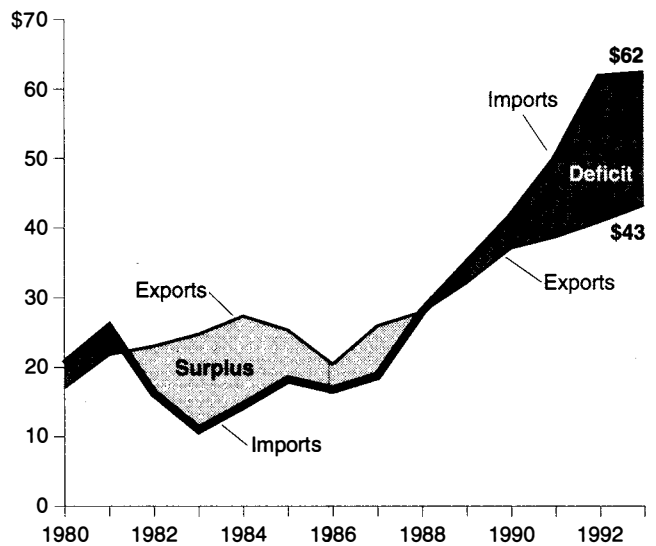


FIGURE 8

Mexico: balance of trade

(billions \$)



of British “free market” policies, where again the parallel with Mexico is striking (Figures 7 and 8). In the case of Mexico, IMF “free trade” policies were imposed by force in late 1982 and 1983, and immediately Mexico’s balance of trade surplus began to decline and then turned into a large, and growing, trade deficit, as tariff barriers were wiped out and the country opened up to foreign looting. In the case of the Philippines, we can see that with Marcos’s ouster and Aquino’s takeover in early 1986, the trade deficit quickly began to soar. Her government promptly liberalized tariffs on some 929 items, while reducing the number of restricted items down to 438 by 1990. As a result of these measures, today the country is running a \$10 billion annual trade deficit, as the country is flooded with foreign-produced goods of every imaginable kind, and domestic industry is being wiped out as a result.

Equally disastrous for the productive sectors of the Philippine economy, were Aquino’s domestic economic policies. Average interest rates were immediately raised from 21% to 27%. Manila’s western creditor banks moved in, snapping up 40% of the Philippines’ failing commercial banks in the first wave of a debt-for-equity fire sale. Government purchase of agricultural goods stopped, eliminating a subsidy to farmers already suffering from low commodity prices, and forcing them to turn to private traders. The Ministry of Food and Agriculture froze farm production loans.

All of this laid the groundwork for what today is rapidly becoming a major national security problem: The country can no longer feed itself, and has grown dangerously dependent

on foreign food imports, especially rice, the main staple crop.

Throughout this period, there was a political brawl over these IMF policies that wracked the Aquino administration, which was the target of an unprecedented number of coup attempts. The key political fights were over debt service and trade liberalization. There was widespread opposition support for the so-called “Peruvian solution,” setting a cap on debt service payments of 10% of foreign exchange earnings, which had been adopted in 1985 by then-Peruvian President Alan García. This became the watchword of the fight against IMF looting in the Aquino years. Only after the wholesale theft of congressional elections in 1987, at the expense of the Grand Alliance for Democracy slate, led by businessman Vicente “Teng” Puyat, which advocated a series of anti-IMF policies, and the use of U.S. military air power to help put down a coup in December 1989, did the bankers’ nerves settle down.

In July 1990, a natural disaster was added to those wrought by the IMF: The Mt. Pinatubo volcano erupted, claiming over 2,000 lives and wiping out rice and other food production in central Luzon. Then George Bush’s Iraq war, starting in August, sent the country into an even deeper recession for two reasons. First, the Philippines was 95% dependent on imports of crude oil and finished oil products, nearly 50% of power generation was oil-based. Second, the Iraq war also caught 527,000 Filipino overseas contract workers in a war zone; 100,000 were expected to return to the Philippines, threatening to sharply curtail the remittances that were even then so critical to paying the foreign debt.

Ramos: Fast track to free trade

Elected by a small margin in 1992, President Ramos has moved with breathtaking speed to put the Philippines on a fast track to reach “newly industrializing country” status by the turn of the century, outlined in his “Philippines 2000” program. “Philippines 2000” embodies the core of the structural adjustment programs demanded by the IMF since 1983: It eliminates trade and tariff barriers, makes the peso fully convertible, opens up the banking sector to foreign ownership, makes the Central Bank independent, privatizes the public sector, including utilities, opens up the energy sector to foreign investment, gives incentives to foreign investors, and places a stiff value-added tax on consumer goods.

Implementation is outlined in the Medium-Term Philippine Development Plan (MTPDP) which created a network of special free-trade economic zones that will serve as regional industrial centers (RICs), complemented by key production areas (KRAs) in the agricultural sector to maximize “comparative advantage” of crops based on “best use” of land, whereby high-value export crops will be developed for each region.

In an Oct. 2, 1995 survey of the Philippines economy, *Financial Times* correspondent Edward Luce commented, “Almost all textbook moves recommended by the International Monetary Fund are in place. The Philippine economy is one of the most liberalized in Asia. Yet, economic growth . . . does not seem to be in any great hurry.”

In June 1994, the IMF rewarded Manila with a three-year, \$684 million credit facility, and extended the ceiling of permitted domestic monetary growth from 16% to 24%, raised again in June 1995 to 31%. The IMF also took the Philippines off its list of “most severely indebted countries” for the first time since the early 1980s.

Between 1992 and 1995, the Philippines has privatized almost all State assets, including out-of-use military land and much of the country’s power generation system. The much-touted government budget surpluses in 1994 and in 1995, are due almost entirely to one-time sell-off of public assets. In 1994, the sale of 40% of the State oil refinery, Petron, to Aramco of Saudi Arabia, accounted for three-quarters of the total budget surplus, and at least \$500 million of the \$882 million in foreign investment reported. The 1995 surplus was secured by the sell-off to Hongkong investors of the Ft. Bonifacio army base, with half of the \$3.2 billion sale price coming in 1995, and the balance due in 1996.

The apparent surplus is also due to the overhaul of the Central Bank in 1993, in which the bank was set up as an agency independent of government, modeled on the U.S. Federal Reserve. The bank generated a profit of 7 billion pesos in 1994, but that is only because the government swallowed whole the 308 billion peso debt of the old Philippines Central Bank—i.e., it was put on the shoulders of Filipino taxpayers.

In the areas of tariff reduction and opening up the banking sector, the Ramos administration has gone farther, faster than

many of the “tigers” in the Association of Southeast Asian Nations (ASEAN), of which the Philippines is a member.

The Senate ratified the General Agreement on Tariffs and Trade (GATT) in December 1994. In July 1995, a sweeping tariff reform set a new regime with an upper limit of 30% for finished goods, and a 3% minimum for imported raw materials and capital goods. The goal is to have most tariff rates down to 10% or less by the turn of the century, with the ultimate target of a 5% tariff on *all* goods by 2004. As of Jan. 1, 1996, a 10% value-added tax (VAT) went into effect.

Extensive perks have been offered to foreign investors moving into the free-trade zone RICs, including duty-free importation of machinery and raw materials, a minimum four-year tax break, up to eight years in some cases, the promise of reasonable infrastructure, and extended land-lease rights up to 75 years. In the mining sector, a new code was passed in 1995 allowing 100% foreign ownership of mining projects and lifting restrictions on profits to foreign firms engaged in joint ventures. In addition, the retail sector has been severely undercut by the proliferation of duty-free retail trade, including large durable goods and even bedroom furniture. Retail sales of Duty Free Philippines, a huge, Sears-type retail chain, increased 12-fold from 1987 to 1991. With \$299.5 million in sales in 1994, Duty Free Philippines could beat out sales of all the major department stores in the country by 2000. For the first time since 1954, the retail sector will be opened to foreign ownership.

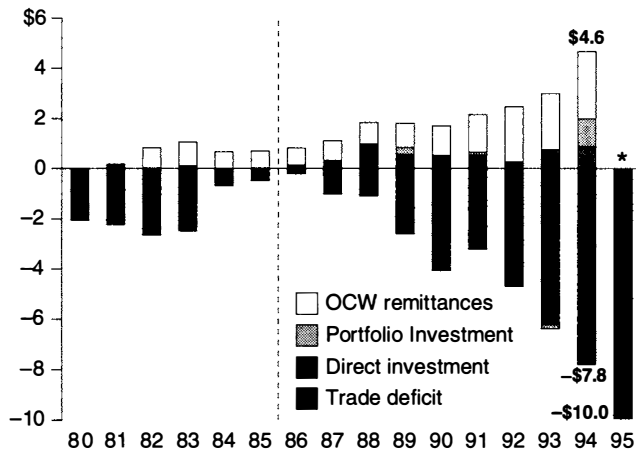
Entering the cancer ward

But this is only the beginning of the disaster the Ramos administration is bringing to the Philippines. Even worse is what is happening on the financial front: Derivatives have begun to invade the Philippines, much as they did Mexico in the early 1990s, and the Ramos administration has put out the welcome sign with the Filipino greeting: “*Mabuhay*.”

Figures 9 and 10 show where the two countries have gotten the funds to cover both the growing trade deficits that IMF policies created, and to keep paying on the illegitimate foreign debt. In the case of Mexico, there was a vast influx of speculative capital (“portfolio investment”) that went mainly into the stock market and the purchase of government bonds, such as the notorious Tesobonos. In 1993, at the peak of the derivatives frenzy, over \$28 billion of this hot money entered the country. Foreign direct investment in plant and equipment was only a fraction of this amount—and most of that went to privatization purchases, not into building new plant and equipment. When the derivatives bubble burst in 1994, the country was left high and dry, unable to cover its induced trade deficit, nor its foreign debt obligations. Mexico was bankrupt.

A similar process is under way in the Philippines—albeit on a smaller scale. First of all, much of the direct foreign investment coming into the country is not productive: It is concentrated in real estate, in export-oriented free-trade zones

FIGURE 9
Philippines: financing the trade deficit
 (billions \$)

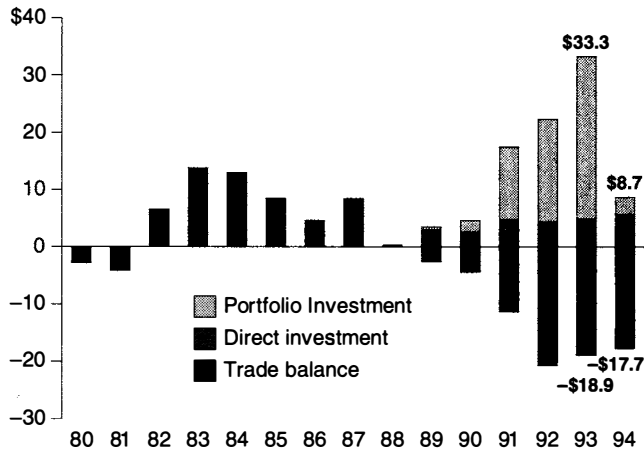


* 1995 data are not available for direct investment, portfolio investment, or OCW remittances.

Sources: IMF, Philippine Overseas Employment Administration.

with their perks, and in buying up existing equity through privatization sales. Portfolio investment is growing even more rapidly, both in government securities and the stock market. Capitalization of the stock market increased tenfold in the last five years; volume was up 154% in 1993 alone. But an estimated 80% of funds coming in are portfolio investments. In 1994, for example, \$3.2 billion in portfolio investments came into the country, but \$2.1 billion beat a retreat, leaving a net inflow of \$1.1 billion for the year. To make matters worse, all four leading foreign investing nations in the Philippines (Britain, Hongkong, the United States, and Singapore) are also top derivatives-dealing money centers. They are bringing the derivatives cancer with them into the Philippines. To accommodate this influx of speculative capital, the financial sector has been opened up big time, starting in September 1992, when the government lifted restrictions on the transfer of foreign currency in the Philippines. In February 1995, the banking sector was further opened up to foreign takeover, with the licensing of ten foreign banks. **Figure 11** shows how deeply into derivatives are several of the foreign banks in Manila already or soon to arrive. Twenty foreign insurance companies will also set up shop within the next two years, ten in life insurance and ten general insurers. And, politically, the proponents of "fast track" derivatives dealing scored a coup in late 1995, ousting the head of the Securities Exchange Commission, Mrs. Rosario Lopez, whom the bankers considered too cautious on opening up to derivatives trading. Not so Philippine Central Bank Gov. Gabriel Singson, who released speculator-friendly guidelines governing trading of all types of derivatives instruments in mid-December.

FIGURE 10
Mexico: financing the trade deficit
 (billions \$)

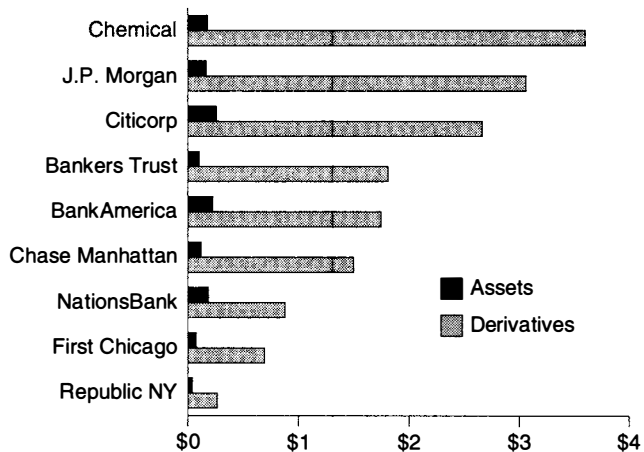


Sources: IMF, Banco de México.

A tantalizing list of new privatization targets was also compiled for early 1996, including the Social Security system, the Philippine National Railways, the Manila Waterworks and Sewerage System, the National Power Corporation, Local Waterworks Utilization Authority, and the Philippine Ports Authority. Also slated for 1996 is the overhaul of the tax system, and lifting the de facto government subsidy on gasoline and other petrochemical prices, while opening up that sector for "foreign competition." Twice, al-

FIGURE 11
They're not banks anymore: derivatives versus assets

(trillions \$ as of June 30, 1995)



ready, the Ramos administration has had to shelve plans to raise the price of gasoline, in the face of mass protests.

In mid-December 1995, Finance Secretary Roberto de Ocampo made explicit where the next phase of "liberalization" is headed, in a policy proposal calling for the "Hong-kongization" of the Philippines. Harvard-trained economist de Ocampo, who was named "Finance Minister of the Year" by *Euromoney* magazine, is not the first IMF technocrat to endorse a model based on drug-money laundering and sweat-shop labor.

Paying the debt by exporting the workforce

Figure 9 identifies another key source of foreign exchange on which the Philippines depends to cover its trade deficit, and to service its foreign debt: remittances from Overseas Contract Workers (OCWs). This is the most stable source of foreign exchange earnings over the last decade, generating nearly \$3 billion in officially reported remittances in 1994.

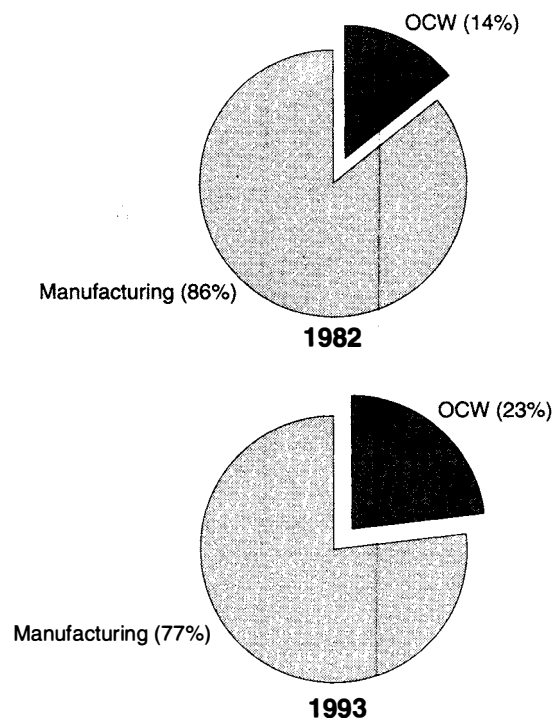
Beginning as a program under the Marcos administration, by 1982 there were officially about 314,000 OCWs. By 1993, this had risen to over 740,000, a 136% increase. During this same time frame, the total labor force only grew by 31%, from 18.6 million to 24.4 million. Annualized, the total labor force has been growing by about 2.5% per year, while the OCWs are increasing at more than three times that rate, or 8.1% per year. Currently an estimated 40% of those entering the labor force every year are now joining the ranks of the overseas Filipino workers. In other words, OCWs have been the real "growth" sector of employment. If these workers, most of whom are relatively skilled, could be productively employed at home, for example, in manufacturing, they would be a major contribution to domestic development. In **Figure 12**, we show that OCWs have almost doubled as a percentage of such a potential manufacturing workforce between 1982 and 1993.

The current sad state of affairs of the Filipino labor force overall, is shown in **Figure 13**. The share employed in agriculture remains at close to 50%, and the small reduction which did occur went into services, rather than industry. In fact, the stagnation of the manufacturing labor force is such that its share of the total dropped from an already low 11% in 1980, to about 10% today.

It is widely admitted that government OCW figures understate the reality, because they do not include "illegal" overseas workers, which conservatively would add 30% just to those working in the United States. The percentage of illegal workers is even higher in the Middle East, where the vast majority work.

"Free trade" is also taking its toll on the earning power of the OCWs. Several sources told *EIR* that, where an OCW used to earn \$500 a month, they are now being offered, and accepting, the same work for \$150-200 a month. Will this mean doubling or tripling the number of people exported to pay the foreign debt? Besides the straight looting aspect, the

FIGURE 12
Philippines: manufacturing and overseas contract workers (OCW)
(percent of total)



Source: Philippine Overseas Employment Association

OCW phenomenon is leading to grave social results as well, such as the destruction of family structures through lengthy, enforced separations.

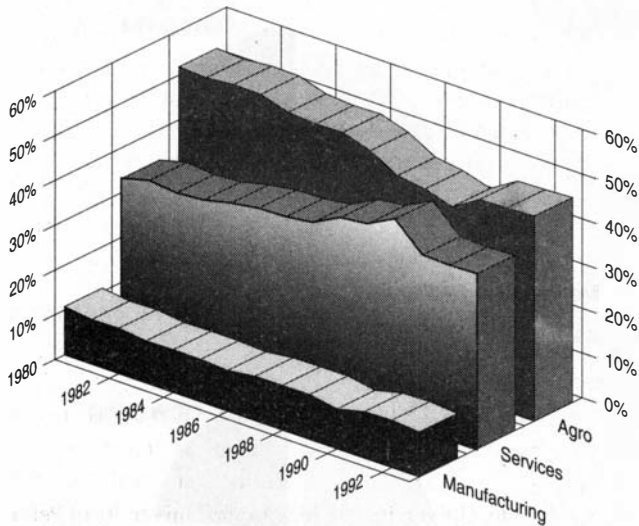
It should be noted that Mexico, too, "exports" millions of cheap laborers to the United States every year, whose remittances also add significantly to Mexico's ability to service its foreign debt.

The Philippines today, after a decade of IMF destruction, not only can't employ its population, it also can't feed them. How did this happen?

Land reform was a central feature of the "restructuring" that took place under the Aquino government, and is taking on new meaning today. The concept of "key production areas" of the Ramos administration, to put "land to best use," is the agricultural equivalent of the free-trade industrial processing zones. The focus is export, export, export. Under the KPAs, high-value export crops will be promoted in each area, such as asparagus and cut flowers. Even if such specialty crops make a lot of money relative to the land area involved, ultimately the plan is to divert 3.1 million hectares of the existing 5 million hectares in rice and corn production into commercial crop and livestock production. This will help the Philippine

FIGURE 13

Philippines: labor force composition
(percent of total)



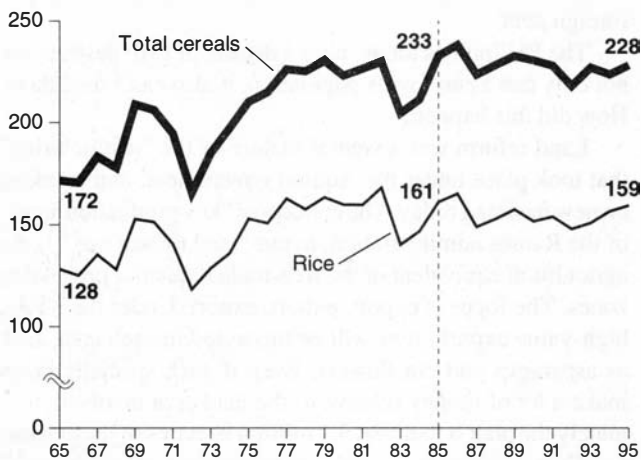
Source: ILO.

economy earn foreign exchange with which to pay the debt, but it means there is less food to eat at home. On top of this policy insanity, the Mt. Pinatubo eruption of 1990 wiped out the entirety of the rice belt in central Luzon, one of the largest rice-producing areas of the country.

The Philippines is facing a rice crisis. As **Figure 14**

FIGURE 14

Philippines: cereal production
(kilograms per capita)



shows, rice production per capita rose slowly from 1965 to about 1985—the Marcos years. Since then, it has actually declined, to the point where per-capita production today is lower than it was 15 years ago, in the late 1970s. The same pattern holds for total cereal production.

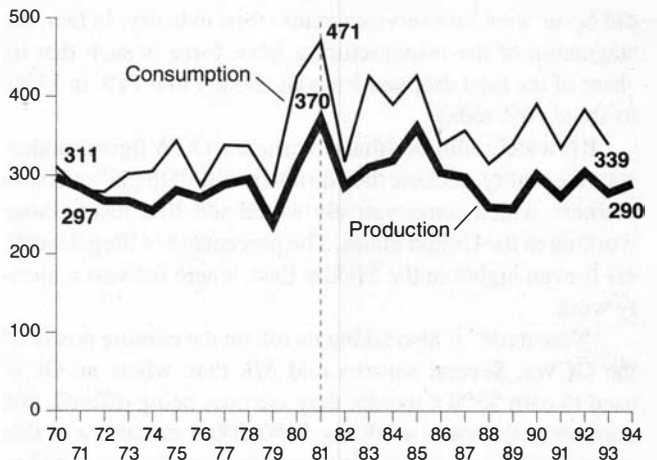
The IMF and government technocrats have argued that the Philippines need not worry about the drop in rice production, since cheaper rice can always be imported. For example, in 1994, the Philippines imported 250,000 tons of rice; in 1995, it was up to 585,000 tons; and another 500,000 tons have already been scheduled for early this year. Some well-informed Filipinos told *EIR* that these official statistics vastly underestimate the reality, and that as much as 30% of domestic rice consumption is now being imported, from such places as Thailand, whose agriculture minister was trained in the Philippines. Yields on domestic rice crops are admittedly very low, due to low use of fertilizer and irrigation, by comparison with other Asian nations. The bitter irony is that Manila is the headquarters of the International Rice Institute, which coordinates world research and development in this field.

Figure 15 shows that Mexico made the same mistake. “Buy foreign, it’s cheaper. You’ll be doing the consumer a favor,” the banks insisted. As a result, per-capita production dropped sharply from 1981 on, and the country became import-dependent. But when the peso crisis hit in late 1994, the money to import food disappeared. Now, starvation stalks parts of Mexico.

In 1985, *EIR* representatives told President Ferdinand Marcos, in person, that the solution for the Philippines was to break with the IMF, join with Mexico, the rest of Ibero-America, and other nations, to put the IMF and World Bank

FIGURE 15

Mexico: grain consumption and production
(kilograms per capita)



into receivership. The financial oligarchy's "Bush-IMF dictatorship" overthrew Marcos.

In 1986, *EIR* told President Corazon Aquino, also in person, that the success or failure of the Yellow Ribbon revolution hung on ending the tyranny of the IMF. But Aquino did the bankers' bidding, and what came in with a bang in 1986, went out with a whimper in 1992.

President Ramos now has a choice. The entire IMF system is hopelessly bankrupt. The Philippines can either go down with it, or it can join forces around a different agenda with a growing movement among nations and nationalist political forces, as reflected in the Memorandum to Mankind signed by leading citizens of 30 nations from all five continents in early December in Eltville, Germany (see *EIR*, Dec. 15, 1995, p. 51). An agreement among sovereign governments to put the IMF/World Bank into standard bankruptcy reorganization proceedings is both necessary and do-able; only this can stop the spread of financial cancer.

For the moment, however, the sign in Manila reads, "Mabuhay!"

Documentation

'After Mexico . . . ?'

This column, by journalist and TV talk show hostess Jullie Yap Daza, was published on Nov. 27 in the Manila Standard, under the headline "After Mexico . . . ?" Yap Daza had invited EIR's Dennis Small to present an analysis of the Mexico crisis to the weekly Bulong Pulungan press conference on Nov. 21. Small was the second speaker, after former First Lady Imelda Marcos; about a dozen journalists stayed to hear him.

The Philippines going the way of Mexico?

Dennis Small, an economist who handles the Ibero-American desk of the weekly *Economic Intelligence Review* [sic], published in Washington, told a small group of journalists last week what they have been afraid to hear, but keep hearing anyway, and only half-believing half of what they hear. But hearing it from someone who predicted the Mexico crash two years before it happened was a different experience. We were all ears.

"The signs are all there," he began, a little too cheerfully for comfort. Forthwith, he drew the parallels.

"In 1980, Mexico owed \$57 billion. By 1993, it had paid \$372 billion in interest alone. Today, its debt is over \$513

billion.

"In 1980, the Philippines owed \$17 billion. In the last 13 years, it paid \$25 billion. It still owes \$38 billion. In other words, 17 minus 25 is 38." . . .

Small: "Mexico was self-sufficient in food (corn, beans) and importing only 5 million tons until it began importing for the good of the consumer. Imports rose, the trade deficit rose. Now Mexico imports 15 million tons without money."

Sounds familiar? One remembers how the Philippines used to export rice. Now we are importing rice and the secretary of agriculture is proud and happy about it.

Small: "Twelve billion dollars left the Mexican stock market, plus another \$30 billion in other investments. Foreigners took the money and ran."

I keep reading in the business pages that trading in the Manila stock market is down because the big players have pulled out (though no one is saying how much). . . .

Who is Dennis Small? From the way he was taking potshots at the economic theories of bankers and moneymen schooled in the Adam Smith tradition, and in the style of Harvard, Yale, University of Chicago and University of Pennsylvania, where did he cut his teeth?

"None of the above," he said. He is an "intelligence director" of the *Economic Intelligence Review* whose founder, Lyndon H. LaRouche, was sentenced to 77 years [sic] in jail by the Bush administration on charges of tax fraud, which Mr. Small vehemently denied. They were fabrications, he said, because President Bush and Oliver North, who were LaRouche's enemies, could not stand idly by while LaRouche and his disciples called the two "drug lords" and started a movement for a debt moratorium for Third World countries. "Not because the debt is unpayable but because it has already been paid."

LaRouche a political prisoner? Not only LaRouche, but also Dennis Small. LaRouche was paroled after serving five years of his sentence in January 1994, after which he ran as a candidate of the Democrats in the Presidential elections.

Now you know, there are political prisoners in America, land of the free. Mr. LaRouche and his friends, including Mr. Small, are waiting for the U.S. federal courts and the Justice Department to apologize to them for wrongful conviction.

Meanwhile, the *EIR* team continues spreading the gospel against loans.

"The IMF [International Monetary Fund] is dead. The entire financial system of the West is over. The Japanese financial system is bankrupt. Capital has fled from the banks to the only 'safe' bank, the Japanese Postal Union Bank.

"Banks and governments are broke. There's a financial meltdown. There has been no flow of credit from abroad. It's the IMF and the guys in London, the international banks, that are insolvent."

Not content with that grim pronouncement, he adds: "We are entering a period of financial disintegration—a crash of

greater proportion than the '30s."

As for omens for the Philippines:

"When the economy is built on casinos, lotto, speculation, real estate, the cancer [of debt] is strengthened without the healthy part of the economy being shored up.

"To feed people and build infrastructures—what is known as the physical economy—you need to produce grain and steel. But the physical economy has stagnated. The cancer that invaded Mexico was due to policies imposed by the World Bank—liberalization, free market, on the theory that if doors are open wide, all money would come in. The free trade policy was created by the British colonials to destroy the American revolution. Thanks to that policy, 50 countries are now on the list after Mexico—Argentina, Hungary, Chile, the Philippines."

The greatest danger for the Philippines, from Mr. Small's perspective, is that the people "are unaware of the gravity of the inflation crisis. A gigantic tidal wave is about to break on Third World countries."

In December 1994, the foreign exchange in Mexico was three pesos to one dollar; today it is 8.5 to 1.

"The reason for the Mexico crash had little to do with Mexico. The true cause of the explosion of the debt problem was the international speculative crisis—Barings, Daiwa, the Orange County bankruptcy—which will bring down the entire world economy and countries that are victims of expand-

ing debt."

Speculative ventures such as the derivatives market—remember Barings' Nicholas Leeson?—have been growing at the rate of 59% annually, from \$1 trillion in 1986 to \$45 trillion today (compared to a 25% growth in the drugs trade).

The phenomenal growth of derivatives, with so much money to be made, has naturally raised questions why that kind of trading is not yet here. Mr. Small's host, Butch Valdez, who is with a new group of nationalist businessmen called Katapat, pointed out casually: "Charing Lopez of the Securities and Exchange Commission was eased out because she took a cautious position against derivatives."

The Mexicans who held a national forum called "There Is Life After the Death of the IMF" last June, and *EIR*, want the IMF tried for crimes against humanity. They are also quoting Pope John Paul II's statement urging that the foreign debt of Mexico and Latin America be forgiven.

For the Philippines, Mr. Small offers a prescription that's difficult to swallow: no more *utang* [debt], work harder.

1. "Defend yourself from the cancer of loans. Pull together for an alternative to the IMF solution."

2. "Establish a new world order that encourages productivity. The *Titanic* is sinking."

Do Filipino economists see the iceberg? They are free to dismiss Dennis Small and his LaRouchian theories as crackpot lunacies. I can only hope they're right.

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'Filipinos should be the economy's sole determinants and beneficiaries'

Jose "Pepe" Albert gave this interview to EIR from Manila. Mr. Albert is a member of the organizing committee of the Kilusan Tungo sa Pambansang Tangkilikan (Katapat), which invited EIR's Ibero-American Intelligence Director Dennis Small to address Katapat's founding convention in Manila on Nov. 23, 1995. He is the head of the government-sponsored Standardization Committee of the Philippine Retailers Association, and is head of a supermarket chain.

EIR: Mr. Albert, could you tell us who is represented in the Katapat movement? What is your particular area of interest? And what does the name of the organization suggest as its intent?

Albert: The Kilusan Tungo sa Pambansang Tangkilikan (Katapat) is a movement of Filipino businessmen and professionals concerned about the uncertain directions of the Philippine economy under an open trade regime.

The movement believes in economic nationalism as the solution to the present crisis gripping the economy and society. Economic nationalism means asserting Filipino interests above all else. It means competing as a nation in the turbulent seas of global commerce. It means upgrading and strengthening local industry and agriculture, instead of allowing them to fall by the wayside in the abstract name of trade liberalization. It means inculcating Filipino consumerism. It means a mass educational campaign of "Filipino patronizing Filipino goods and services." It means Filipino labor and capital must work together for industrial peace. It also means opposing anti-Filipino policies. It means the Filipino shall be the sole determinant and principal beneficiary of the national economy.

Katapat is a mass movement spearheaded by the business and professional sectors and with all sectors of society affected by the present economic problems as a result of International Monetary Fund/World Bank-imposed government policies, serving as its mass base. It advocates mutual patronization among Filipino businessmen and a mass educational campaign on Nationalist Consumerism, of patronizing Filipino goods and services over and above foreign products and services. The business sector component is basically com-

posed of manufacturers, retailers, small and medium-size entrepreneurs, and other Filipino service-oriented enterprises. Professionals serve as the theoreticians and analysts, while the workers, peasants, students, urban poor, cooperatives, and organized consumers advocate Nationalist Consumerism or buying Filipino goods and patronizing Filipino business establishments.

EIR: Why did the organizers of Katapat believe now is the time to launch a movement of this sort in the Philippines?

Albert: The organizers firmly believe that government free-trade policies under IMF/World Bank tutelage are finally going to put a nail in the coffin of the Philippine economy. Another crash, which will be inevitable if policies are not changed, will balkanize the country.

EIR: Why did the organizing committee think it appropriate to have a guest speaker, Mr. Small, address the founding convention on the subject of the Mexican peso crisis? Do you and other Katapat supporters think the Philippines is "headed down Mexico way"?

Albert: Mr. Small, being an expert resident economist in Mexico, provided a first-hand account of the results of free trade in all sectors of an underdeveloped economy against the number-one developed country. The winners obviously were the transnational banks.

The government technocrats, from the Central Bank governor [Gabriel Singson] to the finance secretary [Roberto de Ocampo], have been reassuring everyone that the Mexican financial disaster, which necessitated a \$50 billion, American-led bailout, will not happen in the Philippines, as the latter's economic growth pattern and policies are somewhat "different" from Mexico. First, they say that the Mexicans kept their peso-dollar rate at a fixed and unsustainable rate for quite some time, while the Philippines' peso-dollar rate, though relatively high, is on a flexible floating basis. Second, the Philippines, unlike Mexico, has a large number of overseas contract workers (OCWs) whose huge dollar remittances make up for trade shortfalls and cushion any abrupt withdrawals of foreign funds from the local capital market.

However, a deeper analysis of the Philippine and Mexican economic situations shows striking similarities, rather than differences, in the economic structures and policies of the two countries. Unless the Ramos administration is able to undertake timely and strategic adjustments in its economic policy regime, the Philippines might become vulnerable to the “Tequila” syndrome.

The truth is that Mexico, until its financial collapse last year, had been some kind of a role model, which the economic technocrats under both the Aquino and Ramos administrations had been emulating. The International Monetary Fund and the World Bank themselves had been exhibiting Mexico as an example of the severely indebted economy, which succeeded in overcoming its debt overhang and economic stagnation through the standard IMF stabilization measures coupled with the World Bank-favored program of structural adjustments. In 1992, at the height of the so-called Mexican economic miracle, the World Bank deliberately made a global pitch for Mexico as an economic model for all heavily indebted countries by inviting the Mexican finance minister as the keynote speaker in its Annual Conference on Development Economics.

It will be recalled that the international foreign debt crisis of the 1980s started with Mexico’s inability to service in mid-1982 its massive foreign debt, amounting to about \$100 billion. The IMF and the United States “rescued” Mexico from certain insolvency with loans of \$3.5 billion and \$1.8 billion, respectively. But like the 1983-84 Philippine debt package with the IMF, Mexico had to pay a high price for the IMF rescue program. Its foreign debt service went up to over 45% of its budget (together with the domestic debt servicing requirements, total debt service accounted for about 60% of the federal budget). A draconian belt-tightening and interest-shattering program led to a 3.1% decline in real GNP during the 1982-88 period, resulting in a tremendous increase of joblessness and poverty in the country. From 23 pesos to a dollar in early 1982, the old Mexican peso reached 2,500 to a dollar in the summer of 1989. Real wages and per capita expenditure on health and education fell by more than 50% in the same period.

EIR: At its pre-convention press conference, the Katapat Organizing Committee said that it supports neither British “free-trade” liberal economics, nor Marxist-Leninist economic dogma. Katapat’s literature talks about economics at the service of the well-being of the Filipino people. Can you elaborate on this?

Albert: It could be best explained through our general statement that Katapat believes that the Filipino should be the sole determinant and principal beneficiary of the Philippines’ economy. We believe in domestic industrialization and an independent and self-reliant economy.

EIR: How has the ratification of the General Agreement on

Tariffs and Trade (GATT) accelerated difficulties in the Philippine economy?

Albert: Let me refer you to testimony submitted to our Senate Economic Affairs Committee on Sept. 21, 1994:

“The government stance is also dangerous because, without any clear program of how the Philippines can become a net beneficiary under GATT, wide sectors of the economy easily become vulnerable to foreign competition. GATT competition will erode our agricultural base and further weaken anemic industrial structure. Jobs will be lost. Only the services sector will survive, but mainly because of the nation’s continuing and sad dependence on the remittances of its OCW heroes and heroines.

“This scenario is not difficult to imagine. One only has to look at the country’s industrial and agricultural performance in the 1980s under the regime of trade liberalization ushered in by the World Bank-assisted ‘structural adjustment program.’ The employment share of manufacturing went down from 11-12% in the 1970s to 9-10% in the 1980s as a one-sided trade liberalization program wiped out huge sub-sectors of the domestic industry, spawning in the process an unprecedented and prolonged labor unrest. . . .

“The point is that a liberalization of trading rules can only be beneficial to a trading nation if it has goods which the market will buy and if its local industries can withstand the fierce onslaughts of global competition. If it has nothing or very little to trade, then it stands to lose. If its local industry and agriculture are not ready for foreign competition, then the loss becomes double.

“Take the case of [the] Philippine export industries. The leading export industry, garments, is listed as a winner under the MTPDP [President Ramos’s Medium Term Philippine Development Program] and even under the GATT-WTO [World Trade Organization]. And yet research shows that the garments industry, which boomed in the 1980s based on relatively cheap Philippine labor, is losing its competitive edge as low-cost producers such as China, Vietnam, and some South Asian countries are now dominating the labor-based end of the industry. Once the quotas are phased out and these countries are admitted to GATT-WTO, the Philippine share in the global trading of garments can only shrink, not expand, unless the country is able to adjust the industry toward the high end, which the government seems to be neglecting at the moment. In the case of the textile industry, it is a foregone conclusion that it is a loser. This is especially true for the old textile mills, whose technical and financial problems are aggravated by the high cost of raw materials, chemicals, and machinery due to the country’s past failure to develop its own petrochemical, machine, and cotton industries.

“As pointed out in numerous fora, agriculture is the biggest loser. The National Economic Protectionism Association (NEPA) was one of the first organizations to alert the nation that rice, corn, sugar, coconut, and even vegetables are likely

losers under GATT-WTO. These crops are planted in over 90% of Philippine agricultural land. The statistics of the Department of Agriculture that 500,000 new jobs annually shall be created under the GATT-WTO are only paper statistics. And so are the projections on P 60 billion additional gross value added in agriculture annually. Right now, parts of the so-called 'non-traditional crops,' the projected winners under GATT-WTO, are in crisis. In particular, the banana and rubber industries are in an almost comatose stage due to the depressed global prices and the intense competition provided by other producers. Like the projections made by the World Bank economists in 1979-80 that Philippine manufacturing employment would double by the mid-1980s under the structural adjustment program, the Department of Agriculture statistical projections are likely to evaporate once the realities of global trading in agriculture, dominated by the EEC [European Community] and the United States, assert themselves under the GATT-WTO system. . . .

"To sum up, the projected gains in the GATT-WTO are exaggerated, while the losses are palpable. If the government maintains its present posture of following a one-sided reliance on the rules of liberalization, huge sub-sectors of industry and agriculture might even collapse needlessly. The dangers to society are too enormous to imagine."

EIR: What do you think of Mr. Small's comparison of derivatives and other financial speculation to a cancer that is consuming the healthy fabric of the global economy, growing at a rate of 59% per annum?

Albert: We believe that Mr. Small's opinion is correct. Too much money has ballooned into speculative investments and only a trickle goes to productive activities, thus making the world economy stagnate. And the danger of a worldwide financial collapse seems to be imminent. Though there's a need for us to know more about derivatives investments.

EIR: What do you think the impact will be of the Central Bank's opening up the Filipino investment markets to the full range of derivatives trading?

Albert: Not much. The Philippine capital markets are still in their formative stage, but we are still analyzing it deeper.

EIR: Mr. Small reviewed the debt situation in the Philippines, pointing out that in 1980, the Philippines owed \$17 billion; by 1993, it had paid \$25 billion; and, yet today, owes \$38 billion? Do you care to comment on the legitimacy of Philippines debt?

Albert: We think that international usury is a crime against humanity and a scheme of prolonging the exploitation of a weaker nation by the superpowers which control the World Bank/International Monetary Fund.

EIR: Do you agree with Mr. Small's conclusion that the problem is not the Philippines or Mexico per se, but the bank-

ruptcy of the global IMF system?

Albert: In a way, yes, but the subservience of the Philippine and Mexican governments is also to be taken as a major factor.

EIR: What do you think of his proposal that the IMF system must be put into bankruptcy by a combination of sovereign nations acting in the interests of the commonweal of their populations?

Albert: If it is feasible, why not? But it seems to be a long and tedious process that might go beyond realities.

EIR: Included in the conference packet, participants at the Katapat conference received copies of the Guadalajara Manifesto, titled "There Is Life after the Death of the IMF," and the draft emergency bank reorganization legislation submitted to the Mexican Congress by the National Forum in Mexico. Would Katapat be sympathetic to such legislation being introduced in the Philippines?

Albert: Yes, provided that it be tailor-fitted to the Philippine context.

EIR: Does Katapat see itself acting as a link to organizations in other countries likewise concerned about the terrible cost of IMF conditionalities programs?

Albert: Yes, for as long as the leadership of the organizations collectively adopt it as a policy.



**LaRouche
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Lyndon LaRouche's Democratic presidential primary campaign has established a World Wide Web site on the Internet. The "home page" brings you recent policy statements by the candidate as well as a brief biographical resumé.

TO REACH the LaRouche page on the Internet:

<http://www.clark.net/larouche/welcome.html>

TO REACH the campaign by electronic mail:

larouche@clark.net

Paid for by Committee to Reverse the Accelerating Global Economic and Strategic Crisis: A LaRouche Exploratory Committee.

Afghansi terrorists behind the Chechen outrage

by Konstantin George

On Jan. 9, a group of 150-200 Chechen terrorists attacked the town of Kizlyar in the neighboring Russian Federation autonomous republic of Dagestan, and seized the town hospital, holding at one point up to 3,000 civilians hostage. The operation was led by Salman Raduyev, the son-in-law of the notorious Gen. Dzhokhar Dudayev, the renegade president of "independent" Chechnya. The operation left at least 30 people dead, 13 civilians and 7 policemen, plus some 10-15 terrorists, most of whom died in a failed attack on the military airfield. The terrorist operation is not over, following their pullout from Kizlyar in a bus and truck convoy with 160 civilian hostages.

The convoy got only as far as the Dagestan-Chechnya border, stopped when Russian forces blew up the bridge. As of the afternoon of Jan. 11, the convoy remained stalled at the border, with the terrorists adding 37 local policemen to the total of hostages held. The convoy was surrounded by Russian elite troops, including from the special Alpha unit, ready the moment the order is given to attack and liquidate the terrorists, whatever the losses concerning the hostages. The situation was temporarily put on hold because, among other reasons, President Boris Yeltsin had left for Paris late on Jan. 10 to attend the memorial services for the late French former President, François Mitterrand.

As of this writing on Jan. 11, even should no further violence occur, what had happened already in Kizlyar marked the worst terrorist outrage on Russian soil since Chechen terrorists stormed the south Russian town of Budyonnovsk in June 1995, an operation which led to the massacre of 150 civilians. These terrorist actions are the cutting edge of London-directed irregular warfare against Russia, utilizing the "afghansi," or Afghan mujahideen terrorist international culled by London from "Islamic" foreign mercenary veterans of the war in Afghanistan.

It must be added and emphasized that the Kizlyar terrorism was made possible also by forces on the Russian side, who, for their own neo-imperial reasons, are content to engage in a new round of what in the 19th century had been called the "Great Game" between Britain and Russia for control and dominance in Central Asia. As the Russian media had reported, citing Interfax, Russian military intelligence, the GRU, had warned on Dec. 23 that a terrorist attack on Kizlyar was possible. For reasons still not explained, despite this timely warning, no measures were taken, either concerning Kizlyar, or along the Chechen-Dagestan border.

The 'afghansi' in the Caucasus

Despite whatever "spin" is put on news in the main media of either the West or Russia, the evidence of the afghansi role in the Kizlyar outrage is irrefutable. Six wounded "Chechen" fighters were treated at the Kizlyar hospital. According to the duty surgeon, Magomed Malachayev, who treated two of them, one of these two was "an Arab." On Jan. 10, in the St. Petersburg newspaper, *Nevskoye Vremya*, special correspondent Aleksandr Gorshkov, who had been to Chechnya several times, wrote, citing sources in the Russian Security Service, that the Kizlyar operation had been planned by a person nicknamed "Fatkh." "Fatkh" was described as a man of Chechen origin who had been trained in Pakistan, became a Pakistani citizen, and spent five years in a mujahideen unit in Afghanistan. In 1992, after the renegade General Dudayev declared Chechnya "independent," he came back to Chechnya and organized a military group called "Sons of Noah."

Finally, the national German radio station, Deutschlandfunk, citing Russian accounts, reported at 6 p.m. on Jan. 10, that 30 of the terrorists who attacked Kizlyar were "afghansi."

The "afghansi" are no newcomers to the fiefdom created

by Dudayev in his Chechnya "independence" declaration of October 1991. Under Dudayev, Chechnya became an international crossroads for the drugs and arms traffic flowing between Central Asia-Afghanistan and into Turkey and Europe. His "armed forces," besides being recruited from Dudayev's and allied Chechen clans, contained a large number of what were euphemistically called "Islamic volunteers," drawn mostly from the London-directed, hard-core terrorist capability of the "Islamic" foreign veterans of the war in Afghanistan.

The problem, of course, cannot be confined to London and the Dudayev-afghansi gang. It must be stressed that Dudayev was allowed, by the same corrupt forces in Moscow who have ruled Russia since 1992, enriching themselves at the expense of a savaged physical economy and population, to build his trafficking and smuggling crossroads, totally unmolested, until late 1994. In other words, for three years, even though Russian intelligence knew fully what was going on in Chechnya, including the massive infusion of "afghansi" terrorists, nothing was done.

Playing the Russian profile

London's strategic reason for building up military assets in Chechnya is more than tying Russia down in a second Afghanistan in Chechnya. On that count as such, they have already succeeded, the first component in the high price Russia has had to pay for the three-year grace period accorded the Dudayev secession. According to official Russian casualty figures, after 13 months of military operations in Chechnya, some 3,000 Russian soldiers (Army and Interior Troop losses combined) have been killed. In Afghanistan, the official Russian death toll, after 10 years of warfare was put at 15,000. Even though official Russian death figures are far below reality, the scale of the lies in both cases forms a solid proof of the intensity of the warfare in Chechnya.

The main strategic goal of the British in using their "Islamic" terror card against Russia has been to effect an anti-western, neo-empire paradigm shift in Russia. This is cardinal to the overall British goal of manipulating Moscow into an anti-American posture, and, as a derivative, also sabotaging attempts at close Russian-German ties.

The terrorist outrages, such as Budyonnovsk and now Kizlyar, are designed to produce an undifferentiated massive Russian counter-response, where villages and towns will be bombed throughout southern Chechnya, where the main concentrations of guerrillas are now located, in a new campaign to "eradicate" the rebels. The more savage the Russian response, the greater the potential for conflicts with other Islamic peoples along Russia's southern rim will grow. Already, large sections of the Russian elite have been manipulated to be convinced that Russia is faced by an "Islamic" threat. The conflicts along Russia's southern rim will reinforce these beliefs. Faced then with the combined perception of an "Islamic" threat from the "south" and NATO expansion coming from the West, the emerging neo-imperial policy will go into

full bloom. Moscow would move to occupy what it can between its present western borders and the expected eastern borders of the expanding NATO; in other words, a re-conquest policy toward Ukraine and Belarus.

A massive reaction coming

The most likely Russian responses to the Kizlyar outrage will be a military operation to crush the Raduyev terrorist group, and, a resumption of all-out offensives and air bombardments in Chechnya. On the first count, Yeltsin, chairing the cabinet crisis meeting of Jan. 9, created a situation where he cannot afford either to fail or have a humiliation as occurred in Budyonnovsk. He put Gen. Mikhail Barsukov, head of the Federal Security Service (FSB) and one of his closest confidants, in charge of the operation. Yeltsin, in the part of the meeting filmed by Russian TV, swore that he would take "the most decisive measures to neutralize the bandit groups," meaning not only Raduyev, but throughout Chechnya. This point was elaborated by Interior Minister Anatoli Kulikov, who declared that Russia will begin attacking "all bases" of the Chechen rebels "in the mountains" of Chechnya. Another cabinet member at that meeting, Vyacheslav Mikhailov, Nationalities Minister, said: "You don't talk to bandits. They are maniacs, a collective Chikatilo" (a reference to the infamous Russian serial killer in Rostov, who was caught, tried, and executed).

Yeltsin's last statements, on Jan. 10, before departing for Paris, were an ultimatum to the terrorists to release the hostages or else "events will take another course." In the next breath, he elaborated that any violence against the hostages will be met by "the sufficiently strong Interior forces and special forces, who will attack."

The hours are now ticking by before the probable fateful decision to, not only surgically deal with the Raduyev gang, but to indiscriminately resume all-out war in Chechnya. On the former count, no tears ought to be shed. If the wipe-out of the Raduyev group were correctly politically exploited, Russia could present the irrefutable proof among the dead and captured of the London-directed "afghansi" networks in the strategic irregular warfare against Russia. On the second count, however, indiscriminate bombing would create for Russia more enemies than it could eliminate. It would almost irreversibly lock Russia into a second Afghanistan in the Caucasus, creating howls of delight in London.

One can only hope, albeit against hope, that Moscow will not act according to profile, but intelligently in the wake of eliminating Raduyev, and begin a loud documentation campaign, to tell the world what Russian intelligence has in its files, on how Dudayev was set up, by whom, for what purpose, and the role of the "afghansi" terrorist networks operating on Russian soil; last but not least, who in Moscow has abetted this operation all along. Exposing these elements within the Russian leadership would go a long way toward putting an end, before it's too late, to Russia being a dumb giant manipulated by London-centered western oligarchic forces.

British establishment launches New Year 'Empire' offensive

by Mark and Mary Burdman

As Britain's internal tensions and turmoil increase to the point of a major government crisis over the next weeks or months, the British establishment is seeking to outflank these problems, by going on a flight-forward, neo-imperialist binge. British media outlets and political figures have launched a propaganda offensive, to stress that Britain must assert its global power, particularly through the instruments of the queen's Commonwealth and Britain's extensive financial assets and capabilities. The geographical focus of this campaign is Asia.

By so acting, leading British elites are providing "horse's mouth" confirmation of the point made frequently in *EIR* in recent weeks, that the British Empire is alive and well, and that the full extent of British influence and capabilities is generally underestimated. We have documented the stranglehold of Great Britain, through the Commonwealth and City of London, over strategic raw materials, energy resources, and food, as well as speculative derivatives instruments.

The current British disposition also indicates a renewed escalation against sovereign nation-states, and in favor of supranational Commonwealth-centered institutions, as the new year commences. The repeated British line, in recent articles and political speeches, that Britain should stop "focussing narrowly" on Europe, coheres with the London view, that the European continent is about to go into a period of chaos and confusion, whereby, willy-nilly, European influence and capabilities will be vastly reduced. Of course, London has done its all to foster the European crisis. One example was the editorial in the *London Times*, the establishment mouthpiece, on Dec. 5, 1995, accusing Germany of now imposing an "economic Vichy" (the collaborationist regime of World War II) on France.

The new Empire's 'global reach'

Speaking on Dec. 12, David Howell, chairman of the House of Commons Foreign Affairs Committee, insisted that Britain must be more aggressive in asserting its "wider role" in world affairs. Praising Foreign Secretary Malcolm Rifkind for attempting to draw inspiration from the powerful

19th-century British imperial strategist Lord Palmerston, Howell affirmed: "We are huge investors around the world, second only to America. Vast income comes in from our overseas assets, from the Commonwealth for instance, and south-east Asia." Britain, he stressed, had huge opportunities available to itself, through its "amazing network" of markets.

He chided British policymakers for being too narrowly focussed on countering France and Germany. Four-fifths of Britain's commercial and financial interests lay outside Europe, and 23% of national income came from financial services. For too long, he charged, Britain had been "too busy running after the French and Germans, and being terrified they are going to pull some trick and we are going to be left behind. Our policy needs to be driven, not by a state of perpetual anxiety about what France and Germany are up to, but by a realization that we have a global reach that they don't have. London is overwhelmingly the financial heart of Europe, bigger than New York and Tokyo combined. . . . Cross-border bank lending is one and a half times the size of Germany's. . . . Yet we seem to spend our time worrying that we are going to lose financial dominance to the Germans. It makes you cry sometimes."

Then, on Dec. 31, the *Sunday Times*, mouthpiece of Australian magnate Rupert Murdoch, editorially called on Britain to "reach for the world." Citing Howell and a new paper by the Royal Institute of International Affairs (RIIA, "Chatham House"), the *Sunday Times* stated that "Britain's historic reflexes need to be tested." It is time to look beyond all the bother about the European Union. "Britain enjoys a track record of international activity Brussels can only gawp at. The latest figures of Britain's direct investment overseas shows how the world looks from the privacy of British boardrooms." In 1994, as compared to £6.1 billion in domestic investment, Britain invested £18.5 billion in foreign direct investment; only one-third went into Europe. "Britain is a net investor 'over there' by a very large margin indeed and EC investment, while important, is part of a bigger picture." Britain earned £21 billion from direct foreign investment in 1994, while only £9.4 billion came in from other sources.

“These are huge cash flows by anyone’s yardstick and are greatly to Britain’s advantage. . . . Such figures demonstrate . . . that this country’s reputation as an international wheeler and dealer enjoys undiminished clout. . . .

“Our global balance sheet shows a different picture [from Europe], one that invites the political community to lift its eyes and respond to the lure of the high seas, as our forebears did. They managed it without neglecting essential British interests in Europe. Their genius was to manage the realities of living in an offshore European island while exploiting its unrivalled trade routes to the Americas, Africa, and Asia.” While today’s trade routes carry “vastly different commodities,” Britain can still dominate “information technology,” with its connections and its language, the *Sunday Times* affirmed.

It continued: “The facts show that Britain holds second position in the league table of countries investing overseas. The fastest-growing part of its trade and investment is with the ‘tiger economies’ of southeast Asia and the Pacific Rim. . . . There has seldom been a better time to rekindle this country’s historic interests. . . . Parts of Whitehall need to stop believing the world is Euro-centric and to readjust their focus. There is still time—just.”

‘The world is Britain’s territory’

The cited RIIA report, released more or less simultaneously with Howell’s howlings, is entitled “Economic Opportunities for Britain and the Commonwealth.” The RIIA is the hallmark British official think-tank, and, as its title suggests, a mouthpiece for the monarchy.

The report is authored by Australian economist Katherine West. She boasts that the Commonwealth now contains some of the most dynamic “tiger economies in Asia, like Singapore,” and that trade with these countries would yield mutual economic benefits, rather than costs, for Britain and its partners. Beyond this, West argues, the world economy is becoming increasingly “integrated,” and this process of “globalization” should provide new opportunities for Britain, which has traditionally been an outward-looking world trading economy. “Globalism is Britain’s *natural* and logical style,” she exclaims. “The world as a whole, including the Commonwealth, is Britain’s natural economic territory.”

West cites the burgeoning relationship between Britain and Australia, as a model for what Britain should do in more general terms.

On Dec. 28, the *Wall Street Journal-Europe* published a commentary by Royal Bank of Scotland senior economist Warwick Lightfoot, endorsing West’s thesis, under the title, “Britain’s Call to Globalism.” Lightfoot, formerly a senior adviser to the British Treasury, stressed that “recently, British portfolio and corporate direct investment have swung away from the high-cost and highly regulated European

economies, toward developing economies instituting structural economic reform. . . . Investment in Southeast Asia is accelerating dramatically. . . . Britain’s economic future is best protected and promoted by a genuinely global approach to trade and investment. . . . The shared Commonwealth business culture based on a common language, similar commercial, accountancy and financial practices and shared experience and administrative traditions provides Britain with specific opportunities throughout the world.”

Lightfoot is working with a new think-tank in London, Politea, the chief patron of which is the Viscount Cranborne. Cranborne is a scion of the powerful Cecil clan, which has been at the center of British imperial intrigues for centuries.

Imperial tours

In line with this policy, British political figures of all stripes have been flocking to Asia, as the new year begins.

From John Major’s Tory cabinet, Foreign Secretary Malcolm Rifkind visited Hongkong and China, after a first-ever trip for a foreign secretary to Armenia, Azerbaijan, and Uzbekistan. Defense Secretary Michael Portillo visited the Philippines, South Korea, and Japan, arranging stronger military ties with both the Philippines and Japan. Home Secretary Michael Howard visited both India and Pakistan, with Trade and Industry Secretary Ian Lang following close on his heels to India. Howard Davies, the deputy governor of the Bank of England, went to Singapore, where he would likely have run into a large Labour Party deployment.

Singapore and Australia have been the favored stopping points of opposition Labour Party leader Tony Blair and his Shadow Social Security Secretary Chris Smith. Blair also went to Japan, to present his visions of a free-trade Labour Britain to business leaders. The Labourites have been gushing over Singapore’s private, enforced-savings welfare system, as a model to be adopted in Britain.

This follows in the wake of the likes of Lord William Rees-Mogg and Sir Alfred Sherman, who have made the “Asia model” *le dernier cri* in New Age neo-conservative circles. This “model,” is based on the alleged success of the high-growth, “tiger” economies of East Asia, in which, the British establishment claims, minimal State economic and social intervention, combined with a highly motivated private sector, are putting the “nanny welfare States” of the West to shame. While there has doubtless been economic progress in many of these Asian lands, the Brits are trying to extract out the most oligarchical features of life there.

Howell provided a typical statement, quoted in the *Observer* on Jan. 8. “A comparison has to be made between the obvious fragmenting consequences for Western society of universal welfare provision and the apparent cohesion of Asian communities that have avoided this kind of statism,” Howell said.

Labour, Blair declared in Tokyo, is joining in. It is ready

for the challenge of globalization, which Blair calls the “defining economic movement of our time.” His party is unashamedly a “pro-free trade party,” but if such policies cause any problems, such as shutting down industries and mass unemployment, he has some neo-Fabian confetti to wave about, to cover over the holes. That Blair concurs with Conservative Howell on this point, is symptomatic of a growing convergence of Fabians and Thatcherites, on “dismantling the welfare state”; Blair is frequently praised by such neo-conservative mouthpieces as the *Times*’s Rees-Mogg, and is openly collaborating with the arch-Thatcherite Adam Smith Institute in London on his “welfare reform” schemes.

A spokesman for Blair, quoted in the British press, said that “left-of-center thinking across the world” has to be “re-shaped,” with stress on low inflation, open trade, “proper” infrastructure, public-private relationships, competitive tax rates, and “above all investment in people as our main resource.” This includes strict continuance of the brutal destruction of Britain’s trade unions under Margaret Thatcher.

In Singapore on Jan. 7-8, there was more. Here, Blair ran on about a “stakeholder economy where everyone has a chance to get on and succeed, where there is a clear sense of national purpose and where we leave behind some of the battles between left and right which really are not relevant in the global economy today.”

Blair’s vision of “the economic justification for social cohesion” is a globalist version of Mussolini’s 1930s corporatism, this time with an ostensibly “Asiatic” flavor. “The creation of an economy where we are inventing and producing goods and services of high quality,” Blair intoned, “needs the engagement of the whole country. It must become a matter of national purpose and national pride.” “Trust” will come from “the recognition of a mutual purpose for which we work together and in which we all benefit.”

Yet there is an interesting note about the Singaporean enforced “savings” policy so praised by Britain’s leaders. The Central Provident Fund was originally set up under British colonial rule in Singapore, in 1955. (British rule in Malaya and Singapore only ended—without a revolution—in 1957.) The original Fund policy was to collect 5% from workers’ salaries, split between the worker and employer, as enforced savings. The policy was then adopted and expanded by Lee Kuan Yew when Singapore became independent from Malaysia. Lee Kuan Yew upped the contributions to 40% of earnings, still split between worker and employer, but the worker gets only 2.5% interest on his “savings.” Since there is no other social security or health care system in Singapore, the funds are used as pensions and health insurance, and can be used for funding mortgages and investments in stocks. After retirement, restrictions are imposed on when a worker can withdraw his savings, and how he can spend them. The \$40 billion Fund, meanwhile, is used by the government for building up Singapore.

Shubeilat’s trial begins in Jordan

by Our Special Correspondent

On the day that Jordanian King Hussein left Amman for Tel Aviv, to take part in an award-giving ceremony there, a trial opened in the Hashemite capital, on whose outcome the fate of democracy in that country will depend. On Jan. 10, the president of the Jordanian Engineers Association, and former independent Islamist parliamentarian, Laith Shubeilat, went before a State Security Court, on charges of *lèse majesté*, and of undermining the national currency and economy. The first day in court ended early, after defense lawyer Jawad Yunis called for the judge to be recused, on grounds of political bias. The case was adjourned to Jan. 14.

Since he was arrested on Dec. 9, Shubeilat has been treated like a common criminal, although the charges against him are classified as misdemeanors, not felonies. In utter disregard for the law and for basic human rights, Shubeilat was held in solitary confinement, and not allowed to meet his wife or lawyer, until major protests had been lodged. Although the law prescribes it for misdemeanors, he was denied release on bail or recognizance. When he was allowed to meet with his lawyer, it was only in the presence of security guards. A trial date was set for Jan. 8, but neither the accused nor his lawyer was informed in time. It was only after Yunis, who heard from a journalist friend on Jan. 7 that BBC radio had announced the trial would start the following day, had vigorously protested, that a new date was set for Jan. 10. Only on Jan. 9 was Shubeilat allowed to meet with his lawyer alone.

International protests

For these and other reasons linked to the politics of the case, a chorus of protests has been heard from around the world. Parliamentarians from Spain, Argentina, the Dominican Republic, as well as leading academicians and human rights activists from Russia and Ukraine, issued statements to the Jordanian authorities, demanding the immediate liberation of Shubeilat. In Denmark, Germany, France, England, Sweden, and Italy, similar protests were lodged at the Jordanian embassies. Embassy personnel reported that they had been flooded with calls about the case, and were referring them to Amman. Russian human rights activist Viktor Kuzin

wrote a letter personally to King Hussein, detailing the violations of Shubeilat's rights that have occurred. "All this," he wrote, "causes 'the Shubeilat affair' to be viewed exclusively as a pretext for removing the accused from the public scene, especially in light of the circumstance, that the accused, in the recent period, has been at the center of an intense public discussion, concerning the activity of the International Monetary Fund, and is well known for his principled criticism of the 'free market economy' model, brought into Jordan by the latter."

The reason why the Shubeilat case has raised such an outcry abroad, has to do with the fact, that the accused is known to be the standard-bearer of the fight against World Bank-International Monetary Fund (IMF) policies in the region. Thus, political personalities in countries like Russia, Ukraine, Poland, or any of the Ibero-American nations, which have all been put on the IMF chopping block, have no difficulty in sympathizing with his fight.

The implications of the case, however, go beyond the anti-IMF fight. Lyndon LaRouche addressed the issue in an interview with "EIR Talks" on Jan. 10. "First of all," LaRouche said, "Laith's problem comes principally from London. And the Jordan government is operating, as is the World Bank in this Middle East area, under directions from British intelligence, the British monarchy."

LaRouche continued: "This is similar to what happened back when Henry Kissinger was first on watch in the National Security Council as national security adviser, during which time the British were orchestrating the situation in the Middle East, and in Washington, through Kissinger, their agent in Washington, to bring about what became known as the Black September massacres. And, a similar state of mind is being induced in the king of Jordan through these kinds of things that were induced by London, with the help of Kissinger, back in the time of that—leading up to the Black September case.

"Now, this is complicated by a second feature, which is highlighted by the question of the Saudi succession that we've mentioned before, that the vicissitudes of aging have caught up with King Fahd, and with Prince Abdullah. Abdullah has succeeded Fahd. Abdullah is closer to Syria and the Brits than he is, say, to the United States. . . .

"All of this goes into the question of a very special category of policy, U.S. and British policy, which is called *the geopolitics of Middle East oil*, in which the relationships of the governments of the two countries in respect to arms sales and other political matters into Saudi Arabia, becomes crucial.

"So, the shift in the Saudi situation, and the Gulf situation generally, which determines the flow of petroleum money into Arab states, is a crucial factor in this situation. And, as the Clinton administration and the United States lose position, relatively, through attrition and other means, through

British dirty operations through the so-called Arab Bureau channels, then you get complications, where the Middle East peace is in trouble, because of British intelligence operations: partly Lally Weymouth's buddy there, Ariel Sharon, who is a vicious killer, his friends are vicious killers, who were, in a sense, politically behind what became the assassination of Yitzhak Rabin; and the World Bank operation, which is another operation, which is *crushing* Middle East peace development.

"Now, technically, Laith Shubeilat, my friend, is among those who oppose the Middle East peace in its present form, on the grounds that he, and others like him, do not believe that the present Middle East peace is workable, that it will blow up. And therefore, they're opposed to sacrificing anything, in terms of strategic position, for the Middle East peace, because they don't believe it's going to be there. They believe it's going to be defeated, as by the World Bank.

"Now, Shubeilat's alleged crime is his attack on the World Bank policies, World Bank policies which ensure that the Middle East peace will blow up.

"At present, the United States government, or at least the State Department, is supporting the World Bank position, which means that President Clinton's policy for Middle East peace is being shot down, not only by the Brits, but by his own State Department, and, perhaps, some elements of his Democratic National Committee campaign organization.

"So therefore, Shubeilat was charged with *lèse majesté*, for attacking the imposition on Jordan and other countries of the World Bank conditionalities, conditionalities which are going to destroy Middle East peace.

"Now, if you understand the logic of what I just said, it is perfectly consistent, that my friend Laith, who is president of the Engineers Society of Jordan, while he doesn't trust a Middle East peace and therefore opposes it for that reason, nonetheless will fight for the realization of a Middle East peace, by attacking the World Bank which, he points out, means that the Middle East peace won't work.

"So, some people say that the king is supporting Middle East peace. The king is *not* supporting Middle East peace, because he's supporting the World Bank. Why is he supporting the World Bank? In part, because Jordan depends on money from other sources, including Saudi sources and Gulf sources. Who controls those sources? Well, now it's the friends of George Bush and other British agents, including the British themselves, who are coming into a dominant position.

"So the complexities of the geopolitics of oil, and the complexities of the fight within the United States, on whether we're going to have an independent policy as a nation-state, or whether we're going to become a clown, or a clone, perhaps, for the British, which is the Bush policy and the policy of Gingrich, which of those two policies is going to prevail. Laith is caught in the middle."

Wall Street thwarts Salinas investigation

by Gretchen Small

Just a little more than one year has passed since the landslide collapse of the Mexican peso in December 1994, which brought the myth of the Mexican economic “miracle” supposedly wrought by former President Carlos Salinas de Gortari to a sudden, undignified end. The announcement in November that Salinas, the leading Ibero-American asset of the Wall Street and City of London financial crowd that owns George Bush, was the primary target of an ongoing international investigation into narcotics trafficking and corruption in Mexico, forced Salinas’s international sponsors onto the warpath in a mobilization to shut down the investigation, before the Salinas case led to further exposures of the criminal reality behind Bush, London, and the “free trade” swindle.

Shortly before Christmas, a well-placed source in the Mexican government reported that President Ernesto Zedillo, Salinas’s harried successor, had decided that Mexico could not buck Wall Street, no matter what, and that meant the investigation of Salinas had to be immediately suppressed. The counterattack began over the New Year’s weekend, when President Zedillo named a Salinas stooge, former Labor Minister Arsenio Farell, as his Comptroller General—the top official overseeing investigations of corruption.

Wall Street’s orders

While promoted globally by that crowd as a model “free market” President, Salinas has been the central target of an international narcotics investigation, led by the U.S. Drug Enforcement Administration (DEA), for at least two years. The drug case broke into the press in November 1995, when Swiss authorities announced that they had arrested two Salinas family members, including the wife of Carlos’s brother Raúl, to question them about the millions they had stashed in Swiss bank accounts under false names.

With Raúl already jailed in Mexico on charges that he masterminded the assassination of a Mexican political opponent, the Swiss arrests opened the floodgates. Inside Mexico, long-hidden dossiers on the Salinas family’s looting of the public coffers, and ties to the Zapatista narco-terrorists, political murders, and the drug trade, poured into the press. Carlos fled to the protection of Fidel Castro in Cuba.

Wall Street mobilized, conveying privately and publicly to the Mexican government its demand that the Salinas investigation be buried, or “investors” would pull the plug on the economy. The *Wall Street Journal* repeats in every article it publishes on the case, that Carlos Salinas is a member of the board of directors of Dow Jones, which publishes the *Journal*.

Zedillo’s appointment of Farell signaled plainly that the Salinas protection apparatus was being moved into place. As labor minister, Farell crushed opposition to the genocidal austerity prescriptions mandated by the International Monetary Fund so successfully that, at the end of his regime, Salinas named Farell his special national security adviser.

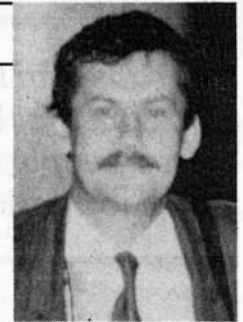
From any domestic Mexican standpoint, the Farell appointment is inexplicable, since it could spell the doom of the Zedillo Presidency. Salinas’s political and economic machine in Mexico is still powerful, and well known as one of the biggest obstacles to Zedillo’s ability to rule the country, not the least because of its protection of the Zapatista narco-terrorists based in Chiapas, and related groups which spare no violence in their fight for the break-up of Mexico into weak, backward, “autonomous” green state-lets.

More privatizations

In the Cabinet shuffle which brought in Farell, Zedillo also ousted his energy minister, Ignacio Pichardo, an old-line politician known as one of the “dinosaurs,” the name given those who believe in the “outmoded” idea that Mexico must continue to exist as a sovereign nation. Foreign financiers insist, as reiterated in December by the London *Economist*, that Mexico must privatize all of the state oil company, Pemex, to raise cash for debt payments. Pichardo opposed this, but his replacement, Jesús Reyes Heróles, Jr., the son (and namesake) of one of the top British agents in recent Mexican history, is a proponent of globalization all the way.

President Zedillo’s renewed decision that he could not stand up to Wall Street, may shatter the country. In recent months, Mexican patriots in the Catholic Church, the military, the government, and the private sector, have gone to the President, privately and publicly, to urge a change in economic policy. A group of Catholic bishops outlined to him how the International Monetary Fund austerity plan—under which the government paid over \$41 billion in foreign debts in 1995 alone—is not just killing individual Mexicans, but threatens the existence of the nation itself. The President told them that, while he is open to collaborating with them, in his view, there is “no alternative” to the IMF program.

Precisely because nationalist groupings continue to try to guide the Presidency to save the nation, the London/Wall Street financiers are demanding more; specifically, that Zedillo now order the jailing of leading IMF opponents.



The international economic order must be rebuilt globally

Mr. Blasiak is a deputy in the Polish Sejm (Parliament). He was interviewed in Warsaw on Dec. 20, 1995 by Anna Kaczor Wei.

EIR: Your party, the Confederation for an Independent Poland (KPN), has been fighting against economic policies introduced by Polish governments since 1989, especially the kind of privatization they implemented during the last six years. On Nov. 21, you introduced a motion into the Parliament demanding from the government an explanation of the Soros Plan. What is that plan, and what role does privatization play in it?

Blasiak: The KPN has been opposing this kind of privatization from the very beginning, which does not mean 1989 or 1990, as the Polish public is being told, but 1988. That privatization, which was at that time considered by the society to be an “enfranchisement of the communist *nomenklatura*,” started at the initiative of the government of Mieczyslaw Rakowski. In reality, he was the one who started the implementation of the International Monetary Fund [IMF] program. Through the changes in the trading laws, that government started de facto privatization, which worked in the following way: The government would transfer preferred elements of industrial wealth into the hands of its own oligarchy, at the price of scrap iron, or even less.

Out of fear of the social and political consequences, Rakowski introduced an institution called the Round Table, in order to rally social support for this program. The real purpose of the Round Table, the so-called “deal from Magdalenka,” was very simple: We, the United Polish Workers Party, give up a significant part of our political powers; in return you, the chosen part of the opposition, guarantee that we can enjoy, first, under the so-called “thick line,” immunity for our crimes in the past, and second, the opportunity to take over national property in industry and in the banking system.

The rest was a consistent implementation of those two Round Table theses, which was obscured from society. Everything was agreed upon beforehand, including who was supposed to be President. I know this from people who participated in those talks, and I was told that the so-called Solidarity-opposition accepted, through voting, the election of [Gen.

Wojciech] Jaruzelski many months before he was officially elected President of the Polish Republic. . . .

The IMF program, the so-called Balcerowicz Plan, was named after [former Finance Minister Leszek] Balcerowicz, in order to hide its non-independent character. The usage of Balcerowicz’s name suggested to society that here we had a native Polish program of economic reforms, or, as they called it, transformation. In reality, the Balcerowicz Plan was just a name concealing a typical IMF adjustment program that had been started by the Rakowski government, and then only enlarged by Balcerowicz, who, having the approval of Lech Walesa and Solidarity, did not have to take into account the social consequences and social unrest.

Accordingly, Balcerowicz could implement with full speed everything that Rakowski had started, i.e., *nomenklatura* privatization, liberation of prices, deregulation of the economy, opening economic borders, hitting hard the State-owned industry, through pushing it into debt. None of Balcerowicz’s moves was original, except for the fixed rate of exchange between the zloty and the dollar. All the decisions, which are today identified with his program, were in fact implemented by Messner and, then, Rakowski, although on a smaller scale.

Concerning privatization, since 1990 the difference is that, in addition to the domestic beneficiaries—for example, communist *nomenklatura* and communist managers of big industries, who created various private foundations and ventures, and then took over elements of national wealth—international capital has been added, which has the advantage over everyone.

What does the Soros Plan have to do with all this? Already in June 1989, the London *Financial Times* disclosed the fact that the Rakowski government was conducting talks with the representatives of big capital, who were not mentioned by name, but they probably meant U.S. East Coast and international institutions, most likely the World Bank and the IMF. The *Financial Times* wrote that the main negotiator from that side was a well-known speculator and financier, George Soros, and, under his auspices, they worked out a program which was approved by the Polish government and some Solidarity experts, of whom only one name was mentioned, that

Liberalism in Poland is nothing other than a convenient formula which serves as a cover for looting national wealth and bargaining with national interests. Those people are not communists, or monetarists, or liberals. This is a new social formation, a class of comprador oligarchy.

of Bronislaw Geremek.

The plan included a peculiar transformation of the Polish economy, into a bankrupt mass. The Polish government was supposed to be its syndic, and to put this wealth up for international auction. More specifically, there was to be a national fund, in which shares of all Polish enterprises would be put; it was obligatory that 25% of the shares be handed to Polish creditors, i.e., countries to which Poland was indebted, as well as private banks. The rest were to be distributed to auctions in Poland and abroad. The national fund was to be headed by representatives of western banks and creditor countries.

Reportedly, even the British government did not support this program, claiming that it would interfere in Polish internal affairs too much, but the Polish government accepted it; Professor Geremek expressed a very positive opinion about it. The program was kept in secrecy, and still today there is a conspiracy of silence around it. Nobody knows about it or talks about it, except for a few publications and statements in the Sejm. We think that this plan is still the basis for the process of privatization, because it is being realized in various forms.

We can see a very broad analogy between what all the Polish governments have been doing, especially the Oleksy government, and the Soros Plan. You can see this especially in the case of the National Investment Funds, which are a miniaturized form of a national fund from the Soros Plan, including the fact that representatives of western banks and western consulting firms have virtually taken control over those funds.

Therefore, we wanted to get information from the government, whether those similarities between privatization policies and the Soros Plan are accidental, or whether the government is simply fulfilling the Plan's requirements. Does the government think that secret negotiations and deals made to the detriment of the society constitute national treason, or not?

Unfortunately, we did not manage to push this motion through the Sejm, because only a little over 40 deputies voted in support. Many Polish deputies do not want to know about the basic affairs of this country. This motion was inconvenient, not only for the government, but also for part of the opposition parties, namely, the Freedom Union and the Labor Union. So, only some deputies from the Peasant Party supported us. I do not think that the case of the Soros Plan could

be exposed in this Parliament, especially because it is dangerous for those who participated in the secret talks. Even more so, if one could prove that what they are doing is implementing the Soros Plan.

Generally speaking, this privatization process is a process of economic partition. It works this way: The enclaves of Polish industry which are profitable and modern, are taken over, as was done by the communists in the past—they would divide enterprises into several parts, and take over key parts in order to suck profitability from the other parts.

The same is going on now on a bigger scale. The buyers are not only native "capitalists" of various backgrounds, usually from the Polish financial and political oligarchy, but, what is even worse, foreign capital, which is privileged in this situation. The islands of modernity and profitability, which are generators of profitability for the whole economy, are being sold. The sell-off of such generators of profitability, results in a situation in which the profit can be easily transferred out of the Polish economy to the country of origin of a foreign corporation. The production can be called Polish only because it is conducted on Polish soil; the same is the case with many enterprises which are only located in Poland, but in reality are part of foreign production, with many international connections.

We had an example of this recently. Minister Kaczmarek, who is responsible for privatizations, sold two very profitable tire factories, in Debica and Olsztyn, to their competitors—American Goodyear and French Michelin. This means that the profit from those two factories, one of which had invested in modern production lines just two years ago, will be moved to another corporation, to another country. This is absurd. In addition, they also plan to privatize the banking system.

One more thing which is not commonly known, and which is most probably connected to Soros, is the looting of public finances, connected mainly to a fixed dollar exchange rate in Poland. Balcerowicz and Wojtowicz signed a confidential letter of intent with the IMF. One of the points in this letter was the agreement that, for three years, the dollar exchange rate in Poland would not be touched, that it would be fixed. That was introduced by Balcerowicz on Jan. 1, 1990; it did not last three years, but only till the middle of 1991. From what we know, this triggered a wave of looting of public finances, which had been going on earlier, and is still going

on, but on a smaller scale. Due to this fixed rate, the notorious Bagsik fortune was built up.

The mechanism was very simple: The dollar exchange rate was fixed, and interest rates on dollar accounts in banks were fixed. Interest rates on savings in zloty were fixed at 80% annually. It was enough to be certain that for a year or longer, this rate of exchange would be unchanged. But if it were changed, then anyone who had this information could exchange dollars into Polish currency, put them in a Polish bank, earning a 70-80% rate of interest, and, after a year, buy dollars again. From every initial dollar, he would now get \$1.80, and, after two years, even \$2.50. From what we know, huge amounts of speculative capital started to flood Poland, which was joined by Polish speculators like Bagsik and Gasiorowski.

Prof. Jerzy Przystawa and Dr. Mirosław Dakowski [authors of the book "Va Bank i FOZZ" describing the looting of public finances through the Foreign Debt Service Fund] estimated that more than \$10 billion left Poland this way within two years.

EIR: After the victory of Aleksander Kwasniewski, the leader of post-communist party SLD, in Presidential elections [on Nov. 19, 1995], many people in Poland started to talk about the total comeback of old communists to power. Would you agree, that right now it is more accurate to characterize this political group as liberals or monetarists, rather than communists?

Blasiak: Either characterization, communists or liberals, would be a mistake, because they stopped believing in communism already in the 1960s, and certainly by the 1980s. As for liberalism or monetarism, these are only facades they put on to implement policies that I have just described.

Liberalism in Poland is nothing other than a convenient formula which serves as a cover for looting national wealth and bargaining with national interests. Those people are not communists, or monetarists, or liberals. This is a new social formation, a class of comprador oligarchy, typical of Third World countries. Its goal is: Take over key points of political and economic power—Parliament, the Presidency, special services, the Army, as well as economic assets, such as banks, which they did already in the late 1980s, or parts of the National Investment Funds.

One of my friends, Gabriel Kraus, calls them mercenaries, political and economic mercenaries, who are like hired soldiers, acting in somebody else's interests for their own profit. This class is playing the role of mediator between, on one side, its own exploited society and economy, and, on the other, foreign political and economic centers. This is easy for them because, in the past, they had such a center in Moscow, and now there are perhaps more such centers which have more "pluralistic" interests, but the mechanism of thinking is the same. And the obeisance, whether to the

European Union or to Comecon, does not make a big difference, because it is based on the same comprador mentality, of people for whom anybody who talks about a Fatherland, Poland, or independence is an extreme nationalist or a zealot. This is a group which cannot reform itself, and an objective configuration of forces will not force them to change either. They do not have the political will, which is also necessary, to defend the economic sovereignty of the country.

To threaten with the comeback of communists is a misunderstanding. The threat does not come from communists as a political faction, but from what they have turned themselves into since 1988, i.e., their transformation into a new, very dangerous group of comprador oligarchy, which plays the role of mediator in the exploitation of their own country. What is dangerous is their non-independent economic policies and non-independent foreign policy.

This is a situation analogous only to the 18th century in Poland, when, after a period of rule by the Saxon dynasty, Poland was left with a twisted social structure in the form of powerful oligarchical magnates, who were also playing the role of compradors, but at that time they were looking for help at the courts of St. Petersburg, Vienna, or Berlin. Now they look for it in Brussels, and also in Moscow, in Bonn, in Washington—wherever. They are not capable of conducting an independent policy—this formation is devoid of patriotism and national identity.

I can see this at the sessions of my committee, when the minister, asked how he guards national interests in the process of privatization, answers that he does not look into people's passports.

EIR: At the end of 1995, France was paralyzed by a wave of strikes and demonstrations against the austerity program proposed by the [Prime Minister Alain] Juppé government in the framework of the Maastricht Treaty. Was there in Poland any understanding that the protests of French trade unions were in essence directed against the Maastricht Treaty itself, which criteria Poland is trying to fulfill in the hope of joining the European Union?

Blasiak: No, there has not been such an understanding, because the Poles do not know too much about this Maastricht Treaty and what its consequences will be for Poland. This is due to the fact that the Polish mass media—or, as we in the Confederation call them, Polish-language media, because they use the Polish language but cannot think Polish or understand Polish national interests—block any information which would show the dangers of integration with the Union or any negative sides of this integration. Anything that would show the vassal, lackey character of the Polish policy toward the Union is deleted from the Polish mass media. There is a primitive, simple-minded pro-Union policy. A few years ago, when we dared to express doubts about this policy, we were declared zealots and nationalists.

The Poles are not aware of the consequences of even an association with the Union, which is clearly formulated to our detriment. How can you treat seriously Polish politicians when Grzegorz Kolodko, the finance minister, says, in an official explanation of why they want to lower the budget deficit from 3.1% to 2.8%, that this will get us closer to the Maastricht Treaty, which does not concern us! Right now, Poland does not have a chance for serious talks about integration [with the EU], yet today the deputy prime minister explains the decision to lower the budget deficit, in order to be in conformance with the Maastricht Treaty, which has nothing to do with us. Moreover, this treaty does not seem to be treated seriously now even by the countries which have signed it, that is, this 3% deficit has become something they may fulfill in the future, but not now.

There is no awareness of the consequences of the association with the Union, because if they wanted to show them, they would have to explain their own policy of senseless opening of borders for imports; the horrifying comprador policy of the Central Bank, which promotes imports to Poland as a result of a massive appreciation of the Polish currency; depreciation of the dollar, reaching now a few dozens percent, if not more. The Polish taxpayer pays out quite a lot more, for every dollar of imported goods. The government would have to disclose that 1.5 million hectares of set-aside land is a result of pressure from the European Union. The size of this set-aside land corresponds more or less to the amount of present grain imports into Poland. As much as 30% of land belonging in the past to State farms, lies fallow. That was done, not by the Oleksy government, nor by the Pawlak government, but mainly by the Bielcki government, which was formed at the initiative of Walesa.

I gave a speech in the Parliament about the role of the Polish-language press in disinforming Polish society. I said that 60% of the press was in the hands of foreign capital, which de facto shapes the content of the press. Nobody writes about such negative phenomena in a direct way. They simply do not write about certain matters. It is characteristic that, if the economic interests of the West and Poland contradict each other, the Polish press does not mention this. Polish readers can smell a rat, that there are problems with the dollar, with our exports, but nobody says it in a direct way; sometimes only in the Sejm, but an average Pole works and has no time to watch this on TV.

It does not matter whether we have a government of a leftist, or a rightist, or a centrist coalition, since it is always the same IMF policy. In the past, representatives of the IMF would show up at parliamentary sessions concerning our budget—now they don't do it any more. Before every budgetary session, they would descend here from Washington like ravens, to see to it that basic economic parameters were set to serve well the seven developed countries of the world, but not Poland.

Going back to the French strikes: Polish people mainly

watch television to get their news. I did not hear one sentence which would make a connection between those two things, i.e., Maastricht and the strikes. They only reported Juppé saying that the strikes will not be a threat to European integration. So, nobody sees this connection, because it is concealed.

EIR: You know that Lyndon LaRouche, whom you had a chance to hear at a conference in Warsaw last June, is running for President in the United States. In what way do you think he could influence policies of the U.S. administration in order to improve the situation in Europe, especially eastern Europe?

Blasiak: The United States has a great influence on the IMF and the World Bank. I think that it is necessary to curb this zeal of the IMF to loot eastern European economies in a more decisive way than the current President is doing; although supposedly he is doing something, but we are also not informed about it. Only through "roundabout" ways have we learned that there were such interventions in the past. The results of the Russian elections are a reflection of the failure of IMF policies. The situation is similar in Poland. I think that the American President should pay more attention to the fact that the enormous economic powers, which are in the possession of the IMF and other international organizations, are used to support the interests of developed countries rather than countries like ours.

Looking at this more generally, one can ask a question: How much longer can this division of the world go on? Division into developed countries with a few hundred big corporations, and those countries which are slowly being pushed to the margin of the civilized world. Perhaps, somehow, it could go on for some more years, but I think that without an attempt to rebuild the international economic order globally, it may end up in a huge, total economic catastrophe.

So far, developed countries have been using their superiority to push the consequences of all the troubles in the global economic system onto the shoulders of lesser developed countries. But the case of Mexico shows what this may lead to, if we do not solve such problems as, for example, the foreign debt.

The sign must be given by the United States, because no other country is able to take on this task—neither creditor countries nor indebted countries, which are too weak even if they managed to form a debtors' alliance. The problem of indebtedness should be solved by the new system, a new economic model. Anyway, I do not believe that anyone could pay back those debts. They are used only as a tool for blackmail, to serve the interests of international corporations and other interest groups. The later we take up this question, the worse the consequences, the more difficult the situation. This is a blind alley, and we have to pull out of it, or all of us will slide into an abyss.

Nazi doctors promote 'bioethics': murder of comatose patients

by Karen Steinherz and Wolfgang Lillge, M.D.

This report was originally published in the German weekly Neue Solidarität, and was translated by Edward Carl.

An international conference took place in Bonn on Dec. 8-9, 1995, at which physicians from several European countries promoted the practice of murdering their patients under the rubric of "active death assistance." The meeting was titled "Moral Questions Involved in the Treatment and Care of Comatose Patients." Supported by the Commission of the European Union (EU), the Deutsche Forschungsgemeinschaft (German Research Society), and the Stifterverbandes für die Deutsche Wissenschaft (Union of German Science Foundations), the gathering was sponsored by the Institute for Science and Ethics in Bonn, in collaboration with the Centre of Medical Law and Ethics of Kings College in London.

The conference was part of a bioethics research project on "The Ethical and Legal Issues Surrounding the Treatment and Medical Care of Human Beings in Comas," sponsored by the EU within the framework of its "Biomed" Project. The context for the conference (as well as of the Biomed Project), is an attempt to shape the outcome of a controlled "philosophical" debate among European neurologists, so that doctors would "know" the conditions under which there would be a "consensus" for killing comatose patients by denying them food and water.

An alliance among German, Dutch, Belgian, and British pseudoscientists tried to convince the audience that comatose patients ought to be killed by taking away nourishment, or by halting medical treatment and care. The issue that is supposed to be debated is no longer "whether," but rather "how" and "under what conditions."

British lead the pack

Distinguishing themselves as the leading protagonists of this pack of hyenas were the British participants. British courts have repeatedly ruled in favor of allowing comatose patients to be starved by having their feeding tubes removed. Pat Walsh, from the Centre of Medical Law and Ethics, openly acknowledged that he believes in this in his own practice, and tried to make a moral distinction between a patient being deliberately killed by his doctor and letting a patient die by

means of removing nourishment and water. Dr. John Keown, of Queens College in Cambridge, England, attacked the idea of the "sacredness of human life." This concept is likely to be "incorrectly understood," particularly by doctors, Keown complained. That concept should now make way for the introduction of "quality of life" criteria into medical practice, he intoned.

Professor Schotsmans of the Center for Biomedical Ethics and Law of the Catholic University of Louvain in Belgium, pilloried the "therapeutic obstinacy" of doctors, with respect to their "inappropriate medical treatment of potentially incurable patients." By this he meant not only comatose patients, but also those who might be found within intensive-care units, as well as cancer patients who might have exhausted all the standard therapies. "Excessive" diagnostic procedures or preventive therapy measures in cases of "relatively harmless disorders," must be henceforth avoided, he said.

It wasn't so long ago that standard medical practice was to preserve the patient's life at all costs. At that time, the physician had only a few options at his disposal for postponing death, Schotsmans argued. Today, on the other hand, there are many more such possibilities, and *for precisely this reason*, physicians should forgo their "excessive" utilization. The treatment of such patients, he said, has to be subjected to a cost-benefit analysis and a "quality of life" evaluation.

Schotsmans promoted the false contention, which was repeatedly refuted during the conference itself, that after even 3-6 months duration, a coma had to be considered "permanent." His recommendation after this time has elapsed? "It is logical for medical treatments to be progressively curtailed, beginning with aggressive therapies like antibiotics, in order ultimately to reach a normal level of care without any specific means of medical treatment, *including provision of fluids and food through infusion or feeding tubes. Provision of fluid and nutriment in this manner ought to be construed as medical intervention.*"

The withholding of food and water, i.e., the barbaric murder of a patient, was considered "an act of normal medical practice" by Schotsmans, and was a theme throughout the conference speeches. To wit, if you are ready to accept this, then you won't have to wait for the legal barriers still in effect

Club of Life rips Huxley and euthanasia

In the discussion at the Bonn conference concerning the treatment of comatose patients, Karen Steinherz, a representative of the Club of Life, took up the background of the so-called "bioethical sciences":

I am a Jewess and have studied Jewish theology. The contributions of this conference are especially unbelievable in respect to the history of euthanasia in Germany. I advise you urgently to read the book *Tödliche Wissenschaft [Deathly Science]*, by the Cologne geneticist Benno Mueller-Hill. There he writes that the so-called "science" during the period of National Socialism was nothing other than biological determinism in its most extreme form. The Nazis feared that the minorities in the country would propagate more rapidly than they, the Aryans. On account of this, they decided on extermination. Biological determinism is always the "political excuse" for such and similar acts.

In 1954, the British author Aldous Huxley wrote *Brave New World*, a collection of "scientific" essays in which he declared himself in favor of the elimination of the elderly, sick children, and the crippled. He received much support for the preparation of the book from neurologists in Great Britain and from Harvard, which today teaches and practices "eugenic science," as well as from the department of neuropsychopharmacology at the University of California. It was his aim to build up a three-class society, such as you are preparing today in Europe through the Maastricht Treaty. There would be an elite class, a small middle class, and an impoverished third stratum, who, with poorly paying jobs, would be provided with practically no medical services. This is the context in which this conference is to be viewed. . . .

You may be certain that we know what is behind your plans, and that we are communicating this to the population. I must add, that I am ashamed for the organizers and the European Commission, who use enormous sums of money to prepare criminal plans and conferences, instead of allowing this money to flow into the urgently required rehabilitation centers for coma patients.

to be cleared out of the way before you can practice euthanasia with utter freedom from constraint. "Active death-assistance" could then, as one participant expressed it, be carried out in practice perfectly "legally"—despite the fact that the law absolutely forbidding it is still on the books.

An example of the bioethicists' inhuman notion of man, was stated by Schotsmans: "The earthly life of a human being certainly has a fundamental value; however, the persisting and irreversibly vegetative life of a PVS patient no longer offers the necessary conditions for attaining higher human values such as love for his fellow man and for God.¹ If the prolongation of a life no longer offers any hope at all for [the patient] to realize these higher values, then the grounds for preserving this life by using artificial means are reduced."

'Now the killings can really get going'

The German representatives played no less a role in this matter than their British and Belgian colleagues; for example, Dr. (non-medical) Bettina Schöne-Seifert, from the Göttingen University philosophy department, who is considered to be a supporter of the Australian radical bioethicist Singer. The tenor of her speech was summed up by one conference participant: "Now the killings can really get going!"

Schöne-Seifert demanded a "professional 'consensus'

1. Although the term "persistent vegetative state" (PVS) may be widely used (especially by advocates of non-rehabilitation or killing of comatose persons), in fact, this term is scientifically meaningless. Its use is inherently misleading, and tends to demean and confuse.—*Translator's note*

concerning when the diagnosis of a *permanent* loss of consciousness ought to be considered as established from a rational standpoint." The public is going to have to be steered into such a perception, she said, and the use of patients' living wills, and their recognition as legally binding in coma cases, must become widespread. "When there is no indication of how a particular PVS patient might have wanted to be treated, I personally see good grounds for presuming to go ahead and allow her or him to die (that is, as directed by the guidelines recommended in 1995 by the Swiss Academy of the Medical Sciences)."

Disagreements arise

Many of the approximately 100 guests, and even a few of the speakers, were unwilling to put up with these statements. The Club of Life clearly articulated its point of view at the beginning of the event, in a leaflet entitled "It Was Once Said: Euthanasia Never Again! Have We Forgotten Already?" In addition, representatives of preventive-care workers, the nursing field, and some doctors mutinied against the euthanasia plans being propounded. From the political domain, the only resistance came from the European Parliament delegate of the Greens, Hiltrud Breyer. Several participants walked out of the conference early, "in horror."

Other significant resistance came from the self-help group Schaedel-Hirmpatienten in Not (Cranial-Brain Patients in Peril). In their speeches, its chairman, Armin Nentwig, and the neurosurgeon and coma expert Dr. Andreas Zieger, drew the comparisons to Nazi Germany. They made it clear that

they did not come in order to participate in a “dialogue” about killing comatose patients, but, quite the contrary, in order to defend those patients’ right to live. Both powerfully got their point across that comatose patients, with timely and targeted treatment (constant sensory stimulation), can for the most part be rehabilitated, and even integrated back into their occupational activities. The real problem, they pointed out, is the scandalous dearth of the required rehabilitation facilities. (In Germany there are only 700 early-rehabilitation facilities, with a total capacity of about 2,270 patients.)

Significant opposition arises whenever the intentions of the euthanasia lobby are explained to the public. Nevertheless, at no point did pro-euthanasia organizers ever engage in discussion, or dispute even their most vehement critics. Rather, they only wanted to find out what level the debate within the public has reached (a debate the euthanasia-advocates themselves have been steering to a significant extent), and just how far the limits of tolerance of physicians now extend.

Given the kind of monetary and political resources that the EU has at its disposal, as well as the wide degree to which the EU’s entire “Biomed” bioethical framework has infiltrated medicine, then, despite the active opposition from the population, arms will be twisted to ensure compliance, despite the many decisions in non-public committees. Add to this the fact that rehabilitation of comatose patients is very expensive. In the face of empty coffers, and the refusal of politicians to lay hold of the appropriate political-economic measures for economic recovery, there exists an acute danger to the lives of comatose patients in Europe. One can only admit that union spokesman Nentwig is right, in suspecting that Biomed aims at a European-wide standard for how comatose patients are to be dealt with. If the killing of comatose patients were once again to become legally and socially accepted, this would then be extended, step-by-step, to other “expensive” categories of patients.

Documentation

Starving people is murder

Extracts from the written remarks submitted by Dr. Andreas Zieger, a neurosurgeon and coma expert who is advising the federal self-help association Cranial-Brain Patients in Peril:

I am acquainted with around 50 survivors of long-standing of the so-called “vegetative” state. . . . I have gotten to know patients who were given up on by their doctors and, in spite of the poor prognoses of their doctors, have survived. Many of them were denied any attempts at rehabilitation, and suffered

under the contemptuous opinion of their doctors, who thought their lives to be “without value,” or thought them to be “medical refuse.” . . . These shameless and cynical opinions were thoroughly disseminated, and, I believe, these terrible views often say more to us about the psychic defense and emotional helplessness of the doctors than about the actual condition of the patients. . . .

It appears as if nothing had been learned from the experience of the [Nazi] T-4 campaign and other “euthanasia” programs in Germany during the Second World War. At that time, handicapped persons were killed with lethal injections. Nowadays, the removal of feeding-tubes and other forms of “suicide assistance” are intended as a new euthanasia movement, and as the beginning of a form of European biopolitics! . . .

The removal of feeding-tubes causes starvation unto death. It is the murder of a human being. In the face of dwindling economic resources in the western world, this bioethical thinking is subjecting human life and the dignity of man to strictly utilitarian criteria.

Patients group says ‘no’

Armin Nentwig, chairman of Cranial-Brain Patients in Peril, presented the results of a questionnaire prepared by members of his association at the Bonn conference. Nentwig documented an impressive display of charity toward one’s fellow man, notwithstanding the fact that people who are involved with or concerned about comatose patients find themselves facing the most extremely difficult and challenging situations, sometimes protracted over years.

In the questionnaire, 71.5% of the respondents were relatives, 5.3% were themselves formerly comatose patients, and 23.5% were health-care aides, nurses, doctors, therapists, psychologists, and social workers. Following each question is the percentage response:

Is it permissible to put into question the right to life of a human being in a coma? No: 94.1%.

Will you accept the early termination of treatment for a human being in a coma? No: 96.8%.

. . . That nourishment is removed, i.e., that active death-assistance is performed? No: 95.0%.

Is it permissible for doctors alone to decide that timely treatment is to be terminated for a patient in a coma? No: 98.5%.

Should a court alone be permitted to decide this question? No: 94.4%.

Do concerned persons, relatives, and those caring for coma patients have to have the right to object, if doctors want to break off rehabilitation or therapy? Yes: 86.5%.

Should the right to life for patients in a coma be legally protected? Yes: 86.5%.

International Intelligence

Russian elites ask Yeltsin to end war

On Jan. 6, one hundred prominent Russian intellectuals published an open letter imploring President Boris Yeltsin to stop the "fratricidal war" in Chechnya, the *Washington Post* reported on Jan. 7. Meanwhile, heavy combat is reported between Russian troops and rebel forces there. The "unusual" letter was published on the front page of *Izvestia*. The conflict has taken an estimated 20,000 lives and is considered to have been the result of poor policies by the Yeltsin administration.

"At the end of the 20th century, when the principle of political settlement even unravels such knots as those in the Middle East and Ulster, the Chechen war appears for the Russian and world community to be a wild anachronism," the letter said. Defense Minister Pavel Grachov, meanwhile, predicted that the fighting would intensify.

Polish premier accused of espionage

Under pressure from the opposition and public opinion, Polish Prime Minister Jozef Oleksy announced on Jan. 8 that he would take a week's leave of absence due to the pending investigation of espionage allegations against him.

On Dec. 19, then minister of internal affairs, Andrzej Milczanowski, a close collaborator of Lech Walesa, presented the allegations and passed documentation to the Prosecutor's Office. A special Sejm committee had been investigating the case since then.

Prime Minister Oleksy confessed that he made a mistake keeping close personal contacts with a Russian agent, but he insisted that the contacts did not involve spying and that he was innocent. Oleksy indirectly admitted in a television interview that his friendship with Vladimir Alganov, a Moscow diplomat and an intelligence officer in Warsaw in 1981-92, was very close and in-

involved joint hunting trips.

Wiktor Fonfara, head of the Internal Affairs Ministry investigation department, said ministry documents on Oleksy are "fully credible" and were compiled during an investigation into the "foreign spy network."

In a private conversation, one Polish deputy of the Sejm told *EIR* that the charges came from a western intelligence service in autumn 1995. The deputy is convinced that the scandal, which is one more involving SLD deputies, may lead to the destruction of the coalition (the government is based on two parties: SLD and PSL).

European-wide pattern of government reshuffles

Shifts in government are expected all over Europe this year, due to the escalating process of decomposition of the political elites and their parties, under the impact of economic depression, fiscal and debt crises, and increasing social unrest.

- France: A reshuffle of the Alain Juppé cabinet and maybe even his replacement cannot be ruled out, as none of the problems that provoked the November/December mass strike wave have been solved, and nationwide discontent with the new round of tax increases beginning on Jan. 1, is certain to again hit the government.

- Britain: With Prime Minister John Major commanding a tiny parliamentary majority of only three seats in the parliament, and with the certainty that more than three of the aged members of the Tory group in the parliament will die and that Major's party will lose the required by-elections, it is generally expected that Major won't escape the necessity of calling early elections ahead of the scheduled spring 1997 date. .

- Spain: Elections for parliament will be held on March 3, one year ahead of schedule.

- Greece: The expected passing of hospitalized President Andreas Papandreou will not only pose the question of his replacement, but also of early elections for parliament.

- Italy: A decision is still pending for early general elections, although President Lamberto Scalfaro refused to dismiss Prime Minister Luigi Dini at present.

- Germany: Even in the "European beacon of stability," early mid-term elections (December 1996 or before) are considered possible. This hangs on the uncertain fate of Chancellor Helmut Kohl's Christian Democratic-Free Democratic coalition beyond the three state-level elections March 24, which will see 25% of the nation's electorate voting on the future of the Free Democratic Party liberals in the state parliaments of Rhineland-Palatinate, Schleswig-Holstein, and Baden-Württemberg.

It is generally expected that the FDP will be thrown out of all three parliaments. It has been leaked that Kohl and top executives of his Christian Democrats met before Christmas to discuss alternatives to the continuation of the coalition with the FDP.

Say Cossiga covered up 1980 Ustica tragedy

Former Italian President Francesco Cossiga has been accused of having directed the cover-up of the downing of a civilian airliner over Ustica (Palermo), which occurred June 27, 1980, when Cossiga was prime minister. It resulted in 81 deaths. The Itavia airliner was hit by a French missile in the course of an air battle involving French and U.S. fighters on the one hand, and a Libyan plane, supposedly with Muammar Qaddafi on board.

The allegations are contained in dossiers found by Italian prosecutor Rosario Priore in the house of the former counterintelligence chief of the Italian military service (SISMI), Gen. Demetrio Cogliandro. Cogliandro's house was searched last December, but only on Jan. 5 was the information released to the press.

The main source for the new revelations is journalist Andrea Purgatori, who has worked in the past in collaboration with prosecutor Priore, and with the association of victims of the Ustica "accident." Purga-

Briefly

RICHARD LEAKEY is called a "Master of Deceit," in a new book released in Britain, which accuses Leakey of fraud, theft, blackmail, and racism. Leakey recently formed a political party to overthrow Kenyan President Daniel arap Moi, who, the book says, was personally prevented by Queen Elizabeth and Prince Philip from firing Leakey as head of the National Museums of Kenya.

CONFESSED assassin Yigal Amir told Israeli interrogators that there were "several strange" aspects to the murder of Prime Minister Yitzhak Rabin, Israeli radio reported Jan. 3. Amir reported that his brother had suggested including Avishai Raviv, the leader of Eyal, their terrorist group, in the plot, but "I objected because we knew Raviv was from the security service."

MITTERRAND, the former two-term President of France who died Jan. 8 after a long illness, was eulogized around the world—but not in Sarajevo. Bosnian Vice President Ejup Ganic said that François Mitterrand "falls into the category of politicians who did not stop the genocide in Bosnia, and Bosnia has no reason to commemorate him."

RAFAH KEBIR, the exiled leader of Algeria's FIS (Islamic Salvation Front), will not be expelled from Germany as an alleged "FIS extremist" despite an effort by the Aachen foreign affairs office to lift his political asylum status.

THE BRITISH royal family is "the biggest family of narcotraffickers who ever existed," wrote *Corriere della Sera*, Italy's largest daily, in an editorial Jan. 2. Editorialist Emilio Tadini points out, "There have been two wars between England and China in the last century . . . and both have been called 'Opium War'; . . . As if today the government of Colombia declared war against us and—were they able to do it—sent their army to invade us and force us to import their heroin and their cocaine."

tori, who writes in *Corriere della Sera* on Jan. 6, was also author of a movie on the case, "The Rubber Wall." According to Purgatori, on June 27, 1980, the following scenario unfolded: "Qaddafi's plane flying in the Tyrrhenian sky, false Libyan fighters to intercept and down it in the framework of a secret operation, Colonel Qaddafi's escort reacting, American and French fighters take off, and then the air battle, followed by the Italian Air Defense radars. The Itavia DC9, having taken off from Bologna with two hours delay, flying to Palermo with 81 persons on board, was in the wrong place at the wrong time. A missile (French) hits it, while a Libyan MiG is also hit and crashes in the Sila mountains" of Calabria.

According to Purgatori, "The details contained in the 15 files on the Ustica massacre, written by former SISMI Counterintelligence chief Demetrio Cogliandro, reconstruct a real war scenario, attributing to then-government head Francesco Cossiga the decision to hide the truth; they also draw our allies and our Libyan neighbor heavily into the game."

Venezuelan President: 'sweat, but not blood'

Venezuelan President Rafael Caldera, in his televised speech to the nation Jan. 1, emphasized that he would not ask "blood, sweat, and tears," in the spirit of Winston Churchill, from his countrymen. "There has already been too much blood and many tears, but what I will ask for is 'sweat' from everyone"—that everyone work very hard to resolve the country's problems.

His speech reflected the pressure on Venezuela to cave in to the International Monetary Fund's austerity demands in exchange for a bridge loan. He placed great emphasis on the creation of an Oil Investment Fund (FIP), which appears to be a mechanism for increasing "domestic savings"—a typical demand of Wall Street and the IMF. Caldera emphasized that the oil fund will be a way of "democratizing capital, because it will allow the savings of smaller and medium-sized in-

vestors to be directed toward the oil industry."

Meanwhile, Venezuela's labor federation is demanding at least a 50% wage increase, up from 15,000 bolivars to 40,000 bolivars. With subsidies for transportation and food added in, the total would be 56,000, or \$193.

To ease the burden of new austerity measures and price increases, on Jan. 5 the Caldera government announced a new system of subsidies that will cover more than half of the 21 million Venezuelans. Three million families will receive a monthly "family subsidy" of 2,800 bolivars (\$9.66), intended to replace the existing system of food stamps for milk, rice, and flour. As of Jan. 1, prices on many food staples and medicines increased by as much as 50%. According to Family Minister Mercedes Pulido, 49% of Venezuelans now live in poverty.

Swedish king admits nuclear energy needed

"If we want to keep our welfare and protect the environment, it will be very difficult to liquidate nuclear energy," Swedish King Carl Gustaf XVI stated in his Christmas address on Dec. 16, 1995. The leader of the Green party, Birger Schlaug, denounced the king at once, but many other politicians, including one from the very green Center Party, approved of the statement.

By 2010, all Swedish nuclear power plants are supposed to be turned off. That in itself presents a big threat to national interests, such as the paper-mill industry and other energy-intensive industries. The king chose to emphasize the need to save the remaining four big "natural" rivers from being exploited for water power.

The king is honorary chairman of the board of the Swedish World Wide Fund for Nature, where nuclear energy's future is a hot factional issue. The same goes for the "greenhouse effect"; even the staunchest foe of nuclear energy in the Swedish WWF board admitted that global warming "is a complete bluff."

GOP 'Red Guard' pushes showdown with Clinton

by Jeffrey Steinberg

On Aug. 7, 1990, at an executive session of Newt Gingrich's political action committee, GOPAC, longtime Republican National Committee strategist and Gingrich promoter Eddie Mahe insisted to the assembled loyalists that Mao Zedong's *Little Red Book* on guerrilla warfare was mandatory reading for anyone committed to "the revolution." Mahe was not referring to the ecology revolution, or even the Reagan Revolution. He was referring to GOPAC's own insurgent campaign to pack the U.S. Congress with a hand-picked band of mean-spirited free-market fanatics, indoctrinated by the Mont Pelerin Society, and committed to dismantling the U.S. federal government piece by piece.

Five years later, the U.S. Congress and the entire federal government are, indeed, being held hostage to a band of Conservative Revolution Jacobins, dominated by GOPAC "farm team" trainees, which even the international media have recently dubbed the "Red Guard."

On Jan. 5, 1996, the German daily *Frankfurter Allgemeine Zeitung*, in a series of articles about the U.S. budget fight, described the 73 Republican freshmen members of Congress, who have been leading the confrontation with President Clinton that already produced two federal government shutdowns, as the "Red Guard."

It is a chilling metaphor. From 1964-76, Mao unleashed the Red Guards, paramilitary bands of armed young fanatics, brainwashed by the *Little Red Book*, to brutally eliminate China's intelligentsia and all but eradicate the country's industrial and scientific capacities. Before the so-called Cultural Revolution was over, more than 10 million Chinese had been executed.

If today's breed of GOP congressional "Red Guard" has its way, the death toll will be even higher from Newt Gingrich's "Cultural Revolution."

These GOP extremists, the *Frankfurter Allgemeine* noted, are more loyal to the agenda of taking down the federal government, than they are even to their self-anointed "Chairman," Gingrich. The GOP Red Guard long ago wrote off Senate Majority Leader Robert Dole (R-Kan.), and instead, looks to Rep. Dick Armey (R-Tex.), a rabid Mont Pelerin Society ideologue, who described the 1994 congressional Republican victory as "a paradigm-shattering revolution," as their true ideological guru, according to the Frankfurt paper.

These Red Guard Republicans are in a showdown with the Clinton administration, ostensibly, over the details of a seven-year balanced budget plan. But, after over 50 hours of negotiations between the President and the leadership of both Houses of Congress, it has finally sunk in to White House strategists that the real issue on the table is not a balanced budget in seven years—or seven decades. The real issue is the very future of the United States as a Constitutional republic, which the Mont Pelerin Society is committed to bringing to an end before the dawn of the 21st century.

Mont Pelerin ideologues like Grover Norquist, and British-sponsored think-tanks like the Heritage Foundation, the Reason Foundation, and the Cato Institute, have assembled long lists of federal programs they have slated for early extinction, including the Tennessee Valley Authority (TVA), Rural Electrification, the Export-Import Bank, the U.S. Postal Service, the U.S. Department of Commerce, and Amtrak. Even such science-drivers as NASA are on the chopping block.

Among the Conservative Revolutionists, there is a "take no prisoners" mood. The reason: Come the November 1996 general elections, the Republican majority could be swept from office. Therefore, between now and the autumn, a hard-core group of GOP legislators is committed to doing the

maximum damage—permanent damage—to the powers of the federal government. Two years ago, shortly after the November 1994 GOP congressional victories, Norquist boasted to a reporter that “once these targeted programs are dismantled, it would take 30 years to re-create them.”

Even when it comes to the issue of longstanding federal entitlement programs, such as Medicare and Medicaid, the not-so-hidden agenda of the Red Guard Republicans is the elimination of the role of the federal government altogether. The consequence, were President Clinton to cave in: a massive decline in the standard of living for America’s most vulnerable citizens—the elderly, the disabled, the poor, and the nation’s youth.

Clinton’s position

After weeks of behind-closed-doors negotiations, which came to a temporary halt on Jan. 9, the Clinton administration decided that the underlying issues in the budget battle had to be taken directly to the American public.

In an hour-long White House press conference on Jan. 11, 1996, President Clinton reiterated that a balanced budget deal could be struck “in 15 minutes,” based on the lengthy negotiations that have already taken place. The problem lies elsewhere, the President explained. “We all know that there are two strains at work in the Republican effort. There is the genuine desire to balance the budget, which I share. But there are those who want to use the balanced budget and a huge tax cut crammed within the balanced budget to strip our national government and our country of our ability to do our part here in Washington to help people out in our communities with the challenges they face.” The President concluded: “We shouldn’t let our fundamental agreement on a balanced budget be held hostage to a narrower agenda.”

The following day, at a rally of union workers in Nashville, Tennessee, President Clinton was even more explicit: “In life, you do what you can today and you put off the rest until tomorrow. Let us take what we can agree on and balance the budget while we protect Medicare and Medicaid and education and the environment and give modest tax relief. Let us be honest with the American people about what we disagree on, and let the American people make their decision in November.”

A new hostage threat

Putting the issue before the American public is exactly what the GOP Red Guard does not wish to do. Instead, they have launched a new tactic aimed at blackmailing the President into caving in on some of the irreconcilable policy differences. Beginning in early January, Reps. Gerald Solomon (R-N.Y.) and Christopher Cox (R-Calif.) began threatening to seek impeachment of Treasury Secretary Robert Rubin, if he tries once again to avert a federal government default when the Treasury reaches the debt ceiling sometime in mid-February. Last December, when the idea of forcing

a federal default was first floated, White House Chief of Staff Leon Panetta and First Lady Hillary Clinton both characterized the move as an “act of terrorism” directed against the President of the United States.

In fact, for months, since the very beginning of the balanced budget fight, the Red Guard Republicans have been pushing for a default. Wall Street speculator George Soros has been leading a lobbying effort to hold GOP feet to the fire on the issue of throwing the United States into bankruptcy; several Wall Street sources say that Soros is planning to make a personal killing on the Treasury bond market, if he can drive the United States into default. In September 1993, Soros made over \$1 billion in net profit in 48 hours, from speculating on the British pound sterling, and at the time there were widespread reports that Soros’s investment acumen was based on inside intelligence. Soros Fund manager Stanley Druckenmiller has been pounding the pavement on Capitol Hill, pushing Speaker Gingrich, House Budget Committee chairman John Kasich (R-Ohio), and other Red Guardsmen to force the U.S. government into bankruptcy.

Recently, three “Bush League” former Treasury secretaries—Donald Regan, James Baker III, and Nicholas Brady—all wrote to Rubin warning him that he was possibly committing a federal crime by keeping the government from going into default!

In his Jan. 11 press conference, President Clinton came out strongly backing Secretary Rubin. “I think it would be wrong, and almost inconceivable, for the United States to default on its debt. It was bad enough to shut the government down. It was harmful to the American people and to the good people who work for the federal government. That was wrong as part of some sort of strategy and this would be wrong. We have never refused to pay our debts. We are a great nation and I don’t believe we’ll do that.”

The next day, the *Washington Post* came out in a strongly worded editorial, backing Rubin’s efforts to avert default. “His sin is that he is doing what a Treasury secretary ought to do: trying to avert a threatened default. The threat exists because these same Republicans [who are talking of impeaching Rubin] are grandstanding on the debt ceiling issue. . . . It’s dangerous and wrong to use the debt ceiling as a political prop in the budget battle. They ought to cut it out.”

The *Post*’s editorial concern may be driven by more than an altruistic attitude toward the Clinton administration. A U.S. government default would send Treasury bond interest rates skyrocketing (they temporarily jumped, simply on the news of the breakdown of the budget talks), and this could, in the view of some Washington analysts, trigger the global financial blowout that Lyndon LaRouche has been forecasting.

For some of the London-backed Red Guardsmen, that could be precisely the kind of “doomsday” crisis they hope to use to bludgeon President Clinton into submission. Whatever the outcome, this battle is not about “balanced budgets.”

The Whitewater probers are coming up with dry holes

by Edward Spannaus

London works in many ways. Just as President Clinton appeared to be gaining the upper hand in his battle with the Republican insurrectionists who have been out to destroy the national government through budget cuts and shutdowns, an escalated round of scandal-mongering began to hit the White House. Whitewater, Travelgate, and Paula Jones took equal billing with the budget fight on the front pages of most of the nation's popular news media.

The great irony was that all of this took place after a \$4 million report was issued by the Resolution Trust Corp. (RTC) which cleared President and Mrs. Clinton of charges of wrongdoing in the so-called Whitewater matter. And then, during the first week of January, the White House released newly discovered documents relating to the White House Travel Office affair, and also to the legal billing of Hillary Clinton's former law firm with respect to Madison Guarantee Savings and Loan.

Sen. Alfonse D'Amato (R-N.Y.), one of the top political hit men for London's attacks on the U.S. Presidency, immediately jumped in front of the news cameras to accuse the White House of stalling and obstructing his Senate investigation. This was the same D'Amato who for months has been complaining that the White House was not producing relevant documents; as soon as the White House located and disclosed the documents, he then called a press conference to complain about the documents which were released. He's a hard man to please.

The *New York Times*' William Safire, another mob-linked crony of D'Amato, then wrote a column labelling the First Lady "a congenital liar." Ted Turner's CNN and other news outlets obliged by giving Safire's diatribe leading news coverage in the United States and around the world. Coincidentally or not, a federal appeals court then issued a ruling on Jan. 9 permitting the Paula Jones "sexual harassment" lawsuit against President Clinton to proceed—providing more grist for the media mill.

Commenting on the distractions facing President Clinton, which are preventing him from concentrating on crucial foreign policy issues, *EIR* founder Lyndon LaRouche noted that with the RTC report, everything that D'Amato has been pushing is essentially dead in the water, and that the senator therefore shifted ground. This is reflected in the Safire piece. "That piece is being bruited, by British intelligence, all over the

world, as a new operation against Clinton, analogous to the operation which British intelligence launched against President Clinton at the end of 1994, with the *Daily Telegraph* operation, the Hollinger Corporation operation," LaRouche said.

"The British are operating against every aspect of U.S. strategic interests," LaRouche continued, "and people such as D'Amato, Safire, and Ted Turner, and so forth, inside the United States, are acting like a bunch of Bush League traitors, in fact, to the vital interests of the United States."

Drilling for muck

Robert Bennett, one of Clinton's principal attorneys, said recently that all of the current allegations have come up because Clinton opponents have just only "reached dry holes on the important stuff." Bennett listed the following "dry holes" which have been dug so far:

1) The first issue raised was that there had been improper contacts between the Treasury and the White House. But the first Whitewater independent counsel, Robert Fiske, said there had not been. 2) Then, Bennett noted, "Jay Stephens, the former Republican U.S. Attorney on behalf of the RTC, investigates Whitewater, spends \$4 million, approximately, doing it, and what does he conclude? No culpability on the part of the Clintons and that they should close the Whitewater inquiry." 3) "And now, we have Ken Starr spending a million dollars a month."

The latest round of digging began with a memo by former White House aide David Watkins, which was discovered at the White House on Dec. 29. Watkins's memo claimed that he had fired seven Travel Office aides at the insistence of Hillary Clinton. Watkins himself was later fired for having taken a White House helicopter on a golf outing. While Republicans immediately jumped on the memo as evidence of a "coverup," a White House spokesman called it "a tempest in a teapot," noting that the Watkins memo was undated, unsigned, and was never even sent to anybody.

Then came the Rose Law Firm billing records, which were found at the White House among a box of memorabilia, and released on Jan. 5. D'Amato took to the cameras to declare this a "miraculous" discovery. And the spin doctors went to work to claim that the records disproved Hillary Clinton's previous statements that she had done minimal work on the

Madison Guarantee account. The records showed that the Rose firm had billed 60 hours of work over a 15-month period, and that Hillary Clinton's portion of the billing was about \$7,000. As anyone who has dealt with lawyers knows, for a period of over a year, this certainly is minimal billing.

Bennett suggested to TV talk show host Larry King on Jan. 9, that lawyers in Washington spend more than that on "power lunches," which they bill to their clients. Larry King remarked: "I have lawyers and anyone in my business has lawyers . . . any lawyer who billed me 60 hours last year was the lowest-working lawyer for me. . . . That ain't a lot of work. . . . Sixty hours is 'Hello, goodbye' for the lawyer."

In another televised interview on Jan. 10, Bennett described those who are attacking the President and the First Lady as "political assassins." Regarding the legal bills, Bennett said that "this is all loosey-goosey stuff subject to different interpretations. And the political assassins are out there and they're trying to give their particular spin on these things. I read her answers and I reviewed the billing records, and I think they support the First Lady that her role was very limited."

The law firm billing issue should have been put to rest by the Jan. 11 session of the Senate Whitewater Committee, at which the sole witness was Rick Massey, the associate at the Rose Law Firm who did most of the work on the Madison Guarantee account. Republican spokesmen had been predicting for days that Massey's testimony would contradict Hillary Clinton and prove her a liar, but his testimony in fact confirmed what Hillary Clinton has been saying about her minimal work on the Madison account.

During a TV interview in the morning before the hearings began, White House associate counsel Mark Fabiani challenged D'Amato to release the RTC report on Whitewater/Madison. "That report has been kept secret by this committee," Fabiani said. "The committee has a copy of it and refuses to release it to the public. The committee also has reports done by federal regulators on the Madison legal work. Those are being kept secret by the committee. We challenge Senator D'Amato to release those reports to the public, to let the public see what federal regulators have already concluded, that what the President and First Lady all along have said about Whitewater is true."

"We're very confident," Fabiani added, "that when all the information becomes public, these Whitewater allegations will evaporate once and for all." The pressure brought by the White House apparently had its effect, since the Whitewater Committee did finally agree to release the RTC report at the end of the Jan. 11 hearing.

Hollinger's Paula Jones caper

In this mix, came the ruling of the Eighth Circuit U.S. appeals court on Jan. 9, which allowed the Paula Jones lawsuit against President Clinton to proceed. This lawsuit, filed in May 1994 against the President, alleging sexual harassment,

has been a key weapon in the arsenal of London's assault on the U.S. Presidency. The London *Sunday Telegraph's* Ambrose Evans-Pritchard acknowledged on May 8, 1994, that he had had "a dozen conversations with Mrs. Jones over the past two months." He also admitted that he had been present at a strategy meeting on a boat on the Arkansas River, at which Jones's attorney "was weighing the pros and cons of legal action."

A week later, Evans-Pritchard gave the game away, writing that it doesn't matter all that much whether Mrs. Jones ultimately wins or loses her case. "Put plainly," Evans-Pritchard blurted out, "the political purpose of the Jones lawsuit is to reconstruct the inner history of the Arkansas Governor's Mansion, using the legal power of discovery. In effect, the two lawyers and their staff could soon be doing the job that the American media failed to do during the election campaign and have largely failed to do since."

The federal district court in Little Rock ruled about a year ago that Jones's lawyers could proceed with pre-trial discovery of evidence, but that the case could not go to trial while Clinton was in the White House. The judge subsequently granted Clinton's motion that all discovery be stayed, pending an appeal. The appeals court's opinion, issued by a split panel (2-1), ruled that a sitting President is not immune from civil suits for his unofficial acts. This means that Jones's lawyers could go ahead with depositions of the President and other procedures.

Clinton's lawyer Bennett said he would appeal the decision to the full appeals court and, if necessary, to the U.S. Supreme Court. He will also seek another stay of the proceedings from either the Eighth Circuit or from the U.S. Supreme Court. Meanwhile, Jones's attorneys said they hoped to take a deposition from Clinton and others in coming months, unless a new stay is issued.

The constitutional issues raised by the Jones suit are quite important, but must be viewed in the context of the nature of the action and its sponsors. In an interview with *EIR* shortly after the Jones suit was originally filed, Lyndon LaRouche proposed that there should be some "special rules" for such a case. The first thing to do, LaRouche said, would be to require that Jones show two things in a preliminary deposition:

"First of all, she should be compelled to show that her collaboration with Ambrose Evans-Pritchard did not produce a lawsuit which is clearly politically motivated to destabilize the Presidency (which is what Mr. Pritchard said the purpose of this operation is)."

If it turns out to be the case, that she wouldn't have filed the suit without the instigation of Evans-Pritchard, said LaRouche, then "there are grounds for a summary dismissal or suspension of the suit, and I don't think the woman has any claims coming to her. . . . If she's got a claim, she can wait until the President is through with his business in office. Because she would not have made the suit at this time, but for foreign intelligence instigation."

Judge orders hearing in Billington case

by Bruce Director

U.S. District Judge Richard Williams on Jan. 8 ordered a hearing to determine whether Michael O. Billington, a political associate of Lyndon H. LaRouche, Jr., had adequate legal representation in his 1989 Roanoke, Virginia trial. Billington was convicted in a now-infamous proceeding in which his lawyer's behavior was so bizarre, that it virtually left Billington unrepresented.

The judge's ruling came in response to a petition for *habeas corpus* filed by Billington, who is seeking to overturn his fraudulent conviction for "securities violations." Billington's attorneys had also asked Williams to hold a hearing on other violations of Billington's U.S. constitutional rights during the trial. Williams dismissed all of Billington's other claims, including claims of prosecutorial misconduct and judicial bias.

Billington is currently serving an outrageous 77-year sentence in a Virginia prison. Before being tried by the state of Virginia, Billington was a co-defendant with LaRouche in the 1988 federal frame-up trial in Alexandria, Virginia. Evidence presented in that case has proven that the government prosecuted LaRouche and his associates, despite the fact that they knew that LaRouche and his co-defendants were innocent of all charges. An international campaign for the exoneration of LaRouche and his co-defendants is under way. More than 600 U.S. state legislators, 29 former U.S. congressmen, civil rights leaders, and prominent international figures have signed a public letter to President Clinton, urging LaRouche's exoneration. In December, the National Black Caucus of State Legislators, representing 574 African-American elected officials, passed a resolution calling on the U.S. Congress to investigate government misconduct in the LaRouche case.

The hearing ordered by Judge Williams will focus on the conduct of Billington's trial attorney, Brian Gettings. On the eve of the 1989 trial, Gettings, a former U.S. Attorney, tried to have Billington declared mentally incompetent, for insisting on his constitutional right to a jury trial. What followed was a sham trial in which Gettings was more interested in protecting himself than defending his client, in some instances actually becoming Billington's adversary. Consequently, Billington received no effective defense.

'Get LaRouche' strike force exposed

In denying Billington's other claims on procedural grounds, Judge Williams has, for now, blocked a full hearing into misconduct of the "Get LaRouche" prosecutorial strike

force. Billington's petition charges that prosecutors, "motivated by unlawful political animus," conducted a campaign to violate Billington's rights, including: withholding exculpatory evidence, suppressing evidence of government misconduct, tampering with witnesses, knowingly presenting false evidence and perjured testimony, conducting illegal searches and seizures, and interfering with Billington's right to counsel.

Additionally, the petition charges that the trial judge was politically biased; the jury was wrongly instructed on the law; and the jury was polluted by pre-trial publicity generated by the prosecution and its allies. These claims were also dismissed by Williams on procedural grounds.

Virginia authorities also charged 15 other political associates of LaRouche in their bogus prosecution. Five of those charged, Billington, Anita Gallagher, Paul Gallagher, Donald Phau, and Laurence Hecht, are currently wrongfully incarcerated in Virginia prisons, serving sentences from 25 to 39 years.

The more than 100-page petition lays out the details of a massive conspiracy involving government and private organizations bent on fraudulently convicting Billington at all costs, because of his political association with LaRouche. These facts were uncovered in a post-trial investigation which reviewed thousands of pages of government documents and interviews of witnesses. The investigation also showed that prosecutors lied in court to cover up their illegal activities.

The petition documents that prosecutors used coercive techniques against financial and political supporters of LaRouche, in order to get them to present false testimony against Billington. One witness, former LaRouche associate Chris Curtis, was "deprogrammed," i.e., brainwashed, by Cult Awareness Network kidnapper Galen Kelly and former Loudoun County, Virginia Sheriff's Deputy Donald L. Moore. Both Moore and Kelly have served federal prison sentences for a CAN-related kidnapping.

Billington also presents extensive evidence of illegal activities conducted by government officials. According to the petition, Moore illegally entered buildings without a warrant, illegally obtained photographs, and seized computer printouts, including lists of financial supporters and notebooks. Moore also engaged with others in illegal wiretappings, and interfered with the finances and operations of the Constitutional Defense Fund, which was assisting in Billington's defense.

Billington was also denied an impartial trial judge. Just months after Billington's conviction, evidence surfaced in the case of his co-defendant Richard Welsh, that Judge Clifford Weckstein, who presided over several of the LaRouche cases, had ties to the Anti-Defamation League of B'nai B'rith. The ADL sought to influence Weckstein while offering him support for a promotion to a higher court. Weckstein's actions during the Billington trial show that Weckstein was in fact prejudiced by the ADL.

Chavis outlines post-March plans

by Nancy Spannaus

In two lengthy interviews given to Schiller Institute leader Dennis Speed in November and December 1995, the Rev. Benjamin Chavis outlined the perspective of the National Afro-American Leadership Summit (NAALS) in the wake of the Million Man March. The interviews, the first of which was published in the Jan. 15 issue of the weekly newspaper *New Federalist*, focus on Chavis's thinking about how the Million Man March can spark the formation of an independent political movement in the United States, and what that movement must represent.

As was reported after the post-March meeting of the NAALS, the group plans to expand its scope, and sponsor a Million Families March in October 1996. The Rev. James Bevel, who formulated the concept of *atonement* for the Oct. 16, 1995 Million Man March, has been appointed the general coordinator of this year's march, whose precise date has not yet been determined. But, according to Reverend Chavis, there is no question but that the scope of the March's concerns will expand to involve international concerns and organization, as well as reaching into the pores of communities throughout the United States.

What the October march proved

Reverend Chavis asserted that there were three major lessons from the Million Man March. First, the fact that the March was so successful, despite the efforts made to discredit its initiator, the Honorable Louis Farrakhan, showed that African-American men can be mobilized. Second, the March's success reflected the importance of local organization, and third, it demonstrated the ability of the nascent movement to finance itself.

At the present time, he said, there are 400 local organizing committees which have held themselves together for follow-up action. LaRouche movement organizers have confirmed that these committees are indeed active around the United States.

Asked about the organizing perspective, Reverend Chavis indicated that NAALS would be building itself up as an independent force, in the context of the ferment around the 1996 Presidential and Congressional elections. A national black political convention would be held at some point. One of the targets of that movement was likely to be the Republicans pushing the Contract with America.

In Chavis's words, "The so-called Contract with America

has not delivered. The so-called Contract with America was very bellicose, issued false promises that it could not deliver on, and so, to some extent, Newt Gingrich and the far right wing of the Republican Party are reaping what they've sown, and I think it will continue to happen into the 1996 elections. This is due particularly to what happened on the budget from the shutdown of the government.

"Now, whose interests are these people really speaking for? Certainly not the interests of the majority of the people, black or white. I think they may have overexposed themselves.

"So, one of the things we will be discussing at our national black political convention, is the question of independent politics, is the question of a possible independent candidate."

Alliances

Reverend Chavis, along with many other civil rights leaders and Dr. Abdul Alim Muhammad, the minister of health of the Nation of Islam, joined with a group of state legislators, former congressmen, and labor leaders in a call to defend the U.S. Constitution by resisting Gingrich's blackmail, which appeared as an ad in the *Washington Post* on Dec. 12. That ad, like the NAALS itself, called for a major voter registration drive before the 1996 elections.

As to the political situation, Reverend Chavis said the following:

"Now we begin 1996 with a grappling, a yearning, an outcry for the improvement of the quality of life over against the bankrupt policies of the Gingrich era. Therefore, what I would recommend is that we organize at the grass-roots level throughout the country, build new, stronger networks of both political and prominent, as well as economic and prominent activity, toward a larger, more long-range social transformation of American society.

"While there are some that gloat that the United States is the only remaining superpower, what does that mean? What good is a superpower, if that superpower can't feed its own people? What good is that superpower, if that superpower can't house its own people? What good is a superpower, if that superpower cannot deliver basic education to its youth? What good is a superpower, if the superpower can't deliver health care to its people? What we need is a movement for social change, for great social change in the United States. I think black Americans need to lead that movement toward social change.

"I think what we're now witnessing is an indication of a stirring among people who believe that our nation must now tread a different course than the one presently embarked on, led by Newt Gingrich and the Republicans. That is why, to me, even though [Sen. Robert] Dole may be leading in some polls, he really offers no new insight. There needs to be a third political force, a third political power, an independent political force, an independent political power, that emerges out of this situation."

Arthur Rudolph, space pioneer

by Marsha Freeman

On Jan. 1, the man who built the Saturn V rockets that took Americans to the Moon, Arthur Rudolph, passed away in Hamburg, Germany, at the age of 89. He had come to the United States with Wernher von Braun at the end of the Second World War, and had become an American citizen in the mid-1950s, while he was working for the U.S. Army developing the missiles for NATO deployment in Western Europe.

With his transfer in 1961 to the Marshall Space Flight Center in Huntsville, Alabama, operated by the National Aeronautics and Space Administration (NASA), Rudolph was given the task by von Braun of managing the largest, most complex research, development, and manufacturing job in history—the Saturn V Moon rocket. After the successful lunar landing of the first Apollo mission, and having received NASA's highest awards, Rudolph retired from the space agency at the end of 1969.

After more than a decade of retirement, in September 1982, Rudolph received a request to answer questions by officials of the recently created Office of Special Investigations (OSI) of the U.S. Department of Justice. On Oct. 13, without a lawyer present, Rudolph spoke for five hours with OSI Director Allan Ryan, Deputy Director Neal Sher, and trial attorney Eli Rosenbaum about his activities in Germany between 1939 and 1945. Rudolph did not bring a lawyer because he knew he had already answered all these questions upon entry to the United States nearly 40 years earlier, and because he had nothing to hide.

Five months after a second interrogation, in July 1983, Arthur Rudolph received a letter from OSI Acting Director Neal Sher which said that “preliminary decisions had now been made,” which he wanted to discuss, and he recommended that Rudolph bring a lawyer this time. The OSI told Rudolph's lawyer that they had “documentary evidence and personal testimony” that would prove Rudolph's responsibility for war crimes during the time of production of the V-2 rocket. The OSI told Rudolph's lawyer that they could divulge neither the evidence nor the witnesses against his client.

The OSI offered the 77-year-old rocket pioneer, who had suffered a heart attack in 1974, a deal. If he would surrender his American citizenship and leave the country, they would not prosecute and he would not lose his and his family's sole source of support, his government pension. Afraid that he would not survive the ordeal of a trial, and seeing no way he

could raise the funds to take on the U.S. government, Rudolph signed an agreement on Nov. 28, 1983 on the OSI's terms. On March 27, 1984, he and his wife, Martha, left for West Germany.

Evidence? Witnesses?

Shortly after he arrived in West Germany, Arthur Rudolph formally renounced his American citizenship, as he had agreed to do. The West German government sent a note to the U.S. State Department protesting that it had sent a man to their country under a U.S. passport, then revoked it, and left Rudolph in Germany with no passport and no visa. Since he had given up his German citizenship to become an American, Arthur Rudolph now had no citizenship anywhere. He was a man without a country; what his longtime friend Hugh McInnish called an “American in exile.”

Had the story ended there, it would have been tragic enough—a hero of the greatest moment in the U.S. space program, forced to live out the rest of his life exiled from his friends, family, and adopted country. But that was not the end of the story.

Arthur Rudolph applied for German citizenship. On July 19, 1984, the German government asked the OSI for the evidence it had against him, for use in the investigation they were conducting concerning his citizenship application. More than nine months later, on April 26, 1985, the OSI finally responded, sending the German embassy in Washington a list of nine witnesses. The Attorney General of Hamburg, Harald Duhn, began an investigation.

What Duhn found was that four of the witnesses knew nothing about Rudolph, two gave unfavorable testimony which was rejected because they had no first-hand knowledge, two were mentally unfit to testify, and one gave favorable testimony. In March 1987, Rudolph was notified that there was no basis for prosecuting him in West Germany, and he was granted citizenship.

In his book, *An American in Exile*, Hugh McInnish states: “The OSI, in its so-called investigation, uncovered nothing about Rudolph that the government hasn't known for the last 40 years. Rudolph's entire case, in fact, can be summed in just two simple facts: 1) He committed no crimes, and 2) what is now known about him has been known since the end of the war.”



Author Marsha Freeman with Arthur Rudolph, the man who built the Saturn V rockets that took Americans to the Moon.

If, as in the John Demjanjuk case, the OSI *knew* Arthur Rudolph was innocent of the charges of war crimes from the beginning, why was this case ever pursued? There is no question that Rudolph was the first (and only the first) target of the OSI among the German space pioneers, because he was on in years, frail of health, and isolated, living in California, thousands of miles away from the large group of his retired German-American NASA colleagues, in Huntsville. The OSI took a gamble that it could coerce him into giving up without going to trial. But why were some of the most prominent men in the space program on a Justice Department hit list in the first place? As it has turned out, the German space pioneers were not alone.

Space and defense under attack

While Rudolph was suffering the humiliation of being called a Nazi in the international press, and public officials called for NASA to take back the Distinguished Service Medal it had granted him for his accomplishments in the Apollo program, NASA itself was being smeared with headlines about the Rudolph case which made reference to "NASA's Nazis." At the same moment, the head of the space agency himself was coming under attack by another arm of the U.S. Department of Justice.

On Dec. 2, 1985, James Beggs, then NASA administrator, along with three other former or current officials of the General Dynamics Corp., the nation's number-one aerospace defense contractor, were indicted on charges of violation of, and con-

spiracy to violate, Armed Services Procurements Regulations. On June 19, 1987, the U.S. Justice Department was forced to drop all of the charges against the company and the four defendants, when William Weld, head of the DOJ Criminal Division, could not explain how 82 boxes of documents that had been obtained by the defense under the Freedom of Information Act, had been "overlooked" by the prosecution.

The fact that Beggs and General Dynamics were exonerated did protect the defense industry from a precedent the Justice Department had hoped to set, which was to cripple the research and development efforts of private companies engaged in defense work. The cooperation between industry contractors and the military services, to preserve the nation's defense R&D capabilities, were the real target of the DOJ action.

But Beggs's exoneration did not come in time to prevent the near-destruction of the manned space program by the fatal launch of the Space Shuttle Challenger in sub-freezing weather conditions on Jan. 28, 1986, by the acting administrator who had been appointed when Beggs was forced to step down as NASA head.

But the Justice Department was just getting warmed up. On June 14, 1988, the Federal Bureau of Investigation (FBI) and Naval Investigative Services raided the Pentagon in "Operation Ill Wind." Once again, William Weld, a central figure in the "Get LaRouche" task force that had tried to eliminate Lyndon LaRouche's influence in strategic and economic policy matters in 1986, was in charge of this attack on U.S. de-

fense capabilities.

When all the dust had settled, very little corruption, or "white collar crime" had been uncovered, but the Pentagon raid had been dramatic and far reaching. Companies that were already laying off workers, shutting factories, and getting out of the defense business, thanks to President Reagan's efforts to "balance the budget," now saw that at the drop of hat, they could be in court on criminal charges.

Target: space science and astronauts

Since 1984, NASA has been engaged in a program to build a permanently manned space station in Earth orbit, for scientific research and exploration. Key in that endeavor is the research in life sciences done at the NASA Johnson Space Center (JSC). In December 1991, the FBI began an operation it called "Lightning Strike," supposedly to investigate complaints of fraud and corruption at JSC in Houston.

But the FBI was not trying to find criminal behavior on the part of NASA employees or industry contractors at the Center; it sent in an FBI agent to try to entrap innocent victims. In December 1993, Operation Lightning Strike ended when NASA astronaut David Wolf, who had been one of the targets of the undercover operation, appeared on the NBC nightly news to blow the cover off this "investigation." He stated that there was no predisposition to crime, or suspicion of such, on his part, yet the FBI agent had called him up nearly 20 times

to try to get him to accept a favor for influence peddling.

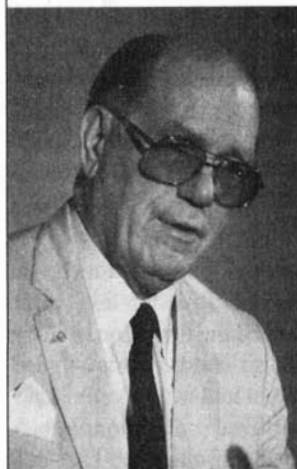
As in the Rudolph case, those eventually accused were coerced into making a deal with the Justice Department, pleading guilty to charges of which they were innocent, in order to avoid trials they could not afford. The only case that went to court from Lightning Strike, ended in a hung jury. The DOJ has stated that it will not try it again, because it does not think it can win the case. Similar to the Rudolph case, these civil service employees, working on a government salary, felt they could not take on the U.S. Justice Department.

From the dawn of the space age, there have been anti-American British think-tanks, such as the Tavistock Institute; pro-Soviet saboteurs, such as those who established the OSI; anti-industrial environmentalists and their followers, including the off-shoots of Prince Philip's World Wildlife Fund, who have had the U.S. space program in their sights. They recognized its ability to inspire an entire people, and to mobilize the nation's scientific and industrial capability.

Without such a capability, and that required to defend the nation from attacks of all kinds, the United States is in a weakened position from which to fight internationally for the American system, as opposed to the systems of the British Empire and the former Soviet Union.

Arthur Rudolph's accomplishments will be recorded in the history of this century. The accusations against him should be erased in exoneration.

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Jerusalem	2400	Vladivostok	0800*
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Elephants and Donkeys

by Kathleen and Mel Klenetsky

'Passionate center' a Gingrich front?

Former Colorado governor Richard Lamm, who ignited a firestorm of controversy in 1984, when he called for the elderly to "die and get out of the way," has pulled together a group of fellow political has-beens with a view toward either forming a third party, backing an independent Presidential candidate, or, at the very least, influencing the policy debate of the 1996 elections in the direction of "fiscal conservatism" (read: destruction of living standards) and "social liberalism" (read: radical environmentalism and gay rights).

Founded last October, The Lamm Group—which styles itself as the "radical middle" or "passionate center"—originally consisted of seven once-prominent politicians: New Jersey Democrat Bill Bradley, who announced his retirement from the Senate last August; Gary Hart, the former Democratic senator and Presidential candidate; John Anderson, who ran for the Presidency in 1980 as an independent; former Rep. Tim Penny of Minnesota; ex-senator and ex-Presidential candidate Paul Tsongas of Massachusetts; former Connecticut governor Lowell Weicker; and Maine Gov. Angus King.

Members claim that the group's existence stemmed from dissatisfaction with President Clinton and the existence of a political vacuum. "There is a center in this country, whether you call it the passionate center, the radical center, the sensible center, that is basically socially inclusive, fiscally conservative, pro-environment, pro-campaign reform, and those people feel rather disenfranchised at this point," according to Tsongas. "We want to let both parties know that this constituency is a majority constituency. . . . If the

parties insist on remaining captive to their fringe elements, there will be a third party."

Based on the predilections of the group's members, it might as well be just another front for Newt Gingrich's "Contract on America." Tsongas, for example, ran for the Presidency in 1992 on a program that featured cutbacks in Social Security and Medicare, and now works with the budget-cutting Concord Coalition. Until he was defeated in 1994, Democrat Tim Penny was one of the most rabid cost-cutters in Congress.

It was no big surprise, then, that Newt Gingrich addressed by satellite a two-day gab fest the group convened in Minnesota just before Christmas.

Washington Post columnist Robert Kuttner accurately compared The Lamm Group to the Mugwumps of the 1880s. In a Dec. 26 column, Kuttner described the Mugwumps as the aristocratic liberals, who sought "procedural and administrative reforms," but "ignored the gross economic abuses" of their day. "Nothing in the [current] mugwump program addresses the great economic concerns that are making the electorate so disaffected," commented Kuttner. The kind of "austerity program" advocated by these latter-day Mugwumps "will only make the debt that much more of a burden."

Recently, several Lamm Group members, Bradley and Weicker among them, have dropped out, which has put something of a damper on the group, as did Colin Powell's decision not to seek the Presidency, since a number of the gang's members had wanted to jump on that bandwagon. It appears unlikely that the Lammers will go the third party route now; but what other mischief they may get up to in this election year remains to be seen.

Whitman trolls in Presidential waters

New Jersey Gov. Christie Whitman's December endorsement of Sen. Bob Dole (R-Kan.) for the Republican Presidential nomination has fueled speculation that she may be angling for the vice-presidential slot. It's no secret that Whitman, who snatched the governorship from incumbent Democrat Jim Florio in the Republicans' 1994 electoral tidal wave, harbors national ambitions.

Since her election, the patrician Mrs. Whitman has become something of a GOP poster girl: Republican National Committee chairman Haley Barbour chose her, the only female Republican governor, to give the official GOP response to President Clinton's State of the Union address last year.

Although Whitman has publicly stated that she has no desire to go to Washington next year, and has suggested that Dole pick Colin Powell as his running mate, she nevertheless remains in contention.

With her aristocratic roots in New Jersey horse country, her support for abortion, feminism, environmentalism, and other elements of the social liberal agenda, the governor maintains strong appeal to the "Rockefeller" wing of the Republican Party, which Dole needs to win the nomination.

Whitman's aspirations may founder on the shoals of the New Jersey economy. She has pushed through her tax-cut campaign platform, which initially kept her popularity in her home state high. But now the consequences are coming home to roost: The state treasury has lost \$1.2 billion in revenue annually owing to the Whitman income tax cut, and with large-scale layoffs now hitting the state (AT&T is cutting 7,000 jobs alone), revenues will fall even further.

Kennedy lambastes doctoring CPI figures

On Jan. 4, Edward Kennedy (D-Mass.), on the Senate floor, condemned proposed legislative changes in the way the Consumer Price Index is calculated. The Congressional Budget Office estimates that a 1% decrease in the change of the CPI would result in \$281 billion in deficit reduction over the next seven years. "Some may see this large sum as a magic bullet to balance the budget," said Kennedy, "but it is a bullet aimed at millions of Americans who need help the most, and who don't deserve this added pain. It makes no sense to fight hard to save Medicare and then attack Social Security."

"Legislating an arbitrary reduction in the CPI," Kennedy continued, "would clearly break the compact of Social Security. . . . An essential part of that compact is a fair Social Security COLA [Cost of Living Adjustment] so that senior citizens can be sure that their hard-earned Social Security benefits will not be eaten away by inflation."

Aristide role in Haitian violence, House told

The State Department's special coordinator for Haiti, Amb. James Dobbins, told the House International Relations Committee on Jan. 4 that "there've been some two dozen murders committed in Haiti since October 1994 . . . which fall in the category of possible political or revenge killings, the most prominent of which was the murder of Mireille Bertin on March 28, 1995." He said that the U.S. government has "maintained an intense dialogue with President Aristide regarding the Bertin investigation, other potential political murders, possible

connection among these killings, possible involvement of individuals in official positions with such activities."

Dobbins admitted, under questioning from committee Chairman Ben Gilman (R-N.Y.), that a prime suspect in the Bertin murder is Aristide's interior minister. He also admitted, "We were disappointed with the level of cooperation we received" from the Aristide government, and that this issue was raised "repeatedly" with Aristide himself.

Gilman and Dan Burton (R-Ind.) pursued their questioning as if the Clinton administration was conspiring to hide these problems from Congress. Gilman said in his opening statement that "this hearing is less about Haiti and more about the responsibility of our State Department to adequately and accurately respond to congressional queries."

House votes vacation, amid continued shutdown

The House voted 224-190 on Jan. 5 to go on vacation while leaving parts of the government still without operating funds. The resolution recesses the House for three-day periods, subject to the call of the chair, until Jan. 23, just before President Clinton's State of the Union address. The resolution also provides that the Speaker may recall the House into session on one day's notice if certain conditions are met, meaning, if President Clinton agrees to the House Republicans' budget demands.

The House voted earlier to fund the payrolls of furloughed federal employees and to provide operating funds to certain targeted agencies and programs, those that were generating the most constituent complaints because of the shutdown.

Democrats denounced the resolution as "completely irresponsible." David Obey (D-Wisc.) said, "What this resolution really says is that the Congress will be allowed to get out of town, until the 25th, and the government will be reopened partially during that time period. Then the day after Congress gets back to town, the government shuts down again, at least those portions that have been opened up."

Porter Goss (R-Fla.) revealed the blackmail nature of the Republican strategy. "This is the vote," he said, "that gives us the key to getting to that clean, clear, continuing resolution that I keep hearing about from the other side. This is the vote that smooths the pathway to get us to that chance."

Myers: 'No shutdown if I were chairman'

Veteran Rep. John Myers (R-Ind.) told the Indianapolis *Star Tribune* on Jan. 1 that "we wouldn't be in the position [government shutdown] that we are today if I had been chairman of the Appropriations Committee. We would have had this thing finished and been out of here. . . . It used to be that there was a camaraderie that crossed party lines. . . . Now they go for the jugular." He complained that House Speaker Newt Gingrich (R-Ga.) "is always willing to have a fight, just to win the issue."

Myers, who heads a panel in charge of the House gym, decided to close it when the government shut down, but was overruled by Gingrich. Myers observed, "Gingrich runs every other committee up here. He might as well run that one, too."

Myers, in his 15th term, was passed over as chairman of the Appropriations Committee by Gingrich, in

favor of budget cutter Bob Livingston (R-La.), because Myers works through bipartisan consensus on using government spending to promote economic development and the general welfare.

Three Clinton vetoes sustained by House

On Jan. 3, the House failed to override President Clinton's vetoes of the Defense authorization bill and the Commerce, Justice, State, and the Judiciary appropriations bill. On Jan. 4, it failed to override Clinton's veto of the Interior appropriations bill.

The debate on the Defense authorization bill centered on its missile defense provisions. Clinton said in his Dec. 28 veto message that the bill forces "an unwarranted deployment decision, now," in the absence of a credible threat, and would "force us to commit prematurely to a specific technological option" as well as "jeopardize Russian implementation of the START I treaty and ratification of START II."

House National Security Committee Chairman Floyd Spence (R-S.C.) claimed that the missile defense system called for in the bill "would be consistent with the ABM Treaty and, contrary to the wild assertions of it costing tens of billions of dollars, could be operational for a fraction of the costs based on the Pentagon's own estimates."

Harold Rogers (R-Ky.), chairman of the Commerce, Justice, State, and the Judiciary Appropriations subcommittee, called the vote on that bill "a real deal" to put the employees of those departments back to work. He said that the reason those workers are not at work is that "the President chose to lay them off."

Alan Mollohan (D-W.V.) suggest-

ed instead that "the most constructive thing to be doing now is working out our differences on this bill in a rational way, without the government shut-down being used by the majority . . . as leverage in these policy debates. Indeed, I think there is a pretty clear analogy between just good old hostage taking and the strategy being pursued by the majority."

In the debate on the Interior appropriations bill, Republicans invoked their balanced budget rhetoric, while the Democrats fell back on fraudulent environmentalist arguments. Henry Waxman (D-Calif.) used a scare story appearing in the Jan. 4 *New York Times*, which reported on British figures claiming to show that the last five years, globally, have been the warmest on record, to argue against a rider terminating energy efficiency programs. "Why would we raise the cost of energy to our constituents to allow for greater pollution of their environment and an increase in global warming?" he asked.

GOP freshmen the 'Red Guard,' says German paper

The German daily *Frankfurter Allgemeine Zeitung*, on Jan. 5, described the anti-compromise House Republicans, primarily the 73 GOP freshmen, as the "Red Guard," referring to Mao Zedong's cultural revolution. The paper quoted freshman John Shadegg (R-Ariz.) as saying, during the debate on the federal budget, "To hell with the future, we'll stick to our sacred principles."

Their preferred leader isn't even Newt Gingrich (R-Ga.), but Majority Leader Dick Armey (R-Tex.), the most radical of the Mont Pelerinites in the House. Gingrich is considered too prone to cut a deal with President Clin-

ton on the budget, although on conditions different from those of Sen. Bob Dole (R-Kan.).

The paper wrote that Gingrich may be worried about getting reelected. The "Red Guard," on the other hand, is thinking neither of their own, nor of the nation's future, but, rather, wants to shut down the government at all costs.

Livingston says bigger NATO good for Russia

House Appropriations Committee Chairman Bob Livingston (R-La.) told a conference on the legacy of the Marshall Plan on Jan. 10, that NATO should be expanded in order to solidify "peace and security in both the new Europe and its environs." He said that a "united, vibrant NATO is as important today as it was at its founding. . . . NATO has succeeded and what was the Soviet empire is no more, but we are not necessarily secure in the future and we should not disband."

NATO is a defensive alliance which has no designs on Russia, he said. "There is absolutely no political desire to represent or become such a threat," he said. "And secondly, NATO's military forces are wholly incapable of any offensive actions against Russia. If there's one enduring military lesson from this millennium, it should be that Russia and its people together represent an impregnable fortress against hostile forces, which there are none in the West. Moreover, I'm convinced that a democratic Russia will actually benefit by a strong but benign NATO located on its western borders. . . ."

"Security challenges for Russia in the future may lie in the east and south, not to the west. Europe offers only opportunity, economic growth, and integration, not a threat."

National News

Radio waves may be used to predict earthquakes

Scientists at Stanford University have reported that, after a five-year wait, radio receivers they had placed in the ground successfully forecasted an earthquake one month before it struck. The receivers detected electromagnetic precursors of the quake, offering the hope that some—or even all—earthquakes may be predictable. According to *Science News* Dec. 23, Dr. Antony Fraser-Smith, an atmospheric physicist, became interested in the prospects for earthquake prediction, when he happened to record unusual electromagnetic signals—just before the 1989 Loma Prieta earthquake in California.

Similar work is being advanced under Dr. Panayiotis Varotos of the University of Athens. “Although long disparaged by Greek seismologists, a prediction scheme based on those signals is now attracting interest . . . after the Royal Society of London and the University of California, Berkeley, recently held workshops examining it,” according to the Nov. 10 issue of *Science* magazine.

British privateers fear Potomac assault on rocks

With the Conservative Revolutionaries close to running aground on Capitol Hill, a number of their floundering strategists gathered at the British-run Heritage Foundation in Washington on Dec. 5—to puff a “citizenship agenda” for Lamar Alexander’s Republican Presidential campaign. The gaggle of “neo-cons” declared that they would form a “loose” coalition around Alexander, in opposition to front-runner Bob Dole’s bid for the nomination.

Alexander, a Harvard graduate who peddles himself as an “outsider” and “good ol’ boy,” declared in his speech at the Heritage Foundation, “Senator Dole, it may be your turn, but it’s not your revolution.” Alexander claimed that a Dole nomination would not

only lose the election to Bill Clinton, but the control of Congress as well. The election in “1994 was a realignment election . . . but how secure is that realignment?” asked Alexander.

“Outsider” Alexander’s speech was written at an inside-the-Beltway dinner at the home of New Age mystic and millionairess Arianna Huffington. She reportedly helped draft it as well—along with William Kristol, editor of Rupert Murdoch’s new Washington rag, the *Weekly Standard*; and Michael Joyce, a member of the oligarchical Mont Pelerin Society, and head of the Harry and Lynde Bradley Foundation.

“Lamar matches up much better against Clinton and holds together the GOP coalition better than Dole does,” Kristol claims, according to the Jan. 5 *Washington Times*. Lamar Alexander was formerly secretary of education under ex-President George Bush.

Does someone on the DNC have a ‘secret agenda’?

Democratic Presidential pre-candidate Lyndon LaRouche released the following statement from Leesburg, Virginia, on Jan. 5:

“I am in receipt of a two-page, scurrilous letter, which presents itself as a policy statement, from Democratic National Committee Chairperson Donald L. Fowler, to each and all ‘Democratic State Party Chairs.’

“The purpose of the letter is stated within the third of the letter’s five paragraphs. The signator, ostensibly Fowler, states that ‘Lyndon LaRouche is not a bona fide Democrat. . . . This determination is based on Mr. LaRouche’s expressed political beliefs, including beliefs which are explicitly racist and anti-Semitic. . . .’ (sic).

“On this account, either Mr. Fowler, or whoever issued this letter in his name, is purely and simply a liar.

“I am not obliged to speculate on the motives of whoever caused that letter to be put into circulation. However, since I have been an active Democratic Party campaigner during more than 15 years, and have campaigned for the Party’s nomination five times, such an obviously hysterical docu-

ment now, suggests that someone is terribly afraid of the extent of estimated potential support for my candidacy at this time.

“Since Mr. Clinton’s reelection is virtually inevitable, and since I am committed to support his reelection after the August convention, one may ask: whether the authorship of the scurrilous letter either wrote in a deranged state of mind, or is operating under the influence of some secret agenda?”

Public health seen as nonessential service

The Conservative Revolutionist shutdown of the U.S. government has crippled the monitoring and tracking abilities of the Centers for Disease Control (CDC), precisely at the time when a major influenza epidemic has broken out in the Middle West. Even worse, doctors at the Centers have been furloughed, during the very period of time they were to be putting together a global picture of the newly emerging strains of influenza, in order to begin the production cycle for next year’s flu vaccines.

The latest government shutdown came less than three weeks after leading epidemiologists from all over the world attended a Maryland conference on the likely emergence of a 1918-type swine flu epidemic—and the steps government institutions must take to be prepared to deal with it. The 1918 pandemic killed between 20-40 million people worldwide. The virus hit the United States so hard that 196,000 Americans died just in the month of October 1918. The warnings of the Maryland conference went largely unheeded, however, because the announcements for the conference were delayed by the first government shutdown; and the proceedings were virtually blacked out in the press.

One of the conference organizers, interviewed by *EIR* on Jan. 4, expressed outrage at the situation at the CDC, where furloughs had reduced the staff to a skeleton crew. The expert stated that unpaid physicians in the CDC’s influenza branch were attempting to put together a picture of influenza strains worldwide, but had neither the staff nor the

Briefly

PRINCE PHILIP, who says he wishes to be reincarnated as a "deadly virus," plans to visit Washington on March 14 to raise money for the Congressional Award Foundation, the U.S. counterpart to his Duke of Edinburgh Awards for young people age 14-23. During Philip's 1991 visit with Queen Elizabeth, the royals presented George Bush with the Churchill Award for nearly obliterating Iraq.

GEN. DANNY GRAHAM, a leading saboteur of President Ronald Reagan's 1983 decision to adopt Lyndon LaRouche's proposal for a space-based, beam-weapon missile defense system, died on Dec. 31. With full backing from the Heritage Foundation, Graham peddled his worthless "High Frontier" alternative of orbiting junk-piles, against what Reagan termed the Strategic Defense Initiative, based on "new physical principles."

GEORGIA has a new policy for the "30-35%" of its prisoners "that ain't fit to be killed," says the state's prison commissioner, Wayne Garner. In a recent memo ordering that all prisoners be put to work, Garner declared that no job was too insignificant for convict labor—including digging unnecessary ditches, "then filling them in, only to dig it up again."

VIRGINIA'S first execution victim for 1996 was Walter Correll, 34, a borderline retardation case killed by lethal injection on Jan. 4. One of three participants in a 1985 kidnap-murder, he was the only one sentenced to death, after his co-defendants identified him as the trigger-man. Gov. George Allen rejected an appeal for clemency, despite evidence submitted that Correll had not committed the murder.

LYNDONLAROUCHE had qualified for the Democratic Presidential primary ballots in 15 states as of Jan. 9: California, Arizona, Texas, Oklahoma, Colorado, Kansas, North Dakota, Kentucky, Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Delaware, and Maryland.

resources to follow up outbreaks such as those in Russia, where the type of emerging flu strains are not known.

On Jan. 3, President Clinton declared, "The CDC tracking system cannot accurately keep up with the flu outbreak in the Midwest." The same day, Secretary of Health and Human Services Donna Shalala emphasized, "We have moved into a danger zone. I was talking to the director of the CDC. We're no longer tracking some diseases which are very important."

Prosecutor in LaRouche case may face sanctions

The federal prosecutor in the fraudulent bankruptcy case against companies associated with Lyndon LaRouche, may face criminal sanctions for his actions in an unrelated grand jury proceeding, involving the Virginia Retirement System (VRS). Warning against "overzealous prosecutors," the U.S. Fourth Circuit appeals court has ruled that Assistant U.S. Attorney S. David Schiller may be guilty of criminal contempt for disclosing secret grand jury information.

Schiller is the Justice Department's top bankruptcy expert, and was the DOJ official who concocted the "involuntary bankruptcy" filing which was used to shut down three companies associated with Lyndon LaRouche in 1987—an action which was later ruled illegal and a "fraud on the court."

The unanimous opinion, issued Jan. 3 by a three-judge panel of the Fourth Circuit, declared that U.S. District Judge Richard Williams should determine whether Schiller improperly disclosed federal grand jury material, during an investigation of the VRS. Schiller had filed an 83-page "statement of facts" during a sentencing proceeding against a VRS official, which mentioned Mark Finn, a member of the VRS board of trustees, at least 370 times—and accused Finn and other VRS officials of conspiring to commit various crimes.

Only about six pages of the 83-page memorandum dealt with the individual who was being sentenced. Finn himself was never indicted, but the accusations against him

were smeared all over the news media. Schiller was subsequently removed from the case.

"Overzealous prosecutors must not be allowed to file sweeping statements of fact alleging violations of various laws by unindicted individuals," the appellate ruling declared. The court said that the district court judge, who presided over the VRS case, has a duty to investigate the disclosure of grand jury material, and to impose contempt sanctions if a violation of Federal criminal rules of procedure occurred.

If the allegations against Schiller are proved, the judges recommended, "a finding of criminal contempt would be proper as punishment for past violation of the rule and to vindicate the authority of the court."

Sen. Helms forces probe of U.S. Vatican emissary

U.S. Ambassador to the Vatican Raymond Flynn is the subject of a State Department investigation, instigated by Conservative Revolution honcho Sen. Jesse Helms (R-N.C.), the *New York Times* claimed on Jan. 11. The complaint lodged by Helms has resulted in a recommendation that Flynn be reprimanded, for statements he made contrasting Pope John Paul II's concern for the poor, with congressional schemes to cut federal social programs. No formal action against Flynn has yet been taken by the State Department.

State Department Inspector General Jacquelyn Williams-Bridgers's report found that Ambassador Flynn, a former Democratic mayor of Boston, had violated procedures for clearing public statements, according to the *Times*. The report said that Flynn had failed to avoid "the appearance of partisanship in the discharge of official duties."

Helms had complained about remarks Flynn made in a letter to 1,000 American religious leaders last April, and had asked for an investigation. Flynn told the *Times*, in a telephone interview from Rome, "It's not the process that Senator Helms objects to, but what I said about the mean-spirited, anti-poor, anti-immigrant, anti-working-class mood of the debate taking place in Congress today. It's the message he's attacking."

Watch out for the British!

The American population has watched the antics of Newt Gingrich and the Republicans who support him with mounting disgust and fury. Many Americans are rightly asking, "How dare these petty-minded fools use the threat of bringing the United States government to a halt, in order to enforce a fundamental transformation of government policy?"

Even more important than the terrorist tactics adopted by Gingrich's Republican Congressional Caucus, is their not-so-secret agenda. Considering that President Clinton has also proposed a seven-year balanced-budget plan, there is obviously no major disagreement on questions of fiscal policy.

But there is a fundamental difference over the obligation of the federal government of the United States to guarantee fundamental human rights to all citizens (guarantees properly extended to residents as well). Is the United States to remain a viable nation, a constitutional republic, or will it instead sell out its birthright and adopt the fascist "Contract on America"? America would become a nation of a small number of privileged individuals and a great mass of poor—with barely enough food to eat or the money to keep a roof over their heads.

This is a direct violation of the U.S. Constitution. Rather than protect the right of all Americans to "life, liberty, and the pursuit of happiness," poor Americans, particularly those from minority groups, would be targeted to become an underclass.

Is it an exaggeration to compare the Gingrich Republicans' attempt to blackmail the President of the United States into abrogating his constitutional responsibilities, with the actions of a group of terrorists holding innocent people hostage? In fact, their actions are that much more culpable, because it is a whole people whom they intend to hold hostage, the people of the United States of America and their posterity.

These aspects of the situation are openly discussed. So, too, is their contempt for the federal government per se. Thus, Gingrich brags that the fact that the United States survived almost three weeks of a massive

government shutdown, proves that the federal government is an unnecessary institution.

Here we are getting closer to the neo-conservatives secret agenda. The real aim of Gingrich's policies, is not any specific bunch of demands, such as balancing the budget, or cutting education, welfare, Medicare, and Medicaid spending. Nor is it to hand power to state governments. It is a direct attack upon the United States government, and *upon the viability of the United States as a functioning nation.*

In order to understand the secret agenda of the neo-conservatives, it is essential to apply the principle of *cui bono*—who benefits? The question, once posed, is easily answered. It is those forces centered in the House of Windsor, who have opposed the formation of a republican United States of America, and who have ever since conspired to effect its destruction.

The ascendance of the principle of "states' rights" would mean a reversal of the victory of the United States in the Civil War, a return to a de facto existence within the British Empire.

The British monarchy has never reconciled itself to losing its empire. British kings have openly fought wars against the United States, and they have been masters of irregular warfare. In this endeavor, since the days of the infamous Benedict Arnold and Aaron Burr, they have been aided and abetted by American traitors.

Whether or not Gingrich and his supporters fully understand the extent of their perfidy, the fact is that they are just as much agents of the British monarchy, of Prince Philip, as were Arnold and Burr.

The British Empire today is called the Commonwealth, and it has, also, extensions into some of the wealthy families in the United States, in the Netherlands, the Benelux countries, in Germany, France, Italy, and so forth. These people are all part of this complex of interrelated, wealthy, financier oligarchical families. They hate republican government and the existence of the nation-state. This is the secret of Newt Gingrich's agenda.

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