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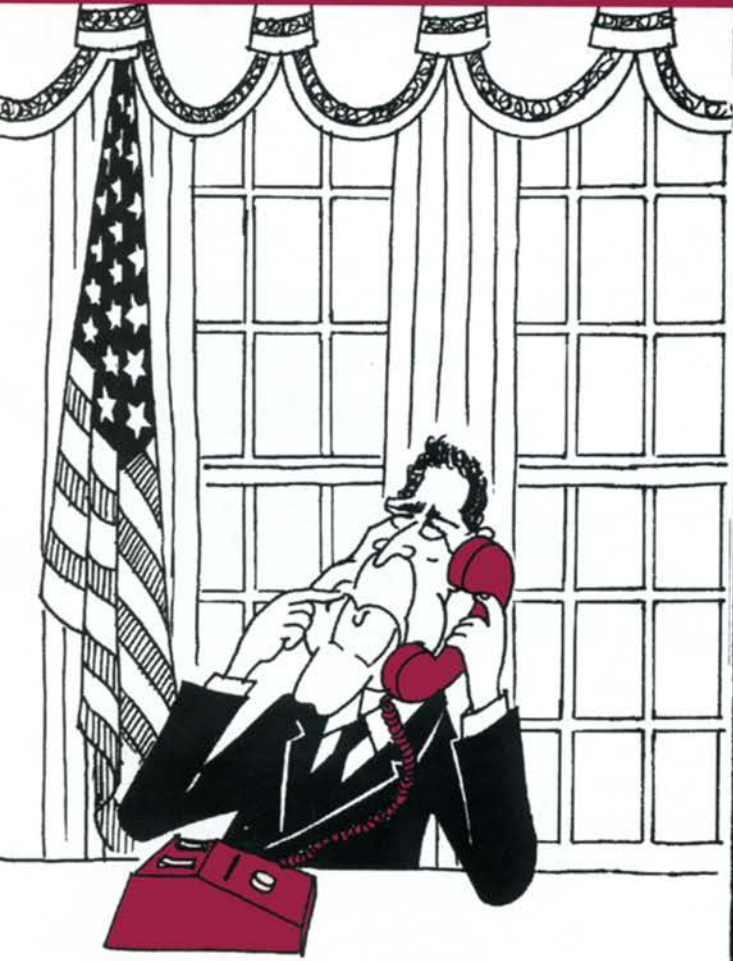
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LaRouche: Support Election of 'FDR Democrats'  
Asian Monetary Fund Faces Strategic Challenges  
Russia Accuses British of Role in Chechen War

**Bush Run by Father's Team:  
Little Lord New World Order**

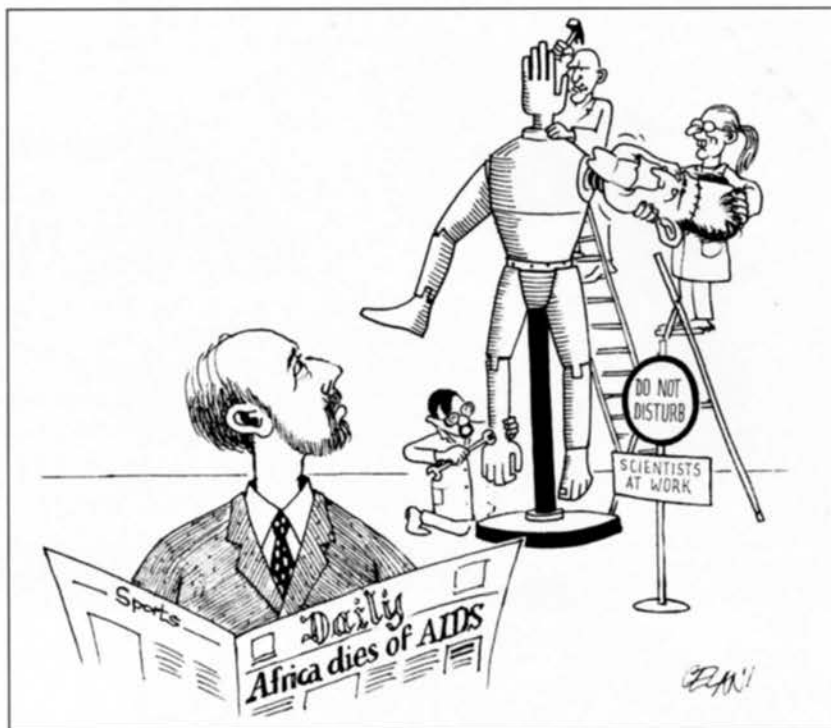


## THE 'NEW ECONOMY' IS DOOMED

### The Fraud of the Information Society

The Group of Eight heads of state, meeting in Okinawa in July 2000, proclaimed as its major accomplishment, the establishment of a task force aimed at giving the Third World access to the "Information Revolution." In a parody of Marie Antoinette, they said of the world's poor: "Let them eat laptops!"

*EIR's* Special Report rips apart the fraud of the Information Society, and tells what must be done to restore economic health to nations where billions of people face hunger and death by infectious disease, while transport, power, and water infrastructure is collapsing.



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## From the Associate Editor

**F**or a keen insight into the character of the oligarchy that is attempting to maintain its grip on power, even as its bankrupt financial system moves closer and closer to the precipice of total collapse, one can do no better than to look at Mozart's Don Giovanni. A man motivated solely by lust for power and conquest, he sings maniacally, as his victims begin to close in around him:

“My head is whirling in confusion,  
I no longer know what is happening.  
A terrible storm threatens me, oh Lord,  
I hear the thunder of revenge.  
But my courage will never fail me!  
I will stand firm.  
Even if the world falls apart,  
I will never back down!”

Today, we have the Filthy Financier Oligarchical Five, as Lyndon LaRouche has dubbed Great Britain, Canada, Australia, New Zealand, and the U.S. components of this policy grouping. They are striking out against their enemies worldwide, while entertaining their own populations with “bread and circuses,” and fostering the delusion that ours is a world of “prosperity and progress.”

This week's *Feature* provides dossiers on one nest of these oligarchs in the United States: the holdovers from the Administration of Bush the Elder, who have now constituted themselves as “The Vulcans,” the controllers of George “Dubya” Bush.

In *International*, we document the global destabilizations that are being run by this London-centered oligarchy against Central Asia, Russia, and Malaysia, among other nations.

But while Bush, Gore, and Clinton babble about “prosperity and progress,” the truth is well understood elsewhere in the world: that the global financial system is doomed. This is reflected in a startlingly precise article by two Russian economists, as well as in the emergence of the Asian Monetary Fund (see *Economics*).

For LaRouche's perspective on “where we go now,” in the aftermath of the Democratic Convention, see *National*. The situation is highly unpredictable—fraught with danger, yet rich with opportunity.

*Susan Welsh*

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## The Asian Monetary Fund Is Facing Strategic Challenges

by Kathy Wolfe

“The overriding concern among Asian nations, including China, is to avoid at all costs an ‘Asia Crisis II,’ ” a Japanese diplomat told *EIR* recently. Following the Okinawa Group of Seven (G-7) summit, which simply endorsed today’s monetary system “centered on the International Monetary Fund,” he said, “there is now a pervasive sense that we must find a way to defend ourselves” from an oncoming global financial crash, and that is, to create an Asian Monetary Fund (AMF). After the IMF’s actions in the last financial crisis, he said, “the sense is that these matters are better handled by Asians themselves.”

“The real problem,” he said, “is *how* to do it: What kind of system should we create, and which form should it take? I don’t see any consensus yet. Prime Minister Mahathir [bin Mohamad] of Malaysia, it seems, would hope to cut Asian ties to the IMF very soon. China has reservations about contributing to an actual Asian lending fund, for fear that it would be dominated too much by Japan. Many factions in Japan are debating this, so Tokyo’s own position has not gelled yet. As a G-7 nation, Japan can’t just disrupt world markets, and so Japan is not ready to junk the IMF; but, we want it known we’re very unhappy with the current situation.”

At the heart of this debate, however, is fear—fear of a set of enormous strategic challenges in the path of any independent new Asian Monetary Fund, which the region has just begun to discuss. The most fearful economic issues are the more than \$2 trillion in bad loans crippling the banks of the region, the fact that most East Asian nations depend on selling exports to the United States to survive, and the fact that all of the region’s currencies are about to go up in smoke, as Lyndon LaRouche’s described in “Trade Without Currency” (see *EIR*, Aug. 4, 2000).

But, given a united and ruthless resolve, and their \$700

billion in foreign exchange reserves—including the world’s largest chunk of U.S. Treasury debt—the Association of Southeast Asian Nations plus China, South Korea, and Japan (“ASEAN-Plus-3”) could certainly walk away from the IMF and set up their own system. The IMF, Wall Street, and their so-called “Washington Consensus” would be pretty much powerless to stop them. But perhaps the worst fear in the region is that deep-seated historical and cultural frictions could make the required level of unity impossible. The level of anger between several of these nations is no simple matter; it is the one stumbling block which could send the IMF and Western financiers laughing all the way to the bank.

This cultural hurdle concerns everyone, however, because it is in the urgent interests of 80% of the U.S. population, and most of the rest of the world, which has seen living standards plummet over the past 30 years, that the IMF-run present global system be quickly dumped. By walking away from the IMF, ASEAN-Plus-3 could give the IMF the good swift kick it needs into the grave, so the region’s leaders have been placed in a unique position by history. As this writer put it to one key Asian negotiator: “You are already trying to save Asia. I’m asking you to save the world.”

### Elephants on the Front Lawn

Asia’s first giant problem—now being carefully ignored, like polite company trying to ignore an elephant on the front lawn—is the more than \$2 trillion in non-performing loans (NPLs), unpayable debts held by commercial banks in the ASEAN-Plus-3 region, at least \$1 trillion of which is held by Japan’s banks. This liability, which even the most outspoken Asian leaders, such as Dr. Mahathir or former Japanese International Vice Finance Minister Dr. Eisuke Sakakibara, consistently neglect to mention, began as loans to real estate and

related quasi-speculative ventures in the 1980s, which went sour. It is now snowballing with the accumulating debts of the thousands of legitimate industrial companies bankrupted by the IMF's so-called "Asian crisis" since 1997. To this must be added the worry about the \$15 trillion or more in derivatives held by Japanese banks, most of which are worthless.

"The danger of a deflation shock is still here because Japanese companies still hold such major non-performing assets," former Bank of Japan Executive Director Akira Nambara told *EIR*; he did not dispute *EIR*'s \$1 trillion figure for Japanese bank NPLs and \$15 trillion for derivatives (see interview below). "This balance-sheet problem cannot be solved until there is a long period of growth in the real economy," Nambara said. It's all part of what *EIR* Founding Editor Lyndon LaRouche estimates is \$400 trillion in worthless unpayable derivatives and other bad debts internationally, which so dwarf real trade and production that unless they are reorganized soon, they will trigger an uncontrolled global crash.

Yet, if Asia becomes the first to squarely address the issue, it will have a comparative advantage, because the situation is actually far worse in Europe and the United States. Bad derivatives bets of some \$90 trillion, according to the Bank for International Settlements, are now held by European banks. Despite the "upswing" propaganda, U.S. banks hold more than \$50 trillion in rotten derivatives, and have a massive and growing bad loan problem as well. Right now, rating agencies such as Moody's are using the situation to threaten Asia with bad credit reports, which could trigger another run on Asian markets at any time. If Asian nations dispose of bad loans first, however, and point out the problems in the West, it would be London and New York's turn to panic.

The lone crusader now focussed on this problem, Chung Jae-ryong, head of the Korean Asset Management Co. (KAMCO), the South Korean government bank reorganization agency, recently estimated global NPLs alone at \$4.5 trillion, with China's banks holding \$500 billion, Korean banks perhaps \$250 billion, and the banks of Thailand, Indonesia, and the rest of Asia not far behind. "The IMF is talking about the problem of debts held by the poorest countries, but the bad loan problem is more serious for the world economy as a whole," Chung told Japan's *Nikkei* news on May 17. "I would like to see Japan take leadership in Asia to address the problem. . . . Japan is taking too much time."

Chung is calling for a global conference on NPLs in Seoul in November, trying immediately to bring in Russia, other eastern European countries, and Ibero-America as well. He is spending this Summer "on the road" to China, Japan, Southeast Asia, and other nations, meeting his counterpart agencies to promote the issue.

## Paper Versus Physical Economy

The second elephant on Asia's front lawn is that 20-40% of the exports of any given country in the region are currently

sold in the U.S. market, leaving ASEAN-Plus-3 vulnerable to the serious blackmail of a trade cutoff by Washington if Asia moves openly to break with the IMF. "Without the cooperation of the U.S., it might be too difficult" to form a new monetary system, commented Dr. Nambara. "While the U.S. is the world's largest debtor, still the U.S. is the number-one country which East Asian countries depend on for their exports. That's our big problem." All the Asian countries are trading nations; more than half the economy of each of them depends on their ability to sell exports, so there is substance in this fear. A U.S. trade war, taken by itself, could bankrupt half the industrial companies in any one Asian country overnight.

In fact, China and Southeast Asia constitute just as large a real physical market for exports from Japan and Korea, for example. The fear, however, is that the financial arrangements to shift the mass of credit arrangements which currently finance today's exports to the United States, to a totally new and uncertain credit arrangement to finance exports instead to the Asian market, could not be made in time. "We could not just quickly swallow that loss," Dr. Nambara said.

This, however, brings in the third elephant, which is a mastodon dwarfing the first two: the fact that Asian and all world currencies are right now pretty much worthless, as LaRouche pointed out in "Trade Without Currency." "Any combination of these currencies would be about as sound an investment as the German Reichsmark was at the beginning of July 1923," LaRouche said. "We are presently at the verge of general disintegration of the current global system, including most leading currencies." The size of the world's bad paper debt so overshadows the size of all real world trade and production, by several orders of magnitude, that "the equivalent to \$400 trillions in presently extant nominal financial assets of the world at large, will have to be either wiped from the world's accounts, or reduced, by reorganization in bankruptcy, to a mere fraction of their current nominal hard-commodity valuation," LaRouche wrote.

That is, the threat that Asia might lose hundreds of billions of dollars in export sales to the United States in a given quarter, is minor, compared to the fact that the \$400 trillion bad debt overhang is about to evaporate the dollar and all trading currencies pretty. If all currencies begin incalculable market gyrations, all trade will come to a screeching halt. "James Carville once said, 'It's the economy, stupid.' In Asia's case, 'It's the exchange rate, stupid,'" one Japanese commentator told *EIR*. "Without stable exchange rates, Japanese industry and business can't price production and exports, and could not survive one month."

"We are thus, in a condition, in which even many among the world's leading currencies will have to be either simply wiped from the accounts, or put through bankruptcy-reorganization under the authority of a new world system," LaRouche concludes. "In this transition, many presently leading currencies are to be, either, systemically reorganized, or, replaced

by newly defined currencies and related credit-mechanisms. . . . Either we do this rationally, by will, or the presently on-rushing shock-fronts of global financial, economic, political, and social chaos will soon do it for us.”

ASEAN-Plus-3 nations have been discussing how to cut their currencies’ current pegs to the dollar, to link the currencies perhaps to a basket of world currencies, or to form a new Asian monetary unit of account. All such financially focussed discussions, however, miss the point, LaRouche told *EIR* in a discussion on Aug. 15. In “Trade Without Currency,” LaRouche describes a detailed plan for setting up a new unit of accounting to provide credit to continue vital production and trade during a currency collapse. His article is a crucial blueprint for a world economic future, but its focus is on the physical production and trade to be moved, not on the financial mechanism which is its mere servant.

In the Aug. 15 discussion, he said that the whole idea that one can set up any new system based on currencies or financial mechanisms at all is nonsense. First you have to re-define an entire national economy from top to bottom—based on *physical* production principles, not based on accounting principles. Define a “full-set economy” (an Asian term for an economy which contains every industry it needs to be self-sufficient) the way it should be defined: Anyone who had experience in large-scale industrial development prior to the 1960s would understand this immediately. It’s not based on building this or that railroad.

He continued: If you’re an industrial manager, you make an overall plan based on what should be the subsumed feature of the technologies changing in an economy over 25 years, as he defined it in “Trade Without Currency.” That’s how they actually did do it, whether they know it or not. Those who did it may have some other idea of what they did; but, Japan or Korea after the war, for example, developed an economy as a unit—they thought out the overall structure of industry, of infrastructure; the structure of imports, structure of exports; and more importantly, the structure of technological change, of science, of education, of health care. LaRouche said, they just have to remember what they already know, and get out of their heads the Anglo-American monetarist garbage left over from the last 30 years.

## Cultural Warfare

In discussing this with Korean and Japanese leaders, as the author did in several interviews in Tokyo and Seoul this Summer, what appears to be the biggest fear of all is eventually brought out: Can ASEAN-Plus-3 nations cooperate in the face of such “big issues,” or will the historical enmities amongst these countries allow the Anglo-American financial elite to blow them away like so many disconnected straws in the wind?

Perhaps best understood by Western audiences is the “Rape of Nanjing” problem, the anger which still burns in the hearts of most Chinese, South Koreans, and many Southeast

Asian people after Japan’s military actions during World War II and its occupations before that. Chinese leaders and citizens alike often repeat that, while Japanese leaders have formally apologized for wartime acts, Japan’s education system does not teach the reality of the 1905-45 period. As a result, much of the Japanese population is unaware why the Chinese are so angry, and therefore, the Japanese public doesn’t seem to actually be sorry about what happened. No matter how many times Japan’s leaders formally apologize, other Japanese politicians complain about the apologies, because such complaints seem to be popular. “Japan’s apologies just don’t ring true emotionally,” is how one Asian diplomat put it.

Many Japanese conservatives and just plain patriots, for their part, are upset by being constantly reminded of the past, as if Japan were to be forever dragged through the mud in order to keep the country in its place, just as Britain tags Germany with the “Nazi” label to keep German leaders from exercising world leadership. Japan’s noisy right wing, led by outright *agents provocateurs* of Anglo-American intelligence, such as Tokyo Mayor Shintaro Ishihara, makes matters worse by denying that much happened in Nanjing in 1937.

One Korean diplomat in his 30s, who is in full support of collaboration with Japan and the rest of ASEAN-Plus-3 to forge an Asian Monetary Fund, was kind enough to spend two hours discussing every aspect of the Anglo-American IMF rape of Korea for the past few years with me, and the urgent issues involved in creating the AMF. Later, over dinner, he exploded with rage about Japan’s 50-year occupation of Korea and its actions there, all of which were over more than a decade before he was born. “You must understand,” he said, “that Korean and Chinese people for thousands of years have helped Japan, which was relatively backward. We helped Japan with our writing systems, our language, philosophy, culture, science, shipbuilding, trade, religion, and everything that we have. So it is doubly dishonorable to us, that Japan would turn around and repay what should be a debt, with these atrocities.

“I just don’t see how we can manage the cooperation necessary to succeed with the AMF,” he concluded sadly. “I support total cooperation with Japan, for Asia to survive, but I can’t even talk about the AMF with Koreans my age, let alone those in their 50s or older, because I’m afraid of their reaction. Most Koreans would rather be occupied by the U.S. today, just as we are now, than to cooperate with the Japanese. Imagine you have a poor relation who, after you have helped him your whole life, would suddenly occupy your house, rape your wife, and take your children into slavery. It is highly dishonorable to ignore the crimes of such an ingrate. We would rather be occupied by some new person we don’t know from another neighborhood, such as the U.S., who owes us nothing; this would not make us feel as bad.”

This anecdote regarding only one bilateral relationship in the region, does not even begin to describe the intricate historical and cultural problems inside Asia itself. Despite the



ignorance of most Americans, who imagine these countries all seem alike, the 13 ASEAN-Plus-3 partners are in fact completely culturally dissimilar. Issues such as these are boiling to the surface, country by country, in each of the bilateral relationships among the 13.

## Cooperation Is Possible

Cooperation, however, is not, in fact, impossible. Several others of the two dozen Korean leaders whom I met, did worry that cooperation with Japan “will take a lot of time,” and feared therefore that a functional Asian monetary system will not be able to be created in time to ward off the next currency crisis. But most top Korean negotiators insisted on balance that the cultural hurdles could be overcome, because they must be overcome. “We can cooperate, we must let the past be the past and cooperate, in order to save our children,” one key financial planner told me firmly. “Don’t let anybody think we can’t do it. We can do it, because we must, to survive.”

At a certain level, the anger constitutes an emotional block which arises due to the understandable fear of those enormous elephants on the region’s front lawn. What leader would not experience fear when faced with the threat of losing his nation’s banking system, foreign trade, or currency itself? Fears, however, must be faced squarely if the region is to survive. The AMF can be created and the IMF can be junked if Asia’s leadership can summon the necessary courage. History has presented them with a unique opportunity to change the course of all human events, and this concept has often inspired men to surprise themselves.

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## Interview: Akira Nambara

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# ‘Elect LaRouche President To Improve World Economy’

*Dr. Nambara, now a private corporate official, is the former Executive Director of the Bank of Japan (BOJ), and is well known in international circles for his outspoken views. Dr. Nambara has signed the call of the Ad Hoc Committee for a New Bretton Woods System. He was interviewed by EIR’s Kathy Wolfe in Tokyo on July 27, and again by telephone on Aug. 15.*

**EIR:** You are well-known in Japan for critical views on the current post-Bretton Woods global financial situation, and your concern for deflation.

**Nambara:** What we have now is a world financial non-system where hot money and speculators can ruin nations. I was particularly disappointed at Clause 13 in the G-7 communiqué

you showed me, on the refusal to regulate the hedge funds and other Highly Leveraged Institutions. Why is only *EIR* reporting that this was caused by the U.S. and U.K.? The real story’s been blacked out of the Japanese press.

Regarding deflation, during the 1997-99 crisis, up till the LTCM [Long Term Capital Management] rescue in New York by the Fed [U.S. Federal Reserve], I was terribly worried about a global deflationary collapse, because the “Washington Consensus” being imposed on the world was nothing but “original capitalism,” as in the neo-classical Chicago School. The IMF [International Monetary Fund], [former Treasury Secretary Robert] Rubin, [Federal Reserve Board Chairman Alan] Greenspan, and so on, simply tried to apply pure Chicago capitalism, forcing banks and firms to close, bank deposits to be deregulated, everything opened up to be sold or shut. Even Adam Smith, in *The Wealth of Nations*, was opposed to deregulation of banking deposits. But, I’m less worried now that global deflation will be imposed, after the LTCM rescue, because they had to admit it was wrong and change their methods

**EIR:** You mean after they had to bail themselves out with LTCM, they couldn’t afford to preach the Chicago starvation diet to others?

**Nambara:** Yes. But as far as Japan is concerned, we still have a huge risk of deflation due to our large debt hangover.

Yet, the foolish Japanese mass media still think that Chicago capitalism is correct, and that’s why they trashed the Sogo bailout plan this summer—and what’s the result? Now the Japanese government has to spend more taxpayers’ money on the Sogo disaster than it would have spent before.

In fact, Japan shouldn’t have let the Long Term Credit Bank or Nippon Credit Bank go under in 1998; we should have pumped in Bank of Japan money, that was easy enough. But before the LTCM crisis on Wall Street, Rubin was pushing Japan to let Yamaichi Securities, and Long Term Credit Bank, and other banks, go. The credit crunch actually started when the Japanese government forced the Yamaichi brokerage and Hokkaido Takushoku Bank to close—all based on this Washington Consensus. Of course, I can’t blame the U.S.; as a Japanese, I have to blame then-Prime Minister [Ryutaro] Hashimoto for bowing to the great pressure by the Washington Consensus.

Also, there was an Asia-wide credit crunch, which damaged the plus-sum “virtuous circle” of income between Japan and East Asia, which was totally destroyed.

In 1965, Yamaichi also had a problem, and the BOJ made the owner resign, but saved the company, in order to save the life savings of the clients—and it’s my belief that if Yamaichi had been allowed to go under, Japan would have gone over to the Soviet bloc. Japan’s situation in 1965 was similar to that of Indonesia today, so a closing of Yamaichi at that time would have ruined the lives of too many people, caused a terrible credit crunch, and probably a socialist revolution.

Then-Finance Minister Tanaka Kakuei did an excellent job of stopping this.

After the Wall Street LTCM bailout, Mr. [Prime Minister Keizo] Obuchi was able to change fiscal policy from austerity to disbursement, and worked with [Finance Minister Kiichi] Miyazawa to pump in money and recapitalize the banks. But we are still in a terribly fragile situation, as shown by the Sogo collapse, which we could have prevented, but now we have terrible danger of deflation.

**EIR:** What do you think of the recent rate hike by the Bank of Japan, which ended the zero-interest rate policy?

**Nambara:** Japan is caught in the bad paradox that the zero rate of interest for borrowing was definitely abnormal—but also, that Japan has been facing, and is still today facing a frightening deflation. The small rate hike by 0.25% was correct, but it does not change this threat.

The problem started with [Bank of Japan chief] Mr. Hayami's original statement years back, when he first lowered the BOJ lending rate to zero, that he would continue with the zero rate "until the fear of deflation is wiped out," which would actually take some time. He should instead have planned to get away from the zero rate as soon as possible, because a central bank cannot just give money away; it puts too much cash in the financial markets.

But it does not really help get the banks to loan money to Japan's real economy. After the Nikkei stock index got above the crisis level of 15,000 in April last year, Mr. Hayami should have already normalized the BOJ overnight call rate to 0.125 or 0.25 at the time. But he could not ignore the demands by some foreign politicians to keep the rate low.

Yet, the danger of a deflation shock is still here, because Japan's companies still have major non-performing assets on their balance sheets, and this balance-sheet problem cannot be solved until after we witness a longer period of sustainable growth of the real economy.

In fact, in my several conversations with other members of the BOJ board, I was just now relieved to confirm that the majority of the BOJ board understands this threat. So, I am praying that the rate hike to 0.25 is just the normalization we needed awhile back, and that the BOJ will otherwise continue efforts to get loans moving to the industrial sector.

**EIR:** In his recent paper "Trade Without Currency," Lyndon LaRouche again warns of a pending global financial crash, and he says that the only way out is to totally reorganize what he says is \$400 trillion in bad assets, such as non-performing bank loans (NPLs) and derivatives worldwide. Unless this is done in a top-down way, soon, he says, all currencies, because of this debt weight making them worthless, will soon cease to function. So, nations, to keep production and trade moving, as an interim emergency step, will have to set up a new unit of account based on a basket of commodities.

First, what about LaRouche's idea that the whole \$400

trillion in bad debt, especially derivatives, requires a general reorganization?

**Nambara:** I share that view; it all has to be reorganized. I actually do believe they had to bail out LTCM in New York, that's also why Greenspan had to lower the discount rate three times in succession. Otherwise, it would have triggered a global collapse worse than 1929-32.

But these stock bubbles are very worrisome. This cyber economy is just a bubble economy, it's not a transaction of goods and services, it is just money, paper money. I was hopeful that since Tiger Management had to close, and [global speculator George] Soros has been losing his power, the speculators are losing power—but now look at this G-7 communiqué, that is quite disappointing.

**EIR:** The Korean government regulator KAMCO estimates that Korean banks have \$250 billion in NPLs, i.e., bad debts, Japanese banks have \$1 trillion, China \$500 billion, Russia over \$500 billion; they are publicly estimating bank NPLs worldwide at \$4 trillion. They are calling a conference on this in Seoul this fall to address it globally, too.

Frankly, we think the U.S. banks, despite cover-up, are in just as bad a shape. Most worrisome are the \$50 trillion in bad derivatives gamblings at the New York banks, and another \$90 trillion at the European banks. You've seen all the Bank for International Settlements derivatives numbers.

**Nambara:** I agree with your analysis. Japan probably does have \$1 trillion in NPLs, maybe the U.S. banks do have more than they claim, we don't know, of course, maybe you are absolutely right about that—you remember Citibank had such giant non-performing loans that the Fed had to bail them out in the 1990s.

Japan has this huge NPL problem because we suddenly nosedived our economy, as I described earlier, because of the power of Wall Street, otherwise known as the "Washington Consensus."

But in the end, the only way is to have large growth of the physical economy; economic growth is the only way, in the end, to solve the balance-sheet problem.

**EIR:** LaRouche is saying that you can't bail it out; and as you say, it will be very damaging if it just crashes. LaRouche is proposing a third alternative: We put the whole \$400 trillion through a bankruptcy reorganization, planned and implemented from the top, something like when President Franklin Roosevelt had his bank holiday and reorganized the U.S. banking system after the Great Crash.

**Nambara:** Well, I don't know if that's possible to do, it sounds a bit too revolutionary for me. The U.S. will never support that idea—but on the other hand, I was shocked when you showed me the G-7 statement refusing to regulate the derivatives and hedge funds. So, I really appreciate what Mr. LaRouche is saying about this, and I share the basic philosophy. The only thing is, I hope it could be done more gradually.

Don't you think the IT [information technology] revolution is causing real productivity growth in the U.S., enough so that we might get by?

**EIR:** No, it's a media fiction. LaRouche says that all currencies will soon be worthless, because they have this giant debt attached to them which the real wealth is not being created to pay. He says that if there is not such a top-down reorganization, the system will shortly become dysfunctional, and currencies will be fluctuating so widely that no one will be able to denominate trade or production credits in any of these currencies.

What about his idea, setting up a new unit of account based on a basket of commodities, i.e., "Trade Without Currency"?

**Nambara:** I have been theoretically calling for some kind of global common currency for some time, to try to prevent these wild currency fluctuations we've had since 1971 — and escalating wider and wider in the 1990s — which are so damaging to trade, and Japan lives on trade. However, when I was at Yale, I always thought Robert Triffin's, or [John Maynard] Keynes's idea before him, for a global central bank, was too much, because countries have to have their national sovereignty. So, I've tried to figure out a system, in the best of all worlds, to have currency stability but not give up national sovereignty, and that's the difficulty.

But this would stop the speculators. So, for example, I was glad in that sense to see the realization of the euro, actually, because, within Europe, the bank-to-bank transactions are denominated in euros, there is no way for speculators to speculate.

But, we have to try to do something. It's insane to have such fluctuations in exchange rates, which create totally abnormal profits for speculators, and hurt people trading in real goods. So, as a first step, we should try to have some sort of target zones for currencies.

**EIR:** But if all currency values are destroyed —

**Nambara:** I agree with LaRouche that the currencies could all be ruined in a major crisis, and we could face a major deflation, and I also agree that, technically, in any major crisis, a basket of currencies certainly would not work. I just don't see it happening right away.

But then, I also had thought the IMF would change with the new German management and become more reasonable, and then the AMF [Asian Monetary Fund] could work with the IMF; that would be fine. But after that, I was so shocked to see the G-7 communiqué still refusing to do the most important thing: regulate speculation. So, who knows?

**EIR:** The LaRouche proposal is for a basket of commodities,

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not of currencies, and for a new unit based on that commodities basket. Its primary aim would be to keep factories producing and real commodity trade moving.

**Nambara:** I agree with LaRouche, under one condition: Before we materialize such a unit in carrying on trade, we need to set up a careful set of free and fair trade agreements so that it is done fairly. It would be very good if we had such a common unit of account, because that way there is no way for speculators to speculate in the currencies.

But we can't do it if the U.S., for example, has something like NAFTA [the North American Free Trade Agreement], from which Japan is excluded.

But, unfortunately, it is hard to get these kinds of trading agreements, because politically, people want to protect their agriculture, and so on, from other countries' imports.

**EIR:** Suppose we have such a general world crisis but the United States would not cooperate with such a global system. Would the Association of Southeast Asian Nations plus Japan, South Korea, and China ("ASEAN-Plus-3"), with its primary goal being to keep factories and shipping moving, have the courage to set up their own trading system using this LaRouche-proposed basket of commodities and new accounting unit?

**Nambara:** Look, the U.S. is the world's biggest debtor, so I agree with LaRouche that it is easy to imagine a situation in which global confidence in the U.S. dollar is eroded; once that starts, the dollar could collapse very quickly—and then there would be a chance that the U.S. would agree to my proposals for a common global currency and free-trading agreement.

But I'm very appreciative of the efforts of Mr. LaRouche and you to change how Americans think about all this.

**EIR:** If in the end the United States would not cooperate, would ASEAN-Plus-3 go ahead?

**Nambara:** Without the cooperation of the U.S. it might be too difficult. While the U.S. is the world's largest debtor, still the U.S. is the number-one country upon which East Asian countries depend to sell our exports. That's our big problem—all the Asian countries depend so much on exports to the U.S. We could not just quickly swallow that loss. The capacity of imports from Japan, for example, on the scale of the U.S., can't be so quickly replaced with new markets in China or Southeast Asia—although I was very happy to read this week that JETRO [the Japan External Trade Organization] has announced that trade between China and Japan is now at a record high, both exports and imports. We would like to go more in that direction as quickly as possible.

So, the best way is to elect Mr. LaRouche, or his co-thinker or next-in-command, as President of the United States, to change the philosophy of the U.S. This would improve the quality of leadership of the U.S., and that would greatly improve the world economy!

# The Hoax of U.S. 'Core Inflation'

by William Engdahl

On Aug. 15, the price of the benchmark North Sea Brent crude oil surged to \$32.80 per barrel, its highest level since November 1990. This represented a rise of 20% in two weeks. Oil analysts at leading Wall Street firms, including Merrill Lynch and Goldman Sachs, predict a \$40 per barrel price within weeks unless something dramatic happens. That would represent a 400% price rise since March 1999—on the same order as the 1973-74 oil price shock which plunged the world into depression.

Yet, U.S. financial markets are reacting to the latest oil shock as if it didn't exist.

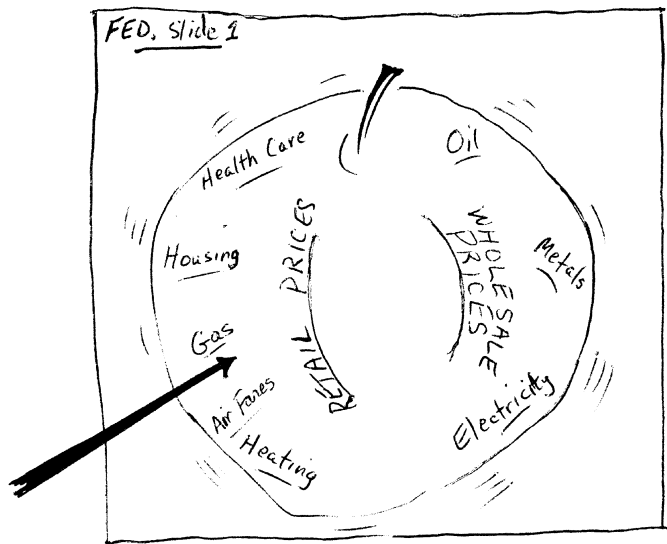
From the European standpoint, Americans must seem remarkable: They apparently don't use energy to fuel their cars or planes; nor, apparently, do they eat food. How else could the U.S. Federal Reserve claim, month after month, in the face of soaring commodity prices—including a 300% rise in crude oil, the energy feedstock of the entire U.S. economy—that something the Fed defines as "core inflation" remains "under control." And this while European governments are reporting rates of inflation heading toward 10% annualized.

The claim that, despite exploding costs of most major industrial commodities in recent months, inflation is no problem (hence the Federal Reserve need not raise interest rates further), is a distortion of economic reality, laughable in its dimension. However, it blinds much of the world, Wall Street stock speculators not least among them, to the precarious state of an economy in double-digit inflation, and soon to be in what Lyndon LaRouche characterizes as a 1922-23 Weimar-style hyperinflation.

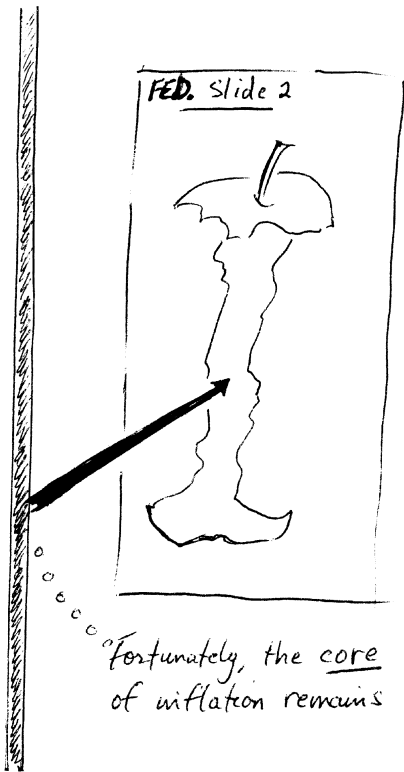
## 'Core Inflation' Is Born

The U.S. Federal Reserve, official calculator of the monthly Consumer Price Index (CPI), releases a measure that it calls "core inflation." This is defined as consumer price inflation, minus inflation in energy and food. The current core inflation level is 2.3%, hardly grounds for panic.

Core inflation for the past year and half, when oil prices were shooting through the roof, has remained mild, according to Federal Reserve statisticians. The source of this miraculous statistical event has its origins back in 1973-74, during the Nixon Presidency. Then, as now, it was a huge spike in oil prices (the "Great Oil Hoax" that Henry Kissinger blamed on the Organization of Petroleum Exporting Countries embargo) which was at the heart of dramatically rising prices paid by ordinary American consumers.



It may appear, to some, that inflation is starting to blow up... but...



Fortunately, the core rate of inflation remains low!

When oil prices rose 400% within months, Federal Reserve Chairman Arthur Burns, a close political friend of Nixon, called together the Fed's economics staff and told them, according to one who was present, to strip the impact of the 400% oil price inflation out of the CPI. Burns argued, "It is exogenous; it has nothing to do with the inherent tendencies of the U.S. business cycle."

Former Fed economist Stephen Roach, today chief economist at the Wall Street firm Morgan Stanley Dean Witter, recently said in a client research memo: "Little did we know at the time that we were creating the first gauge of core inflation. Burns was pleased. Statistics had triumphed again. We had surgically removed the diseased slice of the CPI."

But the elimination of energy inflation wasn't enough for Burns. A few months later, under severe U.S. drought conditions and record grain exports to the Soviet Union, food prices also exploded. "Burns called us back together again," Roach recalled. "The Fed can't react to weather, Burns argued. So he instructed us to take food out of CPI as well. And, of course, we did." Burns made similar arguments to strip out such items as used car, mobile home, and even gold jewelry prices, Roach said. "Based on today's weights, the excluded items would amount to more than 50% of the goods and services that comprise the so-called CPI basket."

### The Reality

When we strip away the politically motivated core inflation nonsense and look at real prices of a market basket of goods and services necessary for most American families to

exist, real CPI inflation levels are running well over 10%. According to data compiled by the American *Purchasing Magazine*, prices being paid by manufacturers for primary and semi-finished goods have risen by anywhere from 10% to 50% during May 1999-May 2000. Prices for hot-rolled steel rose 20%; stainless steel, 16%; aluminum ingots, 17%; copper wire, 27%; paper pulp, 67%; chlorine, 55%; and sulfuric acid, 37%. This does not include the impact of the 400% rise in crude oil feedstock to prices of petrochemicals across the spectrum.

Similarly, in western Europe, inflation is becoming serious. By contrast to the Federal Reserve, the German Federal Statistics Bureau at least minimally attempts to analyze real levels of inflation in the economy. On Aug. 15, they reported that the Wholesale Price Index in July rose 5.8% over July 1999, the greatest monthly rise since May 1989. In specific commodities, the rate was even more dramatic: heating oil rose 55.8%; aluminum, 24%; copper, 13%; pork, 12%; tomatoes, 11%; and fish, 22%.

Were the Federal Reserve to employ Lyndon LaRouche's proposed "market basket" consumption model to measure CPI, financial markets would long ago have pushed the panic alarm to sell, and the greatest financial meltdown in history, the collapse of the \$17 trillion U.S. stock market bubble, would be triggering a wholesale rush out of stock-inflated values and into hard commodities. At that point, LaRouche argues, we will witness a hyperinflation which will make that in 1923 Weimar Germany appear tame by comparison.

# Russian Economists Forecast: World Economic Crisis to Explode in Autumn

by Jonathan Tennenbaum and Konstantin Chermnykh

“Will the United States Manage To Bring on the Apocalypse?—The World Economic Crisis Should Begin in November of This Year,” is the title of an extraordinary article in the July 24 issue of *Ekspert*, a prominent Russian economics and business weekly. The authors, Oleg Grigoryev and Mikhail Khazin, were high-level economic advisers to the Russian government during 1994-98, who now work as independent experts. Khazin headed the credit department of the Ministry of Economics during 1995-97, then was deputy chief of economics in the Presidential Administration, 1997-98, maintaining close contact with upper circles of the government until today. Co-author Grigoryev worked for a time under well-known economist Sergei Glazyev, who now heads the Russian Parliament’s Committee on Economic Policy.

The glossy-cover *Ekspert* is a publication of the new Russian establishment, and is linked to Oneksimbank. A similarly titled article by the same authors, written in the form of a strategic memorandum and explicitly responding to the Russian government’s attempts to draft a ten-year economic policy plan, has been posted on a Russian website, linked to former Economics Minister Yevgeni Yasin. In that memo, Grigoryev and Khazin argue that any reasonable long-term policy for the Russian economy, “requires careful consideration of the international context,” but “at present, all existing programs actually *ignore* that context.”

The events of 1997-98, they say, should have taught that reality “brutally overturns” plans made without such consideration: “The crisis in Southeast Asia occurred in a manner completely unexpected for the authors of Russia’s economic strategy. . . . In the final analysis, it was also unexpected by the majority of Western analysts. The failure was, to fail to take into account the implications of the crisis for Russia, and to correct economic strategy accordingly. As a result, August 1998 hit Russia in the most devastating way.”

This time, especially if “the situation in the world economy looks relatively favorable from the standpoint of Russia’s development” (due to revenues from lucrative oil exports), the economists urge Russia not to “overlook developments that cannot be extrapolated from the present,” or “omit making preparations for necessary measures, in response to such eventualities.”

The significance of the Grigoryev-Khazin article in *Ekspert* may be appreciated upon reading through their entire

argument, which we excerpt here. The translation, subheads, and addition of emphasis are *EIR*’s.

## The ‘New Economy’

“When, at the end of 1997,” Grigoryev and Khazin begin, “the authors of the present article prepared their first briefs for the President of the Russian Federation on the impending crisis in Russia, they pointed out a certain similarity between processes in Russia and the United States. At that time, however, there was no point in writing official reports to develop the theme of the coming crisis of the world financial system, because they would have just been laughed at. Today, this theme has become quite popular, and may be discussed in all seriousness.

“Unfortunately, when the overwhelming majority of sources talk about the world economy today, they look exclusively at the phenomenon of the so-called new economy, and they analyze it exclusively at an empirical level. The preference for an empirical approach is understandable: The short history of the new economy has allowed no time for constructing adequate models, so modern science cannot precisely define, whether the new economy has approached a critical line, has crossed it, or may yet have more reserves for stabilization.

“One thing, however, is incomprehensible. The new economy is viewed in isolation, although it would seem to be more logical to analyze the interaction of the new, information sectors, with the traditional, industrial ones, and to utilize this analysis for forecasting the overall economic situation. This is what we have attempted to do in the present article—to describe the interaction of the new and the old sectors of the economy, and identify the mechanism of the eruption of a world economic crisis, which we believe may begin this Fall.”

The Russian article first analyzes the bubble of the “new economy,” as a critical factor in the rapidly oncoming U.S. economic catastrophe. Unlike previous technological revolutions, which had led to broad increases in productivity and living standards in the real economy, “the latest technological revolution, associated with the development of information technologies, did not develop in that way. As yet, there has been no observable impact by the new, information sector, on the traditional sector, with respect to any significant increase of labor productivity and rates of profit. We are speaking not of management and marketing technologies, which have

experienced a marked change, but of production technologies, which have not. The chief reason for this phenomenon, we believe to be the huge difference in the time it typically requires to bring innovations on line, in the new and in the traditional sectors of the economy. Any attempt to renovate industrial production, in line with the very latest ‘information technologies,’ becomes obsolete in the planning stage, since several new generations of computers and software appear already during that period. . . . As a result, there is no ‘material,’ technological linkage between the information and the traditional sectors of the economy; each develops on its own, and the gap between them continues to widen.”

### People’s Needs Are Met by the ‘Old Economy’

Using the terminology of the Russian Kondratyev school of economics, about phases of technological development of the economy, Grigoryev and Khazin write, “Besides the lack of penetration of the old economy by the new, which is necessary for the formation of a coherent technological phase, the new economy also has failed to edge out the traditional sector in terms of *consumption*. The basic needs of real people are still met by the traditional economy. Moreover, a significant number of those who use the information sector’s products could get by without them, without suffering particular ill effects. Therefore, the new economy had to seek different applications. This has had two interesting effects.

“First, the new economy itself became the major purchaser of the services of the new economy. A *gigantic virtual bubble*’ began to inflate, the size of which greatly exceeded the dimensions of the umbilical cord which connected it with the old, or real economy. The second effect, is that the primary commodity provided by the new economy is the *sale of new mechanisms of sale* for the products of the old economy. As a result, the greater part of investment in the new economy goes for new, Internet-based *marketing technologies*.

“The current value of commodities . . . cannot be changed significantly by the use of intermediary services, however advanced they might be. Therefore, almost all new economy companies are valued on the basis of their future profits. . . . This model for the determination of value has been adopted and is maintained on the basis of a general consensus. This is because, insofar as the network for the sale of such companies is developing, and future profits depend on their exponential growth, all investors can register superprofits. This model became the base of the new economy’s enormous growth, . . . allowing it to provide rates of profit *an order of magnitude higher* than what would correspond to the real state of the new economy.

“This situation, however, undermines the new economy itself, which too much resembles a financial pyramid scheme, the stability of which largely depends on strictly *psychological factors*.”

The authors note that the U.S. economy would have fallen into a deep crisis long ago, were it not for the dominant world

role of the dollar and “globalization.” They continue:

“The collapse of the world socialist system, and the grab by the United States and its allies for the markets that had been controlled by the U.S.S.R., extended the growth phase of the U.S. economy for several years. This reserve was exhausted rather quickly, however, so that by the early 1990s, there was every reason to expect a crisis. But, the new economy flourished just in time to attract any excess financial resources, making possible a repetition of the phenomenon of 1920s—rapid growth, with practically no inflation—and to postpone the stage of overheating for approximately ten more years. Now, this time is up.”

### The Trigger

“The rapid growth of the new economy in the mid-1990s led to a significant increase in the income expectations both of individuals (households) and of institutions. Consequently, the cost of credit for industry rose significantly. As a result, industry turned more and more toward resource-conserving regimes of activity, and its rate of development through its own, internal resources slowed. Costs rose. It became more difficult to attract young, skilled specialists, because they headed for the more financially lucrative sectors of the new economy. . . . Since the major criterion for the work of U.S. managers has long been the share value of their companies,

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these problems could be ‘hidden in the accounts ledgers’ for a certain time. . . .

*“The profitability of industry decreased ever more steeply, on a global scale, which led to a significant rise of the minimum level of production, necessary for generating a profit. The ratio of companies’ internal capital to borrowed capital, steadily decreased. For purposes of economizing on resources, there was a wave of mergers of companies operating in similar areas; international monopolistic concerns were established in practically all markets. . . .*

*“We view the persistent and steady decline of profitability of the old, real economy, primarily industry, as the trigger of the future global economic crisis.”*

Turning to the events of 1997 on the financial markets of Southeast Asia, Grigoryev and Khazin emphasize that “these markets served as a safety valve for the U.S. economy, and with their collapse, *the only remaining possibility to postpone the crisis in the United States itself, was to employ non-economic mechanisms, like the aggression in Yugoslavia.*”

### **The Symptoms in the U.S.A.**

Concerning the internal dynamic of the U.S. economy, the Russian economists write:

*“The enormous growth of the virtual economy ‘bubble’ had to cause an accelerated (by comparison with the growth of industry) increase of consumption. The lengthy period of growth and success of the new economy resulted in a decrease of U.S. citizens’ savings rate. They began to spend more, while also increasing their debt obligations.*

*“With rising interest rates, this process had to provoke inflation. The first signs of inflation appeared in 1998, when the U.S. had a budget surplus for the first time in many decades. But, for a long time the inflationary processes were not reflected in prices on the [goods] markets, thanks to the skilled and competent efforts of the Federal Reserve System.*

*“By the end of 1999, however, the Federal Reserve could no longer contain inflation. The critical point was reached in March-April 2000, when the annual rate of inflation in the United States, drew even with the average profitability level of industrial production. . . . The Federal Reserve’s attempts to combat inflation by raising interest rates, undermined the financial situation in industry even more.*

*“The qualitative deterioration of industry provided evidence of the absence of any objective basis for the growth of the Dow Jones index. This index, which had been steadily rising for many years, has stalled out since the beginning of the year 2000, in the 10-11,000 range. The profitability of stock-market investment has sharply declined, simultaneous with intensified speculative activity by its professional participants, which has increased the amplitude and frequency of its fluctuations. Since then, the magnitude of each latest decline has come to depend on a combination of various trivial and accidental factors, while the fluctuations of the stock index have become an important indicator, of how close the United States is to the onset of the collapse.”*

### **The Politics of the Crash**

The Russian authors emphasize, that the approaching “psychological disturbances,” related to the U.S. Presidential elections, will significantly magnify the fragility of the system.

“The U.S. Presidential elections, in November of this year, define two possible scenarios. The first one plays out in the event that the U.S. financial oligarchy keeps control over the two major parties. In this case, nothing will happen before the elections; *but immediately thereafter, the truth about the real state of affairs, will necessarily appear in the mass media by early November*, when the balances from two quarters of the business year begin to be published, likely triggering the dumping of shares of industrial companies.

“We note, that *the oligarchs are preparing for the crisis.* In the Fall of 1999, a U.S. law [the Glass-Steagall Act] forbidding combination of any two of the three forms of business (banking, brokerage, and insurance), was repealed. This law had been adopted after the crisis of 1929, in order to protect the interests of small investors and to prevent excessive speculation with other people’s money. The repeal of this law will allow the owners and top managers of financial institutions to save their personal fortunes after the onset of the crisis (just like in Russia, in the Fall of 1998).

“The second scenario would unfold, if the leadership of the U.S. Republican Party were to behave relatively independently. In that case, it might push to accelerate the crisis—firstly, in order to guarantee victory in the election, and, secondly, to force the Clinton Administration to take the first and most unpopular measures after the crisis broke out. This second scenario is suggested by the recent statement of Federal Reserve Chairman Alan Greenspan, about the onset of a crisis in the next few weeks, or, more precisely, in late August.

“The rapid collapse of the stock market will wipe out assets estimated at \$10 trillion (the April crisis on the NASDAQ ‘cost’ about \$2 trillion). This will sharply accelerate inflation. . . .

“There will be mass bankruptcies of financial institutions, whose assets largely consist of securities of mutual funds, insurance companies, venture capital, and pension funds. The trillions of dollars of liquidity, which investors manage to pull out of the hardest-hit sectors of the economy, will be invested *in any available long-term assets.* This will cause a sharp rise in the prices of gold, other precious metals, real estate, and other kinds of durable property.

“For most banks, securities are not a significant part of their assets, but securities are used for liquidity management. Moreover, a substantial quantity of their loans are guaranteed by securities, owned by the borrowers. The bankruptcy of some financial institutions and serious problems of others, will significantly undermine the American and global economies.

“Our very preliminary calculations suggest that world average consumption levels will fall by a factor of 1.5 to 3. . . .

*“The governing bodies of the international corporations*



will be incapable of reacting quickly to the rapidly changing conjunctural situation. Consequently, they will begin to shut down production, which will bring serious protests from the national authorities, who do not want an increase of unemployment, at a point when social programs have been scaled back. This will lead to the collapse of the World Trade Organization [WTO] system and the re-establishment of traditional mechanisms for the protection of national markets. This process will also be driven by the loss of the U.S. dollar's function as an international currency, a niche into which the euro [European single currency] will be unable to move with any speed.

"In order to support national industries, which will be suffering from the credit shortage under severe crisis conditions in world financial institutions, many countries will switch to national credits for domestic industry. This effort will fan inflation, but increase the competitiveness of domestic industries on world markets.

"We believe that the interaction of mechanisms for the protection of national markets will define the development of the global economy in the first post-crisis years.

"The crisis will profoundly change the correlation of forces in the global economic arena. The weakening of the U.S. economy (aggravated by powerful social upheavals) will hit those regions, which derive a significant part of their income from sales in the United States — above all Japan, China, and Southeast Asia. Serious stagnation will take place in

[western] Europe, too, but it may secure powerful investment potential by expanding the role of the euro. In part, this will be directed toward Latin America.

"After the destruction of the WTO system and re-establishment of protectionist mechanisms, the situation in the world economy will be very reminiscent of the early 1930s. A small quantity of major international monopoly concerns, a multi-currency system, high unemployment, rising social tensions, inflation and stagnation — these features will define the picture of the world economy at the start of this new century."

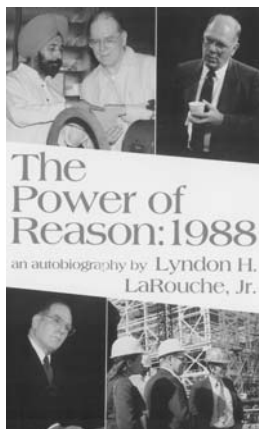
The authors anticipate that the collapse of world stock markets will be "a rather abstract event" for Russia, with the exception of the loss of individual savings — not the first time this has happened in the recent period. They believe that large amounts of loose money, desperately seeking sound investment prospects, are likely to select the natural resources of Russia, in the form of long-term (30-50 year) concessions for their development.

In conclusion, the authors insist that the perspective given in their forecast could be acted upon by the Russian leadership, given the factor of little available time, only in cooperation with an economically strong Western partner. In view of "historical Russian business traditions, Russia's relations with Western countries during recent decades, and the existing volume of investment," Grigoryev and Khazin propose that this partner should be Germany.

## Books by Lyndon H. LaRouche, Jr.

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—Former U.S. Attorney General  
Ramsey Clark

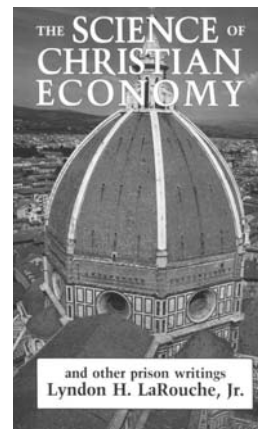


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# Thousands of U.S. Nursing Homes Are Being Forced into Bankruptcy

by Marcia Merry Baker

The 1997 Federal Balanced Budget Act, which cut payments for Medicare and Medicaid recipients to skilled nursing facilities, mostly for the elderly, has in two years thrown thousands of nursing homes across the United States into financial crisis.

From 1999 up to May of this year, 1,857 of these homes have filed for bankruptcy, more than 11% of the national total of 16,967. In some states the percentage is much higher—more than 47% in Nevada and New Mexico, and 20% or more in many states, including Massachusetts (24%), New Hampshire (35%), West Virginia (26%), Georgia (20%), Colorado (23%), Idaho (22%), and Wyoming (24%). In Texas, promoted by Gov. George “Dubya” Bush as the home of “faith-based” and “compassionate” conservative charity, 22% of the nursing homes are now in bankruptcy.

Like Bush, Vice President Al Gore is also not talking about this crisis.

## Part of the Medical Infrastructure

The designation “nursing home,” or skilled-care facility, refers to the type of institutions providing specialty medical care for the elderly or other category of person needing expert assistance. In recent years, these homes have become an especially vital part of U.S. health care, because hospitals have been forced to adopt an extreme “in-and-out” approach to patient treatment, under pressure from “managed care” and health maintenance organization demands to restrict time on the premises. While many families try (by choice or by hardship) to care for special-need persons at home, nonetheless, it has fallen to nursing homes to care for more and more people who have more complicated conditions. These facilities and hospitals alike, have entered a phase of acute financial crisis.

**Figure 1** shows patterns of incidence of bankruptcy filings among nursing facilities, just during 1999-2000. This increased number of bankruptcy filings ensued after the Federal government, in 1998, *began to reduce per-patient payments by 15 to 28%* over a five-year span of 1998 to 2004. In fact, the per-institution cutback has been more extreme even during the first two years.

The sudden plunge into bankruptcy thus does not represent some “winnowing out” of marginal facilities. Nor is it some “mis-application” of an otherwise decent Federal law. The impact of the Balanced Budget Act was predictable. The law was wrongful in its very conception. But, the bipartisan

budget-cutters went ahead regardless. The Balanced Budget Act was part of the same lawmaking drive that also implemented the 1996 so-called Welfare Reform Law, which *spread more poverty*, and the 1996 “Freedom to Farm” Act, which is bringing ruin to the farm belt.

Besides skilled nursing homes, community hospitals have been thrown into the red by the Balanced Budget Act. What is under way, in effect, is that persons in the top 20% income bracket in the United States figure on having the means, and have the expectation, that they will have deluxe elderly care, but the rest of the population, the 80%, is to have no institutions, nor means for any care at all. This is otherwise called the “free market” in health care.

Even the token responses by Congress to ameliorate the shameful effects of their recent laws, show that the laws, and the thinking behind them, were incompetent and immoral in the first place. For nursing homes, the Clinton Administration recently proposed a \$2 billion restoration of funding specifically for skilled nursing care through the year 2010. The Administration has also moved to relax certain regulatory matters, in deference to the financial crisis gripping nursing homes. For hospitals, a temporary delay on funding cuts was declared this Spring.

(In the case of agriculture, Congress has voted a “one-time” multibillion-dollar safety-net for farmers for each of three years in a row!)

However, what the current crisis of specialty nursing facilities and hospitals shows, is that the Balanced Budget Act must be rescinded. Steps must be taken to build back up the health care delivery infrastructure base of the nation, and all other vital sectors of the economy.

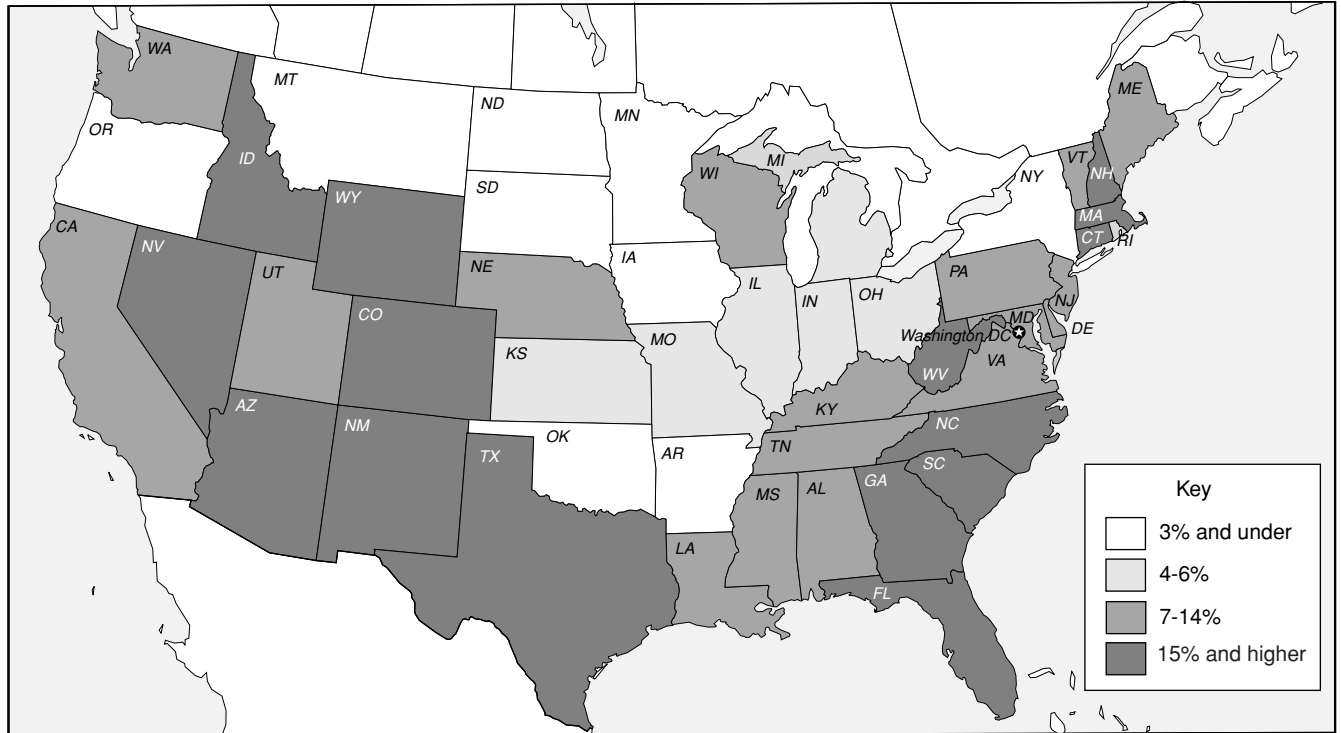
## Wave of Bankruptcy

On Aug. 9, the American Health Care Association (AHCA), which represents 12,000 long-term care facilities in the United States, held a press conference in Washington, D.C., to warn that, because of the funding cuts resulting from the 1997 Balanced Budget Act, hundreds of long-term care facilities are in danger of going out of business. A detailed 50-state analysis was released, showing the impact of the 1997 Act, and the 1999 Balanced Budget Refinement Act.

The report’s figures show that Federal Medicare payments to skilled nursing homes *dropped by \$8 billion during*

FIGURE 1

**High Rate of Nursing Facilities Filing Bankruptcy in 1999 and 2000**



Source: American Health Care Association—Research and Information Services, June 29, 2000.

1998 to 1999, devastating the operating budgets of skilled nursing facilities, nationally. During 1999 and through May 2000, eleven percent of all the long-term care facilities in the United States filed for bankruptcy.

The impact has varied somewhat from state to state. The steepest cuts have hit California, Florida, Texas, New York, Pennsylvania, Ohio, Illinois, Missouri, Michigan, and New Jersey. But, all 50 states and the District of Columbia have suffered cuts.

Dr. Charles Roadman II, the president and CEO of the AHCA, briefed reporters at the Aug. 9 press conference, saying that the unexpectedly deep cuts resulting from the Balanced Budget Act are cutting into the ability to preserve facilities and to “do what we need to do for patients.” He said that the 1.5 million elderly people in long-term care facilities have real needs, and “we have an obligation to keep the promise we made to America’s greatest generation.” These are people who planned, for most of their lives, on Medicare being available to them, and now that promise “is in real problems.”

Dr. Roadman called for increasing the baseline funding level by \$9.7 billion this year, and for adjusting the market basket to reflect increased costs of health care. He also called

for measures to address the labor crisis in long-term care. “We need to be able to pay for a higher number of hours of care per patient,” he said.

**The South Dakota Example**

A local instance which demonstrates the community impact, for example, is in South Dakota. There, on Aug. 15, a facility for 56 residents, located in the town of Parker, began to shut down, directly because of the Balanced Budget Act, and the venality behind it. “What’s happening in the rest of the country in terms of nursing home closings has finally come to roost in South Dakota,” Mark Deak, director of the South Dakota Health Care Association, told the *Argus Union Leader* of Sioux Falls.

In Parker, the owner of the Hilltop Home and Courtyard Estates, a nursing home and assisted living center, said that he received \$77.31 per day in reimbursement for each patient through Medicaid (Federal and state), but his costs per patient were \$112 per person per day. He could not afford to continue racking up losses at this rate, with no end in sight. The facility shut down on Aug. 15, eliminating 44 jobs in the town of 1,000. Some of the other 114 nursing care homes in South Dakota might close soon.

# Legitimacy of Debt Debated in Argentina

by Gonzalo Huertas

Pope John Paul II's initiative to commemorate the Great Jubilee of the Year 2000 with a call for the international banking community to forgive part of the foreign debt of the world's underdeveloped countries, has opened up the possibility that a change in economic policy can be forced upon the government of President Fernando de la Rúa.

On June 6, after meeting with a mission from the International Monetary Fund (IMF) which had come to review the nation's economy, the leadership of the Argentine Catholic Bishops Conference announced that its president, Msgr. Estanislao Karlic, had conveyed his concern about the "weight of the foreign debt" to the IMF officials. However, Archbishop of Buenos Aires Msgr. Jorge Bergoglio refused to participate in the meeting, because, as the daily *Clarín* reported, he "felt his differences with the institution were too great."

The president of the Congress's Bicameral Jubilee 2000 Commission, Justicialista (Peronist) Party legislator Mario Cafiero, with the backing of Monsignor Karlic and Cardinal Raúl Primatesta, then announced that public hearings would be held on Aug. 22, to debate "the question of the debt" and its "reconsideration."

On July 15, the newspaper *La Nación* revealed that Judge Jorge Ballesterio of Federal Court No. 2 had ruled on a suit related to the Argentine foreign debt accumulated during 1976-82, which had initially been filed on April 18, 1982 by Alejandro Olmos, with 12 additional charges added over the past 18 years, the majority principally directed at former Finance Minister José Alfredo Martínez de Hoz (1976-81).

Ballesterio ruled that "the existence of an explicit link between the foreign debt, the entrance of short-term foreign capital, high interest rates on the domestic market, and the corresponding sacrifice of the national budget since 1976, could not have gone unnoticed" by the IMF authorities who supervised the negotiations. He said that the increase of the foreign debt was produced by mechanisms "that tended . . . to benefit and sustain private companies—both domestic and foreign—to the detriment of state companies." Ballesterio did not find Martínez de Hoz guilty, but he sent his ruling to the Congress, for it to establish political responsibility for the "irregular" creation of the debt burden of Argentina.

## Battling It Out

The so-called "rebel" faction of the General Federation of Labor, led by trade unionist Hugo Moyana, has thrown its support behind both the Papal initiative and the ruling by Judge Ballesterio. Moyana pulled together more than 20,000 people in Buenos Aires on July 26, to demand that Congress investigate, and declare a moratorium on foreign debt payments. Among the slogans at the demonstration was the charge that "The Foreign Debt Is Immoral." Moyana denounced the government for "not wanting to talk about the debt for fear of its masters," the IMF, and called upon the government to "stop lying, and begin to govern for the people." Moyana criticized those politicians who are afraid to speak out on the debt, for fear that this will scare off foreign investment. "Fifty-five children are dying every day from diseases that had been eradicated. But to them, this is just a statistic."

Carlos Ruckauf, Governor of Buenos Aires province, the country's most populous, called on the de la Rúa government to form a "political bloc" with neighboring countries, all of whom, he said, have an "unpayable foreign debt." Ruckauf has instructed the province's 35 deputies and two senators to organize support for this proposal in the national Congress.

Fervent opposition to the Pope's Jubilee initiative, however, is coming from the misnamed Christian Business Leaders Association (ACDE), followers of the free-trade Mont Pelerin Society, which is mobilizing against all discussion of debt forgiveness. ACDE president José María Simone and the board of directors met with the Bishops Social Justice Commission under Cardinal Raúl Primatesta, to urge that the Church "not insist on that position, because it could prove counterproductive for the economic health of the country." ACDE also tried to get Cafiero to back off.

The ACDE issued a document which argued that "Argentina cannot seek to be categorized along with the highly indebted poor nations, and ask that part of its foreign debt be forgiven," because that would destroy "confidence in the country, and would block access to development financing, driving away both foreign and domestic investors," since this would be viewed as "default."

Yet, either the debt is paid, or nothing else. According to *Clarín* economist Daniel Muchnik, in the first half of this year, Argentina paid \$4.739 billion in interest on its foreign debt, "more than the money allocated in the budget for public works construction for the entire year." The only way the government can meet its foreign debt obligations is "to lower wages, social security payments, and to paralyze public investment," because they have already sold off "grandma's jewels" to the holders of the debt, who made a killing. Yet, "the debt continues to rise. And it is growing because the [budget] deficit is being covered over with new debt, and because the interest rate that Argentina pays . . . is rising." According to the government's data, official foreign debt in December 1999 reached \$144.657 billion, an increase of \$83.322 billion over the past decade.

## Crown Cartels Plunder Australia

*The oligarchy is on a mad grab for raw materials wealth, as the financial crash looms.*

The world's biggest raw materials companies are on a feeding frenzy over Australia's resource wealth. Led by the British Crown's Anglo American and Rio Tinto, the number-one and number-two mining companies in the world, respectively, the cartel is taking advantage of a weak Australian dollar, now worth just 58 U.S. cents, as well as a slump of "old economy" stocks over the past few years. The British buy-up of Australian assets is regarded benignly by the Liberal Party/National Party government, which was installed with the help of Rio Tinto, and whose Foreign Investment Review Board is overseen by Treasurer Peter Costello, a former lawyer for Rio Tinto in its union-busting activities.

The British oligarchy figures to control the post-collapse world by controlling the necessities of life, including raw materials and food. Its control over Australia is stunning.

First of all, Rio Tinto, formerly Conzinc Rio Tinto Australia (CRA), has long been the dominant force in Australian mining. CRA's control over Australia's resources prompted Gough Whitlam's Labor government of 1972-75, to attempt to "buy back the farm." This was put down by the Queen, personally, in 1975, when she had her Governor-General sack Whitlam. The Queen is the dominant political and financial power in Rio Tinto.

In recent years, Rio Tinto has further consolidated its position in Australia. In 1995, CRA merged with its London-based parent company, RTZ plc, to form Rio Tinto. Most of CRA's Australian staff was sacked, and control consolidated in London. In 1998,

former CRA chairman and CEO John "Mr. Rio Tinto" Ralph, the director of the Queen's Trust (a private investment fund of Elizabeth II's), moved onto the board of Australia's other major mining company, BHP. He was the first of many Rio-trained executives to join BHP, through which Rio effected a de facto takeover of BHP, although a formal merger deal fell through last year at the last minute. Earlier this year, Rio announced that it was cashed up and looking for assets; its first target was to buy up the remaining shares of its aluminum subsidiary, Comalco.

On June 23, Rio launched a takeover bid for Australian iron ore producer North Ltd., whose Robe River operation in Western Australia makes it the second-largest iron ore producer in the country. With its control of BHP, control of North would give Rio Tinto total dominance of Australia's highly profitable iron ore production, and global dominance as well, since Australia is the major iron ore producer outside Brazil's Companhia Vale do Rio Doce (CVRD). Rio's bid enraged Japan's profit-squeezed steel mills, whose owners were alarmed at the industry consolidation among its Australian suppliers, who already enjoyed 40% profit margins. The bid was also opposed by Western Australia state Resources Minister Colin Barnett, who protested the increased foreign control of his state's resources.

But, the desperate Japanese jumped from the frying pan into the fire. To foil Rio's takeover, they threw their weight and investment behind a rival takeover bid for North by another Crown asset, Anglo American. After a bidding war, on Aug. 12, Rio took

control of North for \$3.5 billion.

Though Anglo lost its bid for North, it has acquired a huge portfolio of Australian resources over recent years, through purchases worth \$7 billion. For much of the past decade, it has been massively disinvesting from South Africa, effectively, according to insiders, writing that country off because of the AIDS epidemic. It has recently put up \$1.5 billion for Royal Dutch Shell's Australian coal assets; \$653 million for BHP's manganese assets; \$832 million for Acacia Resources, a leading Australian gold miner; and has also purchased a \$320 million stake in Anaconda Nickel. Additionally, Anglo's diamond arm, DeBeers, has made a \$522 million takeover bid for Ashton mining, the joint venture partner with Rio Tinto in Western Australia's Argyle diamond mine, the world's largest. This would give the British Anglo/Rio cartel control of Australia's entire diamond production. Anglo American's divisional chairman of coal and base metals, Dr. James Campbell, said in Melbourne on Aug. 1, "We see Australia as a place where a global resource company has to have a presence."

Two of the British oligarchy's oil giants, BP Amoco and Royal Dutch Shell, are also snapping up Australian assets. Shell, for example, has made a \$6 billion takeover bid for Woodside Petroleum, which would give it effective control over Australia's fabulously wealthy North West Shelf liquefied natural gas (LNG) project, which is responsible for one-tenth of the world's LNG trade. Initially rebuffed, Shell is regrouping for another attempt, but its plans have also sparked concerns from Resource Minister Barnett. "If Woodside is controlled by Shell, we will no longer have confidence that the North West Shelf will be managed with Australia's interest put first," he said.

# Business Briefs

## Labor

### U.S. Steel Mills Face Skill Deficiencies

Skilled labor shortages, among both new college graduates and general laborers, are affecting steel mills in the United States, the *Pittsburgh Post-Gazette* reported on July 28. For example, because of the 1980s downsizing in steel, an entire generation is missing from management. "We could start seeing plant managers who are only in their 30s because there won't be people in their 40s around," said Gary Michals, LTV steel professor at Case Western Reserve University in Cleveland. But even that presumes there are those with ability "out there," or "coming up" — not something to take for granted.

U.S. Steel, J&L Specialty Steel, USX, and other firms all report trouble attracting graduate engineers. J&L Specialty runs a program paying an undergraduate \$2,000 a month, plus a rent-free apartment and other perquisites for four months, to entice new engineers to the firm. The competition is from glitzy information-technology companies.

For hourly jobs on the factory floor, many seeking work aren't qualified. Chicago steelmaker Ispat Inland got 4,000 applications last year for 100 new jobs paying \$14 an hour, but a vast number lacked needed education or experience. Ispat's representative said, "We were surprised by the number of people who looked good on paper who couldn't measure stuff."

## Mining

### Rio Tinto Rewriting Indonesian Legal Codes

Rio Tinto, the mining giant, in league with the Australian Legal Resources International (ALRI, a "human rights" group) and the Australian government, are attempting to rewrite Indonesia's legal codes. Legislation on "environment, human rights, and corporate governance" in Indonesia is now being drafted by the ALRI, with AUS \$50,000 from Rio Tinto and an equal amount from the

Australian government. It is not clear what formal relationship the ALRI has with the Indonesian government, although they are providing "assistance in judicial training" in Indonesia at a time when there is a massive shake-up, especially in Jakarta, in the structure of the courts and the role of the judges.

Rio Tinto, which has major holdings across Indonesia, has "a high degree of involvement," according to Bob Burton of the Mineral Policy Institute, a non-governmental organization (NGO) based in Sydney, Australia. The Rio Tinto legal staff has been "seconded to work with ALRI on the Indonesian law reform project," he wrote in the *Mining Monitor*.

Burton reported that the previous head of the ALRI now works in Rio Tinto's public relations department, while also serving in the executive of Australia's leading human rights umbrella group, the Australia Council for Overseas Aid (ACFOA), which has "long taken a close interaction in human rights issues in Indonesia." Ironically, ACFOA in 1995 published an attack on the massive gold and copper mine, Freeport, in Irian Jaya, in which Rio Tinto is now a major stockholder. As Burton said, "The whole project raises disturbing questions about the blurring roles of government, corporations and well-intentioned NGOs."

## Russia

### Zyuganov Sees Economic Policy Fight in Autumn

On Aug. 2, Russian Communist Party leader Gennadi Zyuganov told a press conference that economic policy was the subject of "a persistent, covert struggle . . . at the top, which may develop into a strong confrontation in the Fall." According to Zyuganov, the struggle is between ideas that his party "has advocated for the last ten years," and a "right-wing, liberal, pro-American line that is evolving in the economy." In the last elections, Zyuganov's economic program was written by a non-member of the party, Dr. Sergei Glazyev.

Zyuganov's comments came as the government is preparing to reform the so-called

natural monopolies. The cabinet meeting of July 27 took up the issue of "restructuring" national utilities companies. According to ORT's report on Deputy Prime Minister Kudrin's press conference that day, the government is preparing to start the privatization of state monopolies, including the national power grid, UES, and the Railways Ministry. Over 2 million Russians are employed in rail.

Such privatization is certain to make a bad situation worse. Electric power brown-outs, which have been affecting Russia's Far East all Summer, grabbed headlines in early August when an infant died in an affected Primorsky Krai hospital. Anatoli Chubais's management of UES is enforcing the principle of "no payment, no power," while continuing to insist that the solution lies in selling off large parts of UES to investors, who allegedly would upgrade them.

On Aug. 3, the government daily *Rossiyskaya Gazeta* reported on the scale of the power cuts: "The situation is scandalous. . . . Mass cutoffs await Dagestan and Mordvinia, and major defaulters will be cut off in Saratov and Penza Oblasts. Primorsky Krai, where cutoffs have been compounded by the typhoon which caused flooding in coal pits, is best not mentioned. . . ."

"The normal operation of the railroads has already been disrupted. There is frenzy in the Kuban region [a major agricultural area], where everyone—both those who pay and those who do not—is being cut off indiscriminately. There have even been mass cutoffs of children's vacation camps in Anapa, and food is rotting in their refrigerators."

## Infrastructure

### China Focusses Rail Investment in Its West

China is shifting the focus of its railroad construction to its western regions for a long period to come, *People's Daily* reported on Aug. 7. This will not only benefit the western regions, but will also boost rail construction in the whole country, the Ministry of Railways stated. Rail passenger and cargo transport have increased by more than 10% over the national growth of rail use in the last year.

**LYNDON LAROCHE'S** proposal for developing Mideast water resources was aired on Egyptian national television on July 24. In an interview, Dr. Mohammad Selim, director of the Center for Asian Studies at the University of Cairo, introduced LaRouche's Oasis Plan, explaining the proposed mass desalination approach, powered by nuclear energy.

**THE 'NEW ECONOMY'** firm Value America, Inc., in Virginia, filed for Chapter 11 bankruptcy protection on Aug. 11. The firm sold everything on the Internet from ice cream sandwiches and caviar to furniture and CD players. In 1999, it lost \$143.5 million and laid off 300 employees. It will now lay off another 185 employees and concentrate on electronic services to provide for online ordering, billing, and distribution for vendors and manufacturers.

**SIERRA LEONE'S** Youth Arise urged Parliament to pass a law mandating HIV testing of all citizens, on Aug. 7. The group's Secretary General, Abu Bakarr Talib Jalloh, said, "The HIV which causes AIDS is almost certainly spreading silently, its deadly tentacles sowing the seeds of death in every corner of our nation already mired in war. The alarming thing . . . is we can hardly even guess how fast this HIV is spreading among our people."

**MICHEL CAMDESSUS**, former managing director of the International Monetary Fund, will join the Vatican Council on debt relief for developing nations, the Vatican announced on Aug. 7. Camdessus's unpaid activity will involve meetings at the Pontifical Council for Justice and Peace, which will convene a conference on debt in December in Rome.

**BRITISH** farms have been hit with an epidemic of swine fever, and the Netherlands, Belgium, and Spain banned the import of pigs from British farms after the outbreak was discovered in early August. The disease is highly contagious and fatal to pigs, but not communicable to humans.

Construction of more and better railways in this region is vital, as the current infrastructure is inadequate.

Two stages of rail construction are planned: For the next ten years, main rail lines linking the western regions with central and eastern China, and railways between regional economic centers in the west are to be constructed, to build the main structure of the western railway network. From 2010 on, rail lines in the west will be extended, including to the west and south across China's borders. At the same time, large-scale technological renovation and equipment improvement will be undertaken.

In the northwest, the main west-east lines will be constructed or improved, including the Lianyungang-Alataw line (the Eurasian Land-Bridge), the feeder line of the Baoji-Lanzhou Railway, and the Xi'an-Nanjing Railway. In the southwest, railways from Shanghai to Kunming, Yunnan Province, and to Chengdu, Sichuan Province, will be extended. Feeder lines of the Zhuzhou-Liupanshui and Kunming-Zhanyi railways and the Suining-Chongqing and Chongqing-Huaihua lines will be built. A railway from Nanjing to Chongqing, along the Yangtze River, will be constructed, and another from Taiyuan in Shanxi province to Zhongwei in Ningxia, in the northwest.

## **Eco-Fascism**

### **Thailand Protects Farms from Environmentalism**

Deputy Secretary General of the Science Ministry Office Wanee Samphanrak stated that Thailand will only accept any international treaty on the environment, which would not adversely affect its agricultural sector. *The Nation* reported on Aug. 4.

This is in response to measures suggested by the developed countries at the 1997 Climate Control Convention in Kyoto, Japan, which stated that emissions of methane gases from rice fields should be reduced and maintained at an exact level.

Wanee said, "Thailand will accept only a win-win solution and not an option which would help the global environment, but

cause the Thai people to suffer." He said that the statistics released on methane gas emissions by rice fields are an exaggeration, and that Thailand's estimates are considerably lower than those of the West.

## **Petroleum**

### **Record Earnings, But Firms Will Not Invest**

American oil companies made record earnings in the second quarter, but are not planning to make new investments in production, *Oil & Gas* journal reported in early August. "But, even as their cash flows improved, producers have been hesitant to increase their spending levels, especially as oil and gas prices began to pull back from previous peaks near the end of the quarter."

For example, ExxonMobil Corp. cashed in on both its megamerger and the run-up of oil and gas prices, to double its earnings to a record \$4.2 billion, up from \$1.9 billion during the same period in 1999. On Aug. 1, ExxonMobil Chairman Lee Raymond said, "Our early success is a tribute to our employees." But, company officials say they may now eliminate 3,000 more jobs on top of the previously announced 15% workforce reduction by the end of 2002.

Chevron Corp. more than tripled its second quarter earnings to \$1.1 billion from \$350 million a year ago. Other second quarter earnings among integrated oil companies for 2000 vs. 1999, in millions of dollars, included: Amerada Hess Corp., 202 vs. 77; BP, 3,610 vs. 1,367; Coastal Corp., 127.6 vs. 93.2; Conoco, Inc., 456 vs. 114; Phillips, 442 vs. 68; Texaco Inc., 625 vs. 273; Unocal Corp., 264 vs. 9; USX-Marathon Group, 367 vs. 134.

Despite growing demand in a tight market, refiners are keeping supplies tight. "Gasoline and distillate inventories remain low despite good margins because demand is good and because U.S. refiners as a group are running at less-than-full capacity today to avoid building inventories that may be worth less tomorrow," said Jean Gaulin, CEO of Ultramar Diamond Shamrock Corp.

## 'New World Order' Gang Is Back, with G.W. Bush

by Jeffrey Steinberg

According to several recent news accounts, sometime in the Summer of 1998, a Bush family war council took place at the Kennebunkport, Maine vacation compound. At that gathering, the George W. Bush Presidential effort was formally launched. Former National Security Council Soviet expert Condoleezza Rice, flanked by her former boss, ex-President Sir George Bush, agreed to take on the task of walking Dubya through the fine points of foreign policy and national security.

Others were soon added to the team, which Rice dubbed "The Vulcans," after a statue of the Roman god of metal-forging in the steel center of Birmingham, Alabama, her home town. A more accurate name might be the "Martians," after the Roman god of war. Because if this gang of throwbacks to Sir George Bush's New World Order gets anywhere near the White House, you can expect a strategic confrontation with Moscow and Beijing, a bloody mess in the Persian Gulf and throughout the Middle East, and many other similar extremely unpleasant surprises.

Given ex-President George H.W. Bush's lifetime affinity for nefarious "secret parallel government" operations, and his blood-vendetta hatred of Bill Clinton, over his 1992 reelection defeat, it should come as no surprise that, within months of that initial meeting, "the Vulcans" had established a shadow "national security" apparatus, which would deploy over the next two years to willfully and vindictively sabotage many U.S. national security and foreign policy initiatives, including the Middle East peace process and the Clinton Administration's efforts to bring peace and stability to the Korean peninsula.

### The Shadow Cabinet

The Kennebunkport gathering had followed an April 1998 meeting at the Palo Alto, California home of former Reagan Secretary of State George Shultz, at which the Texas Governor had been first introduced to Condi Rice. Shultz and

Dick Cheney next tapped Paul Wolfowitz, another Bush-era national security hawk, to join what was soon dubbed "GWU" ("George W. University").

Constantly in the background at all the early planning sessions was Brent Scowcroft, President Bush's National Security Adviser and current alter-ego, who, along with Sir George and former Joint Chiefs of Staff Chairman Colin Powell, is a British Knight, so dubbed by Queen Elizabeth II for "service to the Empire" during Operation Desert Storm.

The Maine session took place in the midst of the escalating impeachment drive against President Bill Clinton, and the Russian default, which would shortly trigger the near-collapse of the Long Term Capital Management hedge-fund. The Bush Leaguers, according to media accounts provided by Condi Rice, among others, went to work immediately, creating what the former Bush National Security Council staffer described as a shadow national security council, to counter the Clinton Administration's every move, with sharp rhetoric and Congressional sabotage.

Almost every Sunday night since the Autumn of 1998, Governor Bush, Rice, and Wolfowitz have held a three-way conference call, to plan out the week's wrecking activities, including public statements and other interventions by the Bush gang, to gum up the Administration's initiatives. Every Monday morning, a second conference call reportedly takes place—with a larger group of participants, including such Bush Administration Cold Warriors and Zionist Lobby zealots as Richard Armitage, Richard Perle, and Dov Zakheim. The late Sen. Paul Coverdell (R-Ga.) served as the liaison between "Team Bush" and the Republicans in the Congress.

Thus, when Perle, the suspected Mossad spy and ally of convicted traitor Jonathan Jay Pollard, met with two senior Israeli negotiators on the eve of this past July's Camp David summit, and urged them to stage a walk-out the moment the Palestinians brought up the subject of Jerusalem, he was act-





*The former First Family*

ing on behalf of the Bush “shadow cabinet,” interfering to wreck a vital U.S. foreign policy initiative.

The Vulcans’ policies, largely codified in the foreign policy and national security sections of the Republican Party Platform, focus on battling “rogue states,” keeping China and Russia on the defensive, and otherwise keeping the United States out of the endless string of “humanitarian” missions that have defined American military outreach under the Clinton Administration. Never mind that almost all of the “hot-spots” where American troops are still engaged, were crises inherited from the Bush Administration, such as the Balkans, Haiti, and Africa. The new Bush team will blithely let the rest of the world go to Hell, unless some “vital” American security interest—like control over the world petroleum reserves or other strategic raw materials—comes into play.

### **Implausible Denials**

In the pages that follow, you will be reintroduced to the Bush League apparatus that you came to know and hate during the 1989-93 period, until Bush was voted out of office, in a stunning repudiation of an incumbent President. The cast of characters who will populate a George “Dubya” Bush Administration are the *identical* personnel who brought you the Panama invasion, the Persian Gulf war, the “New World Order,” economic recession, and the crack cocaine epidemic.

In a recent *Washington Post* interview, Condi Rice, the “quarterback” of the Bush policy team, tried to downplay the similarities, by waxing philosophical: “The world is a different place than it was in 1990 or 1991 or 1992,” she said. In fact, to the extent there are differences between the immediate post-Cold War period, when the Soviet Union was going through its death throes, and today, those differences

drive the Bushies into even more extreme forms of “New World Order” imperial fantasy.

Thus, Rice, Wolfowitz, et al. vow they would no longer hold back from a full-scale ground invasion of Iraq, running into Baghdad to remove Saddam Hussein from power by force. And a Dubya Bush Administration would pay no heed to the Anti-Ballistic Missile (ABM) Treaty, and would proceed with a National Missile Defense system, ostensibly aimed against “rogue states,” but, in reality, targetted at Russia and China. This, despite the fact that then-Vice President George Bush was one of the biggest bureaucratic *opponents* of President Ronald Reagan’s 1983 Strategic Defense Initiative (SDI), and played a pivotal role in the railroad frameup and jailing of Lyndon H. LaRouche, Jr., the intellectual author of Reagan’s SDI, which would have sought Soviet *collaboration* in ending the Kissingerian era of Mutual and Assured Destruction.

And, Rice made it clear that a Bush II Administration would not pursue positive global engagement, such as the Clinton effort to establish closer American ties to Africa. At a moment when President Clinton has belatedly woken up to the threat posed to all mankind by the spread of HIV/AIDS and other deadly diseases, Rice, with the cold, calculated logic of a Henry Kissinger, belittles the idea of treating such issues as real U.S. national security concerns.



*Vulcan, the Roman god of metal-forging, after whom the Bush foreign policy team named themselves. Forging metal is easy, compared to teaching Dubya Bush anything about foreign policy.*

# '2000 GOP Platform' Would Mean War

by Michele Steinberg

At the conclusion of the Republican Party (GOP) convention in Philadelphia on Aug. 3, Democratic Party Presidential pre-candidate Lyndon LaRouche noted that if you wanted to summarize the situation in the Bush-run Republican Party, you could say: "George Bush, senior, was a tragedy ending in a farce; his son is a farce ending in tragedy."

Harking back to President George Bush's "counter-terrorism" strategy of 1985, and quoting the British Empire's Winston Churchill to call for the "close" of the "era of procrastination," the "2000 GOP Platform" is an open call for the hated policies of the "New World Order," that were voted down by the American people in 1992. Since 1994, when the GOP majority took control of the Congress and turned it into a "new Confederacy," the main elements of the Platform have been used to turn the Congress into a "shadow government" that sabotaged Bill Clinton's positive efforts at every turn. And under the George W. Bush "team," all veterans of the Bush/Thatcher "New World Order," the Platform is a recipe for destabilizations and world war.

On the economic front, the Platform's measures are a disaster for any American family which is not among the "super-rich." Praising the infamous "Contract on America" of Newt Gingrich, the Platform advocates sharp cuts in taxes, which will be passed along to the poor as drastic cuts in hospitals, infrastructure, schools, social services, sanitation, and medical care.

The Republican convention was a totalitarian event—a Nuremberg rally—that Republican Party founder Abraham Lincoln would never recognize or accept. Not only was no dissent permitted, but no unscripted speech or even hand-lettered political sign was allowed. Within this totally controlled environment, the key personalities of the 1989-92 Bush Administration re-enacted the political ideology of yore. And the formal nomination of George W. Bush, took on the dimension of a dynastical transition.

## Big Lie Economics

As with Al Gore's New Democrat totalitarians, the Republican Platform claims that there has been "unprecedented prosperity." The *big* difference is that the GOP claims it alone brought about the economic "success."

The Platform states: "Inspired by Presidents Reagan and Bush, Republicans hammered into place the framework for

today's prosperity and surpluses. We cut tax rates, simplified the tax code, deregulated industries, and opened world markets to American enterprise. The result was the tremendous growth in the 1980s that created the venture capital to launch the technology revolution of the 1990s. That's the origin of what is now called the New Economy: the longest economic boom in the 20th Century."

George W. Bush's key adviser on economic-financial policy is Lawrence B. Lindsey, former White House adviser to the senior George Bush and ex-member of the Board of Governors of the Federal Reserve (see article in this section).

The Platform reflects Lindsey's influence, especially on making tax cuts which would undermine the General Welfare clause of the Constitution. It says:

"The weak link in the chain of prosperity is the tax system. . . . It not only burdens the American people; it threatens to slow, and perhaps to reverse, the economic expansion. . . . It's time to change the tax system."

The second economic policy recipe is *free trade*, which, says the Platform, has produced "today's global economy of open markets" and "America's competitive advantage in the New Economy." The Platform proclaims: "We launched this revolution during the Reagan and Bush Administrations. Now we will bring it to completion: U.S. leadership of a global economy. . . . For American producers and consumers alike, the benefits of free trade are already enormous. In the near future, they will be incalculable."

But, the Platform cannot avoid mentioning that, despite endless "prosperity" and all the wonders of free trade, "America's trade deficit with the rest of the world has surged to record highs." Therefore, "free trade must be fair trade, within an open, rules-based international trading system. That will depend on American leadership, which has been lacking for the last eight years. . . . We will not tolerate the foreign practices, rules, and subsidization that put our exports on an unequal footing. . . . First and foremost, we must restore the credibility of U.S. trade leadership."

The buzz-word here is "rules-based." The Bush elites, which control the commodities cartels ranging from food to energy, make the rules, and will threaten any country that tries to defend its sovereignty against the rigged rules of globalization, with sanctions and other punishments. Like the original British Empire, the GOP's "free trade" is a weapon to crush nation-states.

## International Alarm

The foreign policy planks of the Platform, rammed through without discussion or debate, are cause for international alarm. They add up to a program which would increase global tensions, chaos, and conflicts. In brief, the Platform, like the foreign policy team around George W. Bush, is the return of the "New World Order."

The point was underscored by the prominent roles given to those who ran the 1990-91 Gulf War. Speaking from the battleship *New Jersey* to the convention via video, Gen. Sir

## George Shultz: Godfather of Bush's 'Vulcans'

Former Reagan Administration Secretary of State (1982-89) George Pratt Shultz was tapped by Texas Gov. George "Dubya" Bush to launch his Presidential Exploratory Committee in 1999. At the time, Shultz was a Distinguished Fellow at the Hoover Institution on War, Peace, and Revolution, where Condoleezza Rice frequently served as a Senior Fellow.

Assisting Shultz on the Exploratory Committee was former Bush Administration Secretary of Defense Dick Cheney, who is today the GOP Vice-Presidential nominee. Thus, Dubya called in the Republican "Old Guard" of the Reagan and Bush Administrations to explore his chances of being elected President.

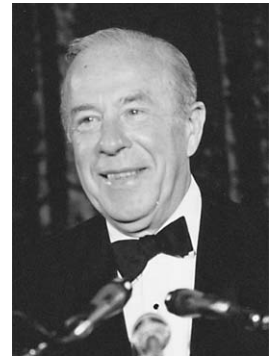
Shultz's greatest crimes occurred after he left office and from the Ivory Towers of the Hoover Institution. According to *EIR's* Special Report, *Bush's Surrender to Dope, Inc.: U.S. Policy Is Destroying Colombia*, Shultz had already called for drug legalization in October 1989.

In an Oct. 7, 1989 address to the Stanford Business School, Secretary Shultz told alumni that the time had come "to make it possible for addicts to buy drugs at some regulated place at a price that approximates their cost." Shultz argued that the "criminal justice approach" to fight-

ing drugs had failed, because what drives the drug trade is simply the economic marketplace. "These [criminal justice] efforts wind up creating a market where the price vastly exceeds the cost. With these incentives, demand creates its own supply and a criminal network along with it. . . . We're not going to get anywhere until we can take criminality out of the drug business. . . . We need at least to consider and examine forms of controlled legalization of drugs."

During the 1990s, Shultz began to campaign with "mega-speculator" George Soros to legalize drugs in the United States, through a series of state referenda. He worked with Soros's Lindesmith Center, which is named after a British detective who claimed that drug abuse was a "victimless crime," in a series of state referenda to obtain "medical decriminalization" of marijuana. Moreover, some of the state referenda (e.g., Arizona) in which Shultz gave his support to Soros's minions, would have legalized nearly all Schedule I drugs, making it possible for doctors to prescribe anything from "crack cocaine" to LSD, if they erroneously believed that such drugs had a "medicinal" purpose.

This certainly qualifies George P. Shultz to be called the "Godfather" of the "Vulcans."—*Scott Thompson*



Norman Schwarzkopf, the Gulf War commander, exclaimed: "Wouldn't it be great for our armed forces and for America, if we could have another commander in chief named George Bush with Dick Cheney on his team?" Cheney, the Vice-Presidential candidate, was Defense Secretary during the Gulf War. Another speaker, Gen. Sir Colin Powell, was then Chairman of the Joint Chiefs of Staff.

In the 2000 GOP Platform, the section entitled "Principled American Leadership" features the following foreign and security policy elements:

- The prime enemy image is the "rogue state"; the regimes of such "rogue states" are to be removed.
- "Protecting the Fellowship of Freedom from Weapons of Mass Destruction," means that "America must deploy effective missile defenses." The Anti-Ballistic Missile (ABM) treaty is characterized as "obsolete," and expanded National Missile Defense (NMD) is to be deployed. If a "negotiated agreement" to end the ABM treaty cannot be reached, the President will break it within six months, as allegedly allowed by the treaty.
- China is repeatedly identified as an American adver-

sary. The Platform makes the lurid claim, echoing 1950s McCarthyite propaganda, that "the [Clinton] Administration's failure to guard America's nuclear secrets is allowing China to modernize its ballistic missile force, thereby increasing the threat to our country and to our allies. The theft of vital nuclear secrets by China, represents one of the greatest security defeats in the history of the United States." Later, the Platform states that "America's key challenge in Asia is the People's Republic of China. . . . China is a strategic competitor, not a strategic partner."

- As if the 1950s Korean War never ended, and as if current moves toward North-South Korean reconciliation were not taking place, the Platform attacks North Korea as being "outside the international system," and calls on Americans, vis-à-vis the Korean Peninsula, to "honor the sacrifices of the past and remain prepared to resist aggression today."
- The Platform insists on radical NATO expansion, not only for Europe (notably the Baltic states), but into the Middle East and the Caucasus/Central Asia region as well: "We seek greater cooperation within NATO, to deal with the geopolitical problems of the Middle East and Eurasia."

- Respecting the Middle East, the Platform proclaims: “Immediately upon taking office, the next Republican President will begin the process of moving the U.S. Embassy from Tel Aviv to Israel’s capital, Jerusalem.”

- Concerning the Persian Gulf region, the Platform demands full support for “a comprehensive plan for the removal of Saddam Hussein. . . . Peace and stability in the Persian Gulf is impossible, as long as Saddam Hussein rules Iraq.” Full support is demanded for the discredited Iraqi National Congress, an umbrella organization of opposition groups built up by the British Foreign Office, and funded by the U.S. State Department, following passage of the Iraq Liberation Act by the U.S. Congress in 1998. Respecting Iran, the Platform labels the country “a dangerous threat to the U.S. and our interests in the region,” and demands a “firm, common approach” with Europe, toward Iran.

- Concerning high oil prices, the Platform alleges that they have been caused by “the OPEC cartel” raising prices, and the growing “Anti-Americanism” of Arab countries.

- Full support is given for extending the North American Free Trade Agreement throughout Ibero-America, and for using that as a model for “free trade” agreements in other parts of the world.

# The Nightmare of Bush Senior’s Presidency

by Michele Steinberg

In November 1992, American voters handed George Herbert Walker Bush a crushing defeat in his bid for re-election. Today, the campaign spin-doctors of George W.’s campaign are putting out the “Big Lie” that Daddy has nothing to do with junior’s future administration. The accompanying articles prove the case that George W. would bring back into power the key Bush League operatives, run by a powerful financier oligarchy as a “secret parallel government” that serves its own self-interested policies.

## Bush’s ‘Secret Government’

In 1996, Lyndon H. LaRouche, Jr. wrote that the elder Bush, from the time he became Vice President, had “used his nest in the National Security Council, and in the so-called ‘Focal Point’ operating under the cover of the U.S. Joint Chiefs of Staff, to create a vast, intricately crafted, privately funded, ‘secret government,’ whose corrupt, continuing activities have brought the constitutional institutions of all three branches of our Federal government to the verge of destruction.” Even with Bush out of elected office, he and his army of “knuckle-dragging” mercenaries were threatening the vital interests of the United States and the world, through the “New World Order,” said LaRouche.

Not only was President Bush the petty tyrant who jailed his major opponent, LaRouche, during the 1988 Presidential election, using police-state measures, but his Eastern Establishment family, through his father Prescott Bush, had helped to put Adolf Hitler into power, handling business deals for the Nazis (see article in this section).

This brief memorandum should remind readers what the Bush Presidency was all about. The information is drawn from three works published by *EIR*: the 1992 book, *George Bush: The Unauthorized Biography*, and two 1996 Special Reports, *George Bush and the 12333 Serial Murder Ring*, and *Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?* *EIR* not only documented the workings of the secret government, but also prepared a draft indictment of President Bush for his role in the conspiracy to introduce cheap crack cocaine into the United States.

Not a single family in America was left unscathed by Bush’s deadly policies. Through Project Democracy and the Ollie North “Enterprise,” then-Vice President Bush flooded the United States with deadly crack cocaine from Colombia,

## The Way Out of The Crisis



A 90-minute video of highlights from *EIR*’s April 21, 1999 seminar in Bonn, Germany.

Lyndon LaRouche was the keynote speaker, in a dialogue with distinguished international panelists: Wilhelm Hankel, professor of economics and a former banker from Germany; Stanislav Menshikov, a Russian economist and journalist; Schiller Institute founder Helga Zepp-LaRouche from Germany; Devendra Kaushik, professor of Central Asian Studies from India; Qian Jing, international affairs analyst from China; Natalya Vitrenko, economist and parliamentarian from Ukraine.



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*“My name is Ozymandias, King of Kings, Look on my works, ye Mighty, and despair!”*

flown in on planes cleared through national security channels in the Vice President’s office. Bush’s office also protected and armed a heroin- and opium-trafficking empire in the “Golden Crescent” of Afghanistan and Pakistan, where the United States and Bush’s “special relationship” ally, Britain, armed the drug traffickers and Afghani terrorists as anti-communist guerrillas. Even the notorious terrorist Osama bin Laden was supported by Bush’s apparatus.

The drug money served to finance an empire of weapons smugglers and mercenaries to run a “Murder, Inc.,” under the auspices of Executive Order 12333.

### **Free Trade and Genocide: the ‘New World Order’**

George Bush the elder was always a whining, conniving, oligarch, even at the earliest, when he was inaugurated into the Yale secret society, Skull and Bones. Every political job ever landed for him was a “family favor.” Elections were Bush’s low point—he would lose, unless family strings eliminated the opposition.

The following are among the leading crimes and blunders committed by George Bush in the White House:

- The subordination of U.S. policy and planning to the British and Anglo-American financier oligarchy, through direct old family relationships, and other ideological commitments, such as through Henry Kissinger. Among the victims

of this “special relationship” was Iraq: The Gulf War was hatched by British interests through Margaret Thatcher, to bring about the “New World Order.”

- The consolidation, from about 1982 on, of the “post-industrial” strategy of looting the real economy to jack up speculation, with junk bonds, leveraged buyouts, and gambling. Bush’s Wall Street cronies engineered the passage of the 1981 Garn-St Germain banking deregulation bill, which opened the banks to speculation and destruction. Bush’s “dereg” completely destroyed the savings and loan associations in a criminal orgy of looting, where more than 2,000 traditional S&Ls were driven out of business during the Bush Presidency. But bankers who had committed massive fraud—including Bush’s son, Neil Bush, who defrauded the Silverado bank in Colorado—were never prosecuted.

In 1989 to 1993, Bush pushed through the next phase of economic destruction by legalizing financial derivatives, and designing the North American Free Trade Agreement (NAFTA).

- The pushing of genocide against Russia and the Newly Independent States freed from the Soviet Union when the Berlin Wall fell in 1989. Bush rammed through the International Monetary Fund’s conditionalities, and the shock therapy of Harvard professor (and drug legalizer) Dr. Jeffrey Sachs. Bush’s “free-trade economics” and the sledge-hammer of the International Monetary Fund kept the nations of the former Soviet empire in poverty and misery. Bush and Thatcher tried to prevent German reunification after the fall of the Berlin Wall.

- In December 1989, Bush launched an invasion of Panama, in a military action that killed more than 4,000 civilians. Bush falsely accused Gen. Manuel Noriega of drug trafficking, and handed Panama over to top Wall Street and London drug-money banking interests. The operation had a double purpose: It consolidated the power of Bush’s secret government dope interests, and it focussed world attention away from building the new, just world economic order that was proposed by LaRouche, after the end of the Soviet empire.

- In January 1991, Bush launched the Gulf War against Iraq and declared the onset of a “New World Order.” With the deliberate destruction of Iraqi infrastructure and permanent economic sanctions, Bush committed the murder of hundreds of thousands of children and other innocent people. Again, this Bush/Thatcher war served to block the effort to establish a durable peace through global economic development, the policy outlook being proposed to integrate the countries of the former Soviet Union into the partnership with the rest of the world.

- In 1993, Queen Elizabeth II conferred the Honorary Knight Grand Cross (GCB) upon Sir George, almost as soon as he left office. This is the highest rank that the Queen can give to anyone who is not her official subject.

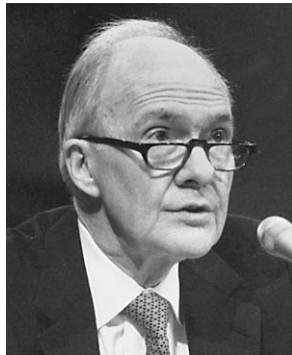
# The Kissinger Clone on the Bush Team

by Anton Chaitkin

Brent Scowcroft, Henry Kissinger's protégé and employee, served as President George Bush's National Security Adviser, a central figure in shaping Bush's so-called New World Order. Scowcroft brought Kissinger's devotion to Britain's Royal Institute of International Affairs into Bush Administration policy-making in such areas as Iraq and Eastern Europe.

A 75-year-old Utah Mormon, Scowcroft is a retired "paper-clip" Air Force lieutenant general who never saw combat. After coming up through the ranks through the Defense Department, Scowcroft was working as a Nixon White House staffer in 1973 when National Security Adviser and Secretary of State Henry Kissinger made Scowcroft his Deputy Assistant to the President for National Security Affairs. In 1975, Kissinger chose Scowcroft to replace him for two years as President Gerald Ford's National Security Adviser, when Kissinger had to content himself with being only Secretary of State.

Under Kissinger's lead, Brent Scowcroft worked to adopt genocidal premises for foreign policy. On April 24, 1974, Kissinger sent to cabinet, intelligence, and military officials his infamous National Security Study Memorandum 200 (NSSM 200), "Implications of Worldwide Population Growth for U.S. Security and Overseas Interests." Developed by Kissinger and Scowcroft, NSSM 200 focussed on the alleged threat to U.S. national security from the growth of population—and resultant growth of demands for industry and political sovereignty—in African, Asian, and Ibero-American nations. It called for using various measures to reduce the population of 13 specified dangerous countries, such as Nigeria, Egypt, Indonesia, and Brazil. The new policy's nightmarish implications have become apparent in Africa, for example, in the complacency of the State Department toward the unchecked spread of AIDS, and a holocaust of war steered by international mineral cartels.



On Nov. 26, 1975, Scowcroft, by then the National Security Adviser, issued National Security Decision Memorandum 314, endorsing NSSM 2000 and related policy proposals by Kissinger.

Scowcroft co-founded Henry Kissinger's personal consulting firm, Kissinger Associates, Inc., in 1982, becoming wealthy as a partner and vice-chairman of the firm until 1989. A key partner was Lord Peter Carrington, formerly British Foreign Secretary for Margaret Thatcher, a banker and cartel magnate and head of one of Britain's most powerful families.

The imperial Kissingerians dazzled, corrupted, or coerced nations and governments into becoming their paying clients. Various institutions under the Yugoslav regime of Slobodan Milosevic were guided by Kissinger Associates: The production of the Yugo automobile was organized as a swindle against Yugoslavia by Milosevic, Scowcroft, and Kissinger Associates President Lawrence Eagleburger, to make a political war chest for Milosevic.

On March 23, 1983, President Ronald Reagan shocked the Bush circles, and the corresponding Trilateral Commission sections of the Democrats, by endorsing Lyndon H. LaRouche, Jr.'s proposal to develop an antiballistic-missile weapons system based on "new physical principles." Reagan sought to share the system with the Soviets, end the terror of nuclear attack, and ultimately break out of the Cold War.

Scowcroft and other Kissinger partners worked within the Reagan Administration to push Reagan back toward the doctrine of Mutually Assured Destruction and away from this conception of Mutually Assured Survival.

The core issue was the world balance of power, which, in the view of the Kissinger group, must not be disturbed by a U.S.-led breakthrough on vast new science and energy potentials that could spur ambitions for industrialization, national sovereignty, and anti-poverty action.

Through the President's Commission on Strategic Forces, known as the Scowcroft Commission, Brent Scowcroft designed a program of gradual disarmament and arms control, leading toward deployment of the Midgetman missile, instead of the SDI or the MX missile. Scowcroft and his minions enlisted bipartisan support, notably including then-Sen. Al Gore, Jr. James Woolsey, Scowcroft's Commission partner, was adviser to Gore's losing Presidential race in 1988.

As Lyndon LaRouche wrote in his 1988 autobiography, *The Power of Reason*, "Brent Scowcroft's present career is typical of those military 'Faustians' who have more or less sold their souls to Kissinger's circles. The Scowcroft Commission itself was typical of the sort of political plum handed to those in Kissinger's good graces."

What became the Contras' arms-for-dope scandal first broke on Oct. 6, 1986: The Nicaraguans shot down an aircraft carrying an illegal arms shipment that had been organized by then-Vice President George Bush's staff. President Reagan asked Scowcroft and Sens. John Tower and Edmund Muskie

to investigate the “Iran-Contra Affair.” This Tower Commission reported in February 1987, lying that George Bush was not involved, and that Bush was to be commended for his fight against terrorism.

In recent years, Scowcroft has headed the non-profit Forum for International Policy, and the profit-making Scowcroft Group consultancy firm, both operating from the same address. The Forum’s chairman is Lawrence Eagleburger, Bush’s Deputy Secretary of State; trustees include Sir Colin Powell, Condoleezza Rice, ADM cartel chief Dwayne Andreas, Bush-Baker oil giant Enron’s chairman Kenneth Lay, Bush’s CIA director Robert Gates, Bush’s Trade Representative Carla Hills, and Bush’s Ambassador to the Soviet Union Robert Strauss. Walter H. Kansteiner III, a money-generating Scowcroft Group partner and a senior fellow of the Forum, specializing in Africa, is a professional broker of tropical commodities; he was responsible for Africa in the Bush-Scowcroft National Security Council.

Scowcroft and his partners recently made a handsome profit arranging for Chinese government support for Scowcroft’s client, the Chubb Group insurance company, to operate in China.

### The ‘New World Order’

On Aug. 2, 1990, Iraqi troops invaded Kuwait after a long-simmering dispute over oil on their border and other issues. U.S. Ambassador to Baghdad April Glaspie had told Iraqi President Saddam Hussein a week earlier that she was speaking for President Bush, and that “we have no opinion on the Arab-Arab conflict, like your border disagreement with Kuwait.” After the invasion, Arab countries urged the United States to let the Arabs find a solution to the Iraq-Kuwait conflict.

Also on Aug. 2, Bush was scheduled to meet with British Prime Minister Margaret Thatcher at Aspen, Colorado. Bush had for a long period been generally disposed to have a war in the Middle East, but had apparently not finally decided on a U.S. military attack on Iraq. At their Aspen meeting, the Iron Lady, the idol of the pathetic President, informed Bush that he must take America to war; Bush and Thatcher met again in the White House on Aug. 6, for more of the same.

Scowcroft, in his 1998 book *A World Transformed* (officially by Scowcroft and Bush), whines that the “President’s comment that he was not contemplating [military] intervention has been taken by some to indicate that he was passive or indecisive about the notion of doing anything about the Iraqi invasion until Margaret Thatcher ‘put some stiffening in his spine’ at their meeting later that day. Such speculation is wrong, although his choice of words was not felicitous” (New York: Vintage-Random House, 1999, p. 315).

Scowcroft’s comment brings up two important points about their relationship.

First, that Scowcroft’s job was to arrange the choice of words for the intellectually challenged President, as the Bush

family traditionally has servants do everything for them, including thinking.

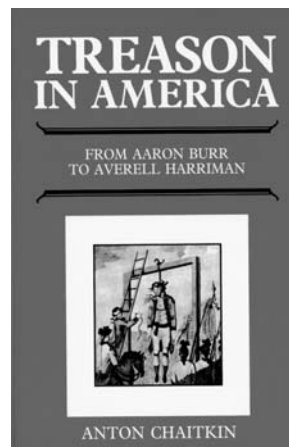
Second, that Scowcroft himself pressed on the British line for military intervention.

Scowcroft writes about the discussion within the Administration immediately after the Iraqi troop movement, and just before the flight to Aspen. Could this “great crisis” be used to shape a new global imperium, now that the Soviet Union was crumbling? “I was frankly appalled at the undertone of the discussion, which suggested resignation to the invasion and even adaptation to a *fait accompli*. There was a huge gap between those who saw what was happening as the major crisis of our time and those who treated it as the crisis *du jour*. The remarks tended to skip over the enormous stake the United States had in the situation, or the ramifications of the aggression on the emerging post-Cold War world. . . . Later that morning, I spoke to President Bush of my concerns. I asked if, in the next [National Security Council] meeting, I could depart from custom in NSC meetings and speak first, outlining the absolute intolerability of this invasion to U.S. interests. He shared my concern and proposed that he himself make such an opening statement. I told him I thought that would stifle discussion, and we agreed I would go first” (ibid., pp. 317-318).

Over the succeeding weeks, Scowcroft himself knocked

## Treason in America

From Aaron Burr To Averell Harriman



By Anton Chaitkin

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down the cautions put up by other advisers, and, with Bush's sanction, increasingly stifled conflicting voices.

Then on Aug. 23, 1990: Scowcroft told reporters, "We believe we are creating the beginning of a new world order out of the collapse of U.S.-Soviet antagonisms."

On Sept. 11, 1990, President Bush picked up the Scowcroft slogan for a war in an address to Congress on Administration objectives. Bush gloated that Soviet President Mikhail Gorbachov was backing him in condemning Iraq, then said, "A new partnership of nations has begun. . . . The crisis in the Persian Gulf, as grave as it is, also offers a rare opportunity. . . . Out of these troubled times, our fifth objective—a new world order—can emerge."

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## Dick Cheney

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# Oil in the Family

by Anton Chaitkin

Just after President George Bush nominated Dick Cheney to be Secretary of Defense, a syndicated column appeared in the *Pittsburgh Press* on April 4, 1989, entitled "Kissinger Regaining Influence under Bush." The column, by Susan Bennett, began, "He's back. Conservatives who call him the Mick Jagger of foreign affairs are sounding the alarm—'Nightmare on Pennsylvania Avenue—Kissinger returns!'"

The column, accompanied by a cartoon showing Kissinger as a fat dwarf, warned that "suspicions about his influence in the new administration were heightened when Bush tapped two close Kissinger associates—Brent Scowcroft and Lawrence Eagleburger—for two top Administration posts. Scowcroft then recommended to Bush that Rep. Dick Cheney, who was White House Chief of Staff in the Ford Administration when Kissinger was Secretary of State, replace John G. Tower as the Defense Secretary nominee."

The junior Bush's Vice Presidential running-mate, Richard Bruce Cheney, has been a loyal functionary of the Bush clan, Kissinger, and the Anglo-American globalists, while packaged as a plain, old Western moderate conservative Republican.



Perhaps Cheney's most important service to his sponsors was his role in sabotaging Congressional investigation of the Iran-Contra scandal. The public remembers him better for his attack-dog performance in executing Bush's wars against Panama and Iraq.

Cheney, 59, worked as a budget-cutter in the Nixon Administration. He was Chief of Staff to President Gerald Ford in 1975-76, and then a U.S. Congressman from Wyoming from 1979 to 1989.

The Bush and Kissinger networks have made Cheney a rich servant.

The Kissinger-oriented Center for Strategic and International Studies at Georgetown University in Washington, D.C., has been a crucial channel for Cheney. He served on CSIS's advisory board along with Kissinger and Brent Scowcroft; he and Sen. Sam Nunn (D-Ga.) co-chaired CSIS's Military Strategy Forum, a panel of strategic policy "experts" established by Kissinger and David Abshire. Cheney has taken part in many CSIS projects, often with Sam Nunn, who as Senate Armed Services Committee chairman, went all-out to get Cheney quickly approved as Bush's Defense Secretary.

From 1995 until his Vice Presidential nomination, Cheney was chief executive of the gigantic, global, Texas-based Halliburton oil services company.

The oldest member of Cheney's Halliburton board, who helped him get this job, is the fanatical Anglophile Anne Armstrong, the former U.S. ambassador to Britain, who is also chairman of the board of CSIS. President Bush's Trade Representative Carla Hills is a trustee of CSIS and a director of Halliburton; so is oil magnate Ray L. Hunt, the Bush family financial angel.

The British baron Lord Clitheroe was part of the Halliburton board that chose Cheney. His lordship was a long-time executive director of Rio Tinto Zinc, and a political and commercial ally of Lord Peter Carrington (a Rio Tinto director and a partner in Kissinger Associates, Inc.).

As Halliburton's chief, Cheney brought Kissinger-Bush operative Lawrence Eagleburger in as a Halliburton director.

Cheney has recently lobbied for lucrative projects in Russia and the Caspian Sea region. He was a key powerbroker in procuring \$489 million in loan guarantees from the U.S. Export-Import Bank last year for the Russian firm, Tyumen Oil Co. (TNK). Most of the loan guarantee was to go toward buying equipment from Halliburton. The State Department blocked the Ex-Im Bank loan guarantee last year, "in the interests of national security."

The Center for Public Integrity cites U.S. and Russian intelligence sources that link the Alfa Group, a major shareholder of TNK, with drug trafficking from Central Asia and the Far East into Europe. An unidentified former KGB officer is quoted as saying that Alfa Bank and its trading arm, Alfa Eko, "had been deeply involved in the early '90s in the laundering of Russian and Colombian money and in the



trafficking of drugs from the Far East to Europe.”

Dick Cheney was the ranking Republican member of the House of Representatives committee to investigate the Iran/Contra affair (House Select Committee to Investigate Covert Arms Transactions with Iran). Cheney helped steer both the House and Senate committees away from any significant probes. Their reports, filed Nov. 13, 1987, exonerated Vice President Bush, hardly even mentioning him.

This was consistent with Cheney’s avid support for the entire Contra adventure. After questioning Lt. Col. Oliver North in the Iran-Contra hearings, Cheney said: “Colonel North has been, I think, the most effective and impressive witness certainly this committee has heard, and I know I speak for a great many Americans when I thank him for his years of devoted service to the nation, both in the United States Marine Corps and as a member of the NSC [National Security Council] staff.”

Congressman Cheney was present at a meeting with North in the White House Situation Room on Aug. 6, 1986, when North told Cheney and others, that his “principal mission” was simply to coordinate contacts between U.S. officials and the Contras; and North said that he gave the Contras advice on human rights and the need for an improved civic image. But North actually coordinated the shipment of military supplies to the Contras at the time, knowingly using drug-traffickers to handle the shipments.

### ‘Cross Bush and You Pay’

As President Bush’s Defense Secretary, Cheney dove in to implement Operation Blue Spoon, the plan to invade Panama and kidnap Panamanian Defense Forces leader, Gen. Manuel Noriega. The U.S. Commander in Panama, Gen. Frederick F. Woerner, declined to accept a 3,000-man increase in the 12,000 troops stationed in Panama, when Bush wanted the reinforcement in order to intimidate Noriega. Cheney reportedly threatened General Woerner and other officials, by way of an intermediary, telling Joint Chiefs of Staff Chairman Adm. William Crowe, “You know, the President has got a long history of vindictive political actions. Cross Bush and you pay. Bush remembers, and you have to be careful.” (Quoted in Bob Woodward, *The Commanders* [New York: Simon and Schuster, 1991, p. 89].) The generals acceded, and Woerner was soon replaced.

The December 1989 bombing of Panama and kidnapping of Noriega were a warm-up for the Gulf War, and the Scowcroft-Bush declaration of the New World Order.

Cheney spearheaded the creation of a war psychosis, then carried out a genocidal attack on Iraq, from the bombing of power, water, health, and other vital civilian infrastructure, to the imposition of permanent sanctions that have killed hundreds of thousands of Iraqi children. In Saudi Arabia, in Europe and elsewhere, from his four years as Secretary of Defense, Cheney is remembered as an arrogant hatchetman.

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Paul Wolfowitz

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## A Bully To Enforce the ‘New World Order’

by Michele Steinberg

On Jan. 15, 1991, President George Herbert Walker Bush announced the war against Iraq on national television with his infamous call for a “New World Order.” With those words, Bush set the United States on a course of destroying its own heritage as a republic. Countless commentaries — by U.S. patriots such as former Rep. Henry Gonzalez (D-Tex.) and former Attorney General Ramsey Clark, who called for Bush’s impeachment, to prominent international observers around the world — immediately noted that Operation Desert Storm was not about territory in Kuwait, nor about international human rights, nor about oil, but about the New World Order. It was because of his service in implementing this concept, that former President Bush was knighted “Sir” by Queen Elizabeth II.

In his pronouncement of the New World Order, Bush echoed the thinking of Adolf Hitler, who used nearly identical terms in justifying his drive for world domination. In 1941, Hitler declared, “I am convinced that 1941 will be a crucial year of a great new order in Europe. The world shall open up for everyone. . . . This year will help provide the foundation of a real understanding among peoples, and with it the certainty of conciliation among nations.”

And if you liked the New World Order, you’ll love the campaign of Texas Gov. George W. Bush, because the inventors of the term, and the policy, are the puppet-masters pulling the strings of the “clown prince,” George W. On Feb. 18, 1991, the *Los Angeles Times* reported that President Bush’s New World Order slogan had been coined in August 1990 by Brent Scowcroft, his National Security Adviser, to connote Bush’s “assertive new policy” against Iraq, in the aftermath of the disintegration of the Soviet military control over eastern Europe.

Today, Scowcroft is the grey eminence to the “Vulcans,” as the Bush inner circle of “mind-benders” is known. Right next to Scowcroft is one of the leading “technicians” of the



New World Order, Paul Wolfowitz, protégé of the notorious Albert Wohlstetter, a former Trotskyite Communist turned think-tanker.

Wolfowitz claims to be an avid Republican and an indisputable loyalist of Ronald Reagan, but he is actually a Trilateral one-worldist, who began his government career as an official in Democrat Jimmy Carter's 1977 State Department, and later served in the Bush Administration as Undersecretary of Defense for Policy. In 1992, he authored the Defense Policy Guidance, which is one of the sources for crazy U.S. Secretary of State Madeleine Albright's "sole superpower" fantasies. Albright's embrace of the Wolfowitz argument is behind the Kosovo debacle, and the unending war against Iraq that has killed more than 500,000 innocent children.

Since the 1992 election of Bill Clinton as President, Wolfowitz has functioned as a key operative to keep the policies of the New World Order alive. A small sampling of these policies include:

**Iraq:** Wolfowitz is behind the repeated attempts to assassinate Iraq's Saddam Hussein, and to organize a ground invasion of Iraq. In 1991, Wolfowitz and Richard Cheney backed such a plan, called "Operation Scorpion," but it was reportedly turned down by Chairman of the Joint Chiefs of Staff Colin Powell; in 1992, operating from Turkey, Wolfowitz attempted to engineer an invasion of northern Iraq, under the code-name "Operation Poised Hammer." When the United Nations passed resolutions allowing the sale of Iraqi oil, Wolfowitz intensified his efforts to smash Iraq. Among the most well known of these was a 1997 scenario, drafted by Wolfowitz and Gen. Wayne Downing (U.S. Army, ret.), to overthrow Saddam and use the London-based Iraqi opposition to invade the country. The plan to give American backing for the murder of a foreign leader was rightly ridiculed as another "Bay of Pigs" or "Iran-Contra" fiasco, but it is still on the books, especially since the 1998 passage of the Iraq Liberation Act. If Bush were President, it would become policy—in the way the Oliver North secret government functioned under Vice President Bush.

**Malaysia:** In October 1998, Wolfowitz and former Sen. Sam Nunn (D-Ga.) co-authored a commentary for the *New York Times*, in which they attacked Malaysian Prime Minister Mahathir bin Mohamad for "betraying Malaysia's future" by allowing the trial of Deputy Prime Minister Anwar Ibrahim. About a month later, Vice President Al Gore mouthed this same Project Democracy line in Kuala Lumpur, virtually calling for the overthrow of Mahathir by the "*reformasi*." These attacks on Mahathir were actually triggered by Dr. Mahathir's assertion of national sovereignty for Malaysia, by imposing currency controls, and penalizing speculation against his nation's currency.

**Enlarging NATO to Russia's borders:** Wolfowitz is one of the founders of the New Atlantic Initiative (NAI), the British/Anglo-American project that was the operating base

for Lady Margaret Thatcher.

Thatcher's 1996 statement to the NAI reaffirmed the "New World Order," with the U.S.A. as the sole superpower (covertly controlled, of course, by the British Empire). Her opening statement came right out of the 1992 Defense Guidance Policy that Wolfowitz wrote for Cheney and Bush. Thatcher said, "Our energies must be directed toward strengthening NATO, which is as important in the post-Cold War world as in the circumstances of its creation. NATO's role should be expanded. It must be prepared to go out-of-area, where so many of today's threats lie. . . . NATO can also coordinate support for the construction of that system of global missile defence which is now an imperative requirement" (see *EIR*, April 23, 1999).

**North Korea:** In February 1999, from his platform at the privately funded "House Policy Advisory Board," Wolfowitz, with fellow George W. adviser Richard Armitage, attempted to throw a hand grenade into U.S. talks with North Korea, and the two-Korea negotiations, with a plan for war. Wolfowitz says that "should talks fail," the United States should carry out a major military buildup in South Korea; a "blockade," conducted from Japan, in which the United States will "board North Korean ships suspected of carrying missile exports; and prepare a preemptive strike on suspected nuclear facilities" in North Korea.

### Richard Perle: the 'Prince of Darkness'

Wolfowitz is not a man, but a network. His sidekick is Richard "Prince of Darkness" Perle, who is also a leading member of the "Vulcans." Both are close allies of the Likud-nik killers of former Israeli Foreign Minister Ariel Sharon, godfather of the network of Jewish fanatics who assassinated Israeli Prime Minister Yitzhak Rabin because of his commitment to Middle East peace. Both Wolfowitz and Perle were under investigation in the mid-1980s as spies for the Israeli mafia, and were part of the "X Committee," the entire "mole-hill" of penetration agents who facilitated the work of Jonathon Jay Pollard, convicted of spying for Israel.

Since the Clinton election, when Wolfowitz and Perle lost their official positions in the defense and intelligence establishment, they have operated through a powerful, closely knit group of Anglo-American-Israeli private institutions that have pushed policies of war and the New World Order. Wolfowitz is a board member and/or adviser of the following such institutes: the International Republican Institute (IRI) of the National Endowment for Democracy (NED), where he





*Iraqi victims of President George Bush's 1991 Gulf War. Nearly a decade later, the murderous sanctions against Iraq continue, while Paul Wolfowitz leads the campaign to assassinate Saddam Hussein and organize a ground invasion of Iraq.*

interfaces with the “human rights” mafia of Jimmy Carter and Albright; the Center for Security Policy, run by anti-China maniac Frank Gaffney, one of Wolfowitz’ protégés from the Bush Administration; the Jewish Institute for National Security Affairs (JINSA); the Washington Institute for Near East Policy (WINEP), where, in July, another Bush “Vulcan” called for total war against Saddam Hussein; the American Enterprise Institute (AEI); and the New Atlantic Initiative, which was initially called Thatcher’s “private Bilderberg Society,” and which has been the leading institute pushing the drive for NATO expansion and unilateral military action by the United States and Britain, without the authority of United Nations or any other international law.

## **America, the Bully**

Where Wolfowitz goes, wars and destabilizations follow. Under the Bush/Cheney/Wolfowitz model, the Augustinian concept of a just war is scuttled. The republican notion of “winning the peace,” by concluding the war by treaty among sovereign nation-states, is eliminated. Defense and military preparedness are replaced by “bully” tactics and “small wars.” Like the British Empire, the New World Order doctrine holds that the United States “has no permanent allies, only interests,” and these interests are to prevent the development of other strong nations, as in Nineteenth Century British geopolitics.

The roots of these insane policies are to be found in the 1992 Defense Planning Guidance authored by Wolfowitz, who was then Richard Cheney’s Undersecretary of Defense:

“This Defense Planning guidance addresses the fundamentally new situation which has been created by the collapse of the Soviet Union, the disintegration of the internal as well

as the external empire, and the discrediting of communism as an ideology with global pretensions and influence. The new international environment has also been shaped by the victory of the United States and its coalition allies over Iraqi aggression — *the first post-Cold War conflict and a defining event in U.S. global leadership.* . . .

“Our first objective is to prevent the reemergence of a new rival, either on the territory of the former Soviet Union or elsewhere, that poses a threat on the order of that posed formerly by the Soviet Union. This is a dominant consideration underlying the new regional defense strategy and requires that we endeavor to prevent any hostile power from dominating a region whose resources would, under consolidated control, be sufficient to generate global power. These regions include Western Europe, East Asia, the territory of the former Soviet Union, and Southwest Asia.”

There are three additional aspects of this objective: First, the United States “must show the leadership necessary to establish and *protect a new order* that holds the promise of convincing potential competitors that they need not aspire to a greater role or pursue a more aggressive posture to protect their legitimate interests. Second, in the non-defense areas, we must account sufficiently for the interests of the advanced industrial nations to discourage them from challenging our leadership or seeking to overturn the established political and economic order. Finally, we must maintain the mechanisms for deterring potential competitors from even aspiring to a larger regional or global role. . . .

“While the U.S. cannot become the world’s ‘policeman,’ by assuming responsibility for righting every wrong, we will retain the pre-eminent responsibility for addressing selectively those wrongs which threaten not only our interests, but those of our allies or friends, or which could seriously unsettle international relations. Various types of U.S. interests may be involved in such instances: access to vital raw materials, primarily Persian Gulf oil. . . .”

The leaking of the paper was accompanied by testimony by top-level Bush Administration officials William Webster and Army Chief of Staff Gen. Gordon R. Sullivan, that Japan and Germany were in fact examples of such “rivals” that would become a threat to U.S. national security.

In 1992, the Italian newspaper *Corriere della Sera* responded to the Wolfowitz paper with a front-page editorial that called it “Bush’s Dream of Glory.” It “is shocking in many respects, starting from the frankness, to the brutality with which it theorizes the permanent subordination of allies-competitors and explains how to use military power and nuclear force to reiterate this subordination,” the daily said.

Russian commentators also called the paper for what it was — a naked warning to the world that there was now only “one superpower.”

Today, the Vulcans repeat over and over the phrase that the United States “cannot be the policeman to the world,”

pretending that they oppose the policies of the crazy Albright and the follies that Clinton continued from the Bush Administration. But, “Dubya’s” team will not only be the “policemen of the world,” but those world cops will also look a lot like the New York City killers of unarmed African immigrant Amidou Diallo.

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Condoleezza Rice

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## The ‘Quarterback’ for Bush’s Vulcans

by Scott Thompson

Condoleezza “Condi” Rice, who served as the chief Sovietologist in President George Bush’s National Security Council (NSC), is today the self-described “quarterback” of the George “Dubya” Bush national security team. Since she took a one-year leave of absence from the post of Provost of Stanford University in July 1999, sources report that she and the other members of the “Vulcans” group, which she heads, have held tutorials with Dubya at least once a week. Of all the Vulcans, Rice is said by reliable sources to be the most successful at explaining her version of foreign policy to “Dubya.”

Rice, who is seen as the most likely candidate to become National Security Adviser in a Bush administration is getting rave reviews from the London press, such as a Sept. 26, 1999 article in the *Guardian*, entitled “The Iron Lady Behind Bush’s New Cold War,” which described her as “black, sleek and having the same kind of sex appeal Diana Ross had.” London’s enthusiasm is no surprise, given her geopolitical doctrines and pro-British sympathies. In an interview with the London *Daily Telegraph* published on July 29, she said that the British would be welcomed into the North American Free Trade Agreement (NAFTA). “Britain is probably our closest ally in the world,” she gushed, “and would be welcome from my point of view into any association in which the United States finds itself.”

We examine here her positions on key foreign policy issues, as presented in interviews with a Washington, D.C. re-



porter on May 2 and June 21, 2000, among other sources.

- Although she opposes President Ronald Reagan’s Strategic Defense Initiative as it was announced on March 23, 1983, she favors building a Ballistic Missile Defense system that would guard against what she calls “rogue” or “failed” states, such as Iraq, Iran, and North Korea. Instead of President Reagan’s vision, which was first proposed by statesman Lyndon H. LaRouche, Jr., of sharing this technology with Russia, Rice insists that no such sharing can take place with other nuclear powers, such as Russia and China, so long as these countries remain “nuclear proliferators.” And, instead of the LaRouche-Reagan plan to build a system based upon “new physical principles”—e.g., x-ray lasers, lasers, and particle beams—which would act as a science driver for the world’s economy, Rice’s version of National Missile Defense and Theater Missile Defense would be based upon off-the-shelf kinetic kill interceptors that date back to 1960s technology. In short, she plans to build an unworkable junkheap, which would cost billions of dollars, and would serve only to provoke strategic tensions and conflicts.

- Rice, who as the chief NSC Sovietologist wrote the seminal document consigning Russia to International Monetary Fund (IMF) “shock therapy,” from which it has never recovered (see below), is not the least bit concerned to consider the further disintegration of this major nuclear power. In an interview with the *Stanford Journal of International Relations* in Spring 1999, as she was hopping aboard the Bush express, Rice said of Russia: “It’s very chaotic now, . . . but I think that in the short term you’re likely to see the continued disintegration of Russia. You’re going to continue to see Moscow not capable of managing the relations with the periphery . . . and becoming increasingly irrelevant in its own people’s lives, because they play these political games at the center that don’t connect in any way with what those lives are really about. . . . There’s a feeling right now that they’re living in a ‘grave-yard’ a little bit.” Of course, neither Rice nor the Republican Party Platform are prepared to counter this great threat to world peace, by freeing Russia from the shackles of the International Monetary Fund’s (IMF’s) austerity conditionalities.

- Rice told a Washington-based reporter that she is a firm believer in “balance-of-power politics,” of which she considers the British to have been “very artful practitioners.” Confirming that she has a “geostrategic” view, she believes that the United States must pursue policies that would prevent “any single power to rise, much less to dominate” the “Eurasian Heartland.”

- Despite the end of the Cold War and Russian belligerency, Rice says that she would pursue a policy of “continued enlargement of NATO,” and that even the Baltic states “cannot be excluded from possible membership.”

- She dismisses the recent breakthrough summitry of North and South Korea, stating that it is purely “desperation” on the part of North Korean President Kim Jong-il, “because

the country is falling apart.” Acknowledging that North Koreans were starving to death, Rice said that she would withhold all aid until there was economic and political change in the North: “My own view is that the North Korean regime has failed, that it’s looking for a bailout, . . . and I think it would be a mistake to make economic resources available without reform.”

- She stresses that the U.S. relationship with China is “not a strategic partnership,” as President Bill Clinton had once enunciated. However, in her Aug. 1 speech to the Republican Party Convention, she acknowledged that there need not be inevitable “conflict between our two nations,” if the Chinese liberalize their nation. She is prepared to overthrow the existing Beijing government from the bottom up, using the lever of liberalized trade and other measures.

- And, finally, on the evening of her otherwise vacuous speech to the Republican Party Convention, the Afro-American Rice appeared in an interview on MSNBC to protest President Clinton’s having classified “global infectious diseases, such as HIV/AIDS,” which has already condemned more than 24 million people in Sub-Saharan Africa to a horrible death, as a “national security matter.” Instead, Rice said that HIV/AIDS in Africa is a “health matter,” and she promised scant help for dealing with it.

## Policy Role in the Bush Administration

Gen. Sir Brent Scowcroft (ret.), writing with President George Bush in *A World Transformed* (New York: Alfred A. Knopf, 1998), confirms that it was Rice who wrote the document upon which the Bush Administration policy toward the Soviet Union was based, particularly the question of squeezing the Soviet Union to adopt “IMF shock therapy.” Writes Scowcroft:

“The formal report from the strategic review on the Soviet Union (NSR-3) was on the President’s desk on March 14 [1989]. It was disappointing . . . [and] because of its shortcomings, we worked instead with a ‘think piece’ on Gorbachov’s policies and intentions drafted by an NSC team headed by Condoleezza Rice. . . .

“The memo picked up on one intriguing possibility that [U.S. Ambassador to Moscow Jack] Matlock, among others, had begun to suggest: that we might have leverage over Moscow because of its need for Western economic resources and know how. In a supporting memo at that time, Condi reminded us that the Soviet Union was in turmoil and was looking to the outside world for ideas and resources to rebuild its failing system. It appeared we might be able to take advantage of that situation to make dramatic progress across the entire U.S.-Soviet agenda.”

In her own book with Philip Zelikow, who had been on the Bush NSC staff with her, entitled *Germany Unified and Europe Transformed: A Study in Statecraft* (Cambridge: Harvard University Press, 1997), Rice acknowledges that as part of the Houston Group of Seven meeting, it had been decided

by President Bush and other world leaders that Russia would have to comply with IMF shock therapy before it would receive a cent. When then-Soviet President Mikhail Gorbachov requested “Marshall Plan” levels of aid, Rice writes:

“This would require a Western consensus, since the aid would come mainly from international financial institutions such as the International Monetary Fund. . . . Bush had already indicated, both to Kohl and to Gorbachov, that he could not easily endorse this larger program of assistance. It would be economically unsound until Moscow was prepared to adopt a genuine reform program.”

As a result of these decisions, and despite its status as a major military power, Moscow has been treated like other Third World countries and put through the wringer of IMF shock therapy. Its industry has been privatized for a penny on the dollar, its raw materials have been looted, and life expectancy has collapsed. As a result of the policies that Rice was a part of, Russia has been raped by the IMF and other international institutions, so it is not surprising that she believes that it will disintegrate further.<sup>1</sup>

Also, as Scowcroft acknowledges in *A World Transformed*, Rice was a key member of the task force that set U.S. policy toward the reunification of Germany:

“The principles of our policy were simple. As the President had implied to [Chancellor Helmut] Kohl at their December 3 [1989] meeting, we would back the reunification, which would allow the West Germans to conduct their separate ‘internal’ diplomacy with East Germany without worrying whether the United States would support them in the end. . . . We hoped that the President’s commitment to back Kohl would be our insurance that the Chancellor would insist on membership in NATO. . . .

“Bob Blackwill, Philip Zelikow, Bob Hutchings and Condi Rice—the NSC Soviet and European teams engaged in the process—drafted an outline of what we wanted a unified Germany to look like and how to get there. All Germany was to be in NATO. . . .

“When it was done, the Germanies would present the results to the Four Powers for their blessing. I agreed with this approach. . . .”

As *EIR* has documented,<sup>2</sup> while the Bush Administration overrode the objections of British Prime Minister Margaret Thatcher and French President François Mitterrand to reunification, it went along with Prime Minister Thatcher’s idea of forcing Germany’s “self-containment,” through its adoption of the Maastricht Treaty and eventually the single currency, the euro, which underlies the current European Union—all of which Rice applauds in her history of these events.

1. Scott Thompson, “Sins of the Father: How Bush Lost Russia,” *The New Federalist*, Jan. 3, 2000.

2. Helga Zepp-LaRouche, “Germany’s Missed Historic Chance of 1989,” *EIR*, Aug. 14, 1998.

## Who Is Condoleezza Rice?

Condoleezza Rice was born in Birmingham, Alabama, in November 1954, into a second-generation family of Presbyterian theologians. During the Civil Rights Movement, her family moved to the safety of Colorado, rather than participate in the movement, and her father became a professor at the University of Denver.

At age 15, Condi, who then aspired to be a concert pianist, entered the University of Denver, graduating with a B.A. *cum laude*. She got her M.A. from Notre Dame University in international relations, then returned to the University of Denver to get her Ph.D. in international relations in 1981, because there she had fallen under the spell of a former Czech diplomat named Josef Korbel.

"I adored him, I really did," Rice told the *Guardian*, according to its Sept. 26, 1999 article. Also, according to the *Guardian*, Condi became a close friend of Josef Korbel's daughter, the future Secretary of State Madeleine Korbel Albright, and was a frequent dinner guest in the Korbel home.

Josef Korbel, the mentor of both Madeleine Albright and Condoleezza Rice, had been a diplomat in the pre-war Czech foreign service, the Anglophile aide to Czech leader Edward Benes. When British Prime Minister Neville Chamberlain permitted Adolf Hitler to carve up Czechoslovakia in his Munich "appeasement," Korbel moved his family to London, where he became a key member of Benes's Government-in-Exile.

In 1949, when the Communist coup took place in Czechoslovakia, Korbel, who was then on foreign assignment, learned that the Communists had sentenced him to death *in absentia* for crimes against the state, so he moved his family to the United States, where he soon secured a position as a professor of international relations at the University of Denver. His migration to the United States was part of a larger move of Anglophile and leftist intellectuals, including leaders of the subversive Frankfurt School, sponsored by the Institute for International Education in New York City. Legions of Anglo-Soviet "Trust" agents found their way into the U.S. foreign policy and national security establishment via the IIE route.

After receiving her Ph.D. under Korbel's tutelage, Rice was employed by Stanford University, where she quickly rose through the ranks to tenure and full professorship. At Stanford, she began what has been a long-term relationship with the Hoover Institution on War, Peace, and Revolution, and she is today still a Senior Fellow there.

After her initial relationship with Hoover, Rice went to Washington, D.C. on a New York Council on Foreign Relations fellowship, where she worked on nuclear strategic planning at the Joint Chiefs of Staff. She returned to Washington in 1989 to join the National Security Council in the Bush Administration, under National Security Adviser Brent Scowcroft, as the principal Soviet specialist. She became the NSC's Senior Director for Soviet and Eastern European Af-

fairs in May 1990. And, on Aug. 9, 1990, she was promoted to the position of Special Assistant to President Sir George W. Bush.

Leaving the NSC in late 1991, Rice returned to Stanford, becoming a Senior Fellow at the Hoover Institution. In 1993, as the university was looking for someone who could sell "multiculturalism," she was made Provost of Stanford, in which position she remained until joining the G.W. Bush campaign.

Rice has cashed in on her growing fame. Among her lucrative corporate board memberships are included Chevron oil company, the Hewlett Packard Foundation, Charles Schwab, and the international advisory board of J.P. Morgan.

As a trusted "Baby Boomer" to the Bush Administration "Old Guard," Rice is also a founding board member of the Forum for International Policy, whose chairman is former Bush Administration Secretary of State Sir Lawrence Eagleburger, and whose president is Sir Brent Scowcroft.

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## Robert Zoellick

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# James A. Baker III's Man on the Bush Team

by Scott Thompson

Robert B. Zoellick is widely known among well-informed sources to represent the interests among the "Vulcans" of former Bush Secretary of State and Bush family lackey James Addison Baker III. While Baker was Secretary of State (1989-92), Zoellick served as Counsellor of the Department of State (Undersecretary rank) and Undersecretary of State for Economics. After Baker left that post to become White House Chief of Staff and Senior Counsellor to President Sir George Bush, Zoellick followed him to the White House as his deputy.



This symbiotic relationship between Baker and Zoellick has deep roots. During the Reagan/Bush Administration, when Baker was Secretary of the Treasury (1985-88), Zoellick held various posts in Treasury, including as Baker's counsellor.

Today, after a brief stint as president and CEO of the Center for Strategic and International Studies, Zoellick is a

Research Scholar at the Belfer Center for Science and International Affairs at Harvard University, which is headed by Gore 2000 Foreign Advisory Board Chairman for Russia Dr. Graham Allison. He is also a Resident Fellow at the German Marshall Fund, and a Senior International Adviser to Goldman Sachs investment house.

Zoellick is a member of the Advisory Board of Enron Corp., which, according to the Center for Public Integrity, has been the number-one career patron of Texas Gov. George W. Bush, contributing more than \$500,000 to his various campaigns.

## Vintage Geopolitics

On May 19, 2000, Zoellick “debated” Leon Fuerth, Vice President Gore’s National Security Adviser and chairman of the Gore 2000 Foreign Advisory Group, at the Washington Institute for Near East Policy (WINEP), a 1985 spin-off from the right-wing Zionist American-Israeli Public Affairs Committee (AIPAC). The term “debate” is used advisedly, because Zoellick and Fuerth tried to outdo one another in calling for steps to overthrow Iraq’s Saddam Hussein and dismember the nation of Iraq, under the Iraq Liberation Act of 1998.

Coming from Zoellick, this was hardly surprising: He had been a member of the WINEP “Presidential Study Group” that issued a report euphemistically titled *Building for Security and Peace in the Middle East*, on March 24, 1997. One section of that report, which Zoellick and, ironically, such Gore 2000 Foreign Advisory Group members as Dr. Bruce Jentleson, signed off on, was on moving “Beyond Containment” of Saddam Hussein. Brief excerpts from that report read:

“To improve upon the Administration’s current ‘containment’ strategy, the Study Group believes that the Administration’s top priority should be to take steps that hasten the demise of Saddam Hussein’s regime. . . . The United States should adopt a more aggressive approach toward military responses to Iraqi provocations commensurate with the objective of hastening the demise of Saddam’s regime. . . . These provocations should be viewed as opportunities to inflict as much damage as possible on core regime assets and personnel. Among these are the headquarters and barracks of the Republican Guard, the Special Republican Guard, and various intelligence services as well as Saddam’s own military headquarters in Baghdad, Tikrit, or elsewhere.”

In effect, the study was a blueprint for Operation Desert Fox, the five-day bombing rampage against Iraq that was foisted upon President Clinton when he was facing impeachment, by Al Gore and the Principals’ Committee. It may not be a coincidence that the study was released two days before Secretary of State Madeleine Albright, who, along with Vice President Al Gore, has been at the center of Clinton Administration bellicosity toward Iraq, gave her first speech on Middle East policy.

At the March 13-15, 1999 meeting of the Trilateral Com-

mission in Washington, D.C., Zoellick was the chief U.S. rapporteur for a report entitled “21st Century Strategies of the Trilateral Commission: In Concert or Conflict?” In the report, he called for the containment of, and preparation for possible military conflict with China and Russia. His argument boils down to the geopolitics of the Trilateral Commission’s Zbigniew Brzezinski, as presented in *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives* (New York: Basic Books, 1997).

This is, that that no power or combination of powers, particularly China, Russia, and India, must come “to dominate the Eurasian Heartland” through a “triangular relationship” that excludes the United States. “For America” after the Cold War, Brzezinski adds, “the chief prize is Eurasia,” and the United States has a window of opportunity as the “sole superpower” to dominate it.

In Zoellick’s report, he writes:

“The rise of China looms over Asia. Although China faces staggering internal problems, there is no doubt that its influence in Asia is on the rise. . . . It is troubling that China has not accepted the idea that an ongoing U.S. presence in East Asia assures the region’s security. It appears that China would prefer a future where it could cooperate with Korea, exercise pre-eminent influence in Southeast Asia, and keep Japan in check. China’s insensitivity to democratic hopes—whether in Taiwan or on the part of a few activists on the mainland—is also not encouraging.”

The worst possible outcome of this situation, in the view of Brzezinski and Zoellick, would be for China, Russia, and India—representing the most populous nations of Eurasia—to form economic, military, and political ties that would constitute what Lyndon H. LaRouche, Jr. has called “the Survivors’ Club.” Yet LaRouche’s “Grand Design” for Eurasian integration through massive infrastructure projects is precisely what is coming into being at the present time, especially since the Chiang Mai initiative of May 2000—while the Trilateral Commission is going the way of the Dodo Bird.

It is notable that President Sir George Bush, after the disastrous Trilateral Administration of President Jimmy Carter, lost the 1990 GOP Presidential nomination in New Hampshire, because President Ronald Reagan made an issue of his Trilateral connections.

As a July 1991 interview with the *Financial Times* during a visit to London shows, Zoellick also believes in imposing International Monetary Fund (IMF) shock therapy upon Russia, through “step by step” liberal economic reforms and conditionalities. Such policies have been the cause of what Russian economist Sergei Glazyev calls “genocide” against that nation.

During the Winter of 1989, the Bush Administration chose Zoellick to head the U.S. delegation to the humiliating “Two-Plus-Four” talks on the reunification of Germany, which placed that historic act under the control of Britain, France, the Soviet Union, and the United States—i.e., the “Four Powers.” As the accompanying article on Condoleezza

Rice makes clear, while it was U.S. policy (as opposed to the stated positions of British Prime Minister Margaret Thatcher and French President François Mitterrand) to allow reunification of East and West Germany to occur, the Bush Administration whole-heartedly embraced a reunified Germany's "self-containment" within what became the European Union and the single currency, the euro. Nevertheless, the German government awarded Zoellick with a Knight Commander Cross for his role as head of this delegation, which also included Rice, who had done most of the preparatory study work at the National Security Council.

It was then-Secretary of State Baker, Zoellick's boss at the time, who conditioned any aid to the former East bloc upon acquiescence to "IMF conditionalities." These conditionalities have condemned these nations to the worst austerity and economic servitude, making economic conditions worse than they had been under Communism.

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## Lawrence Lindsey

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# More of the Same Brand of Poison

by John Hoefle

The old saying that the more things change the more they stay the same, could have been coined to describe the emergence of Lawrence Lindsey as the chief economic strategist of the George W. Bush Presidential campaign. Lindsey, who is said to be the likely Treasury Secretary were Dubya to win, is so close in background and profile to current Treasury Secretary Lawrence Summers, that *Fortune* once described them as "separated at birth." Both men were born in 1954, both obtained doctorates in economics from Harvard, writing their theses on taxation; both studied under economist Martin Feldstein at Harvard, and served stints on the President's Council of Economic Advisers.

The main difference between the two is that Summers is a Democrat and Lindsey a Republican, but given the Gore campaign's determination to turn the Democratic Party into another Republican Party, that's not much of a difference.



## Bubble Baby

Lindsey, like Summers, is not only a Baby Boomer, but a Bubble Baby. His entire political career has occurred during the financial "booms" of the 1980s and 1990s, when money and the markets have reigned supreme, and industrial production and infrastructure have largely been considered unnecessary expenses. To a Bubble Baby economist, the manipulation of money is paramount.

In 1981, Lindsey joined the Reagan Administration's Council of Economic Advisers, chaired by Martin Feldstein, where he pushed the Wall Street tax-cutting, bubble-building policy known as "Reaganomics." He left the CEA in 1984 and returned to Harvard, where he earned his Ph.D. in economics, with a thesis on taxation. His thesis adviser was none other than his CEA boss and supply-side mentor, Martin Feldstein. From 1984 to 1989, Lindsey was an associate professor of economics at Harvard, where he polluted the minds of countless young economists, infecting them with the mental virus of monetarism.

In 1989, Lindsey moved back into government, appointed by President George Bush as a special assistant to the President for policy development. By 1989, the Reagan/Bush "economic miracle" had collapsed, and the Bush Administration was desperately seeking ways to roll over the mountain of unpayable debt created during the go-go '80s. The rollover was accomplished, at great expense to the physical economy and the lives of many among the lower income strata, through a combination of flooding the economy with money, leaning on bank examiners to ignore bad loans and insolvent banks, and a head-long rush into the virtual world of derivatives.

Lindsey was a tireless advocate for the financial markets. In 1990 he published his first book, *The Growth Experiment: How the New Tax Policy Is Transforming the U.S. Economy*, shamelessly pushing the idea that the cancerous growth of the financial bubble represented progress.

In 1991, proud Papa Bush rewarded Lindsey by appointing him to a six-year stint as a governor of the Federal Reserve System, where he served with his other mentor (Feldstein being the first), Alan Greenspan. During the early 1990s, under the watchful, and nurturing, eye of the Fed, the derivatives market exploded, and the bubble grew.

In 1997, when his term expired, Lindsey left the Fed for the American Enterprise Institute, where he became the Arthur F. Burns Scholar in Economics; the position was named after a former chairman of the Fed. At AEI, Lindsey continued to push policies to benefit the bubble. In 1999, he released his second book, *Economic Puppetmasters: Lessons From the Halls of Power*. Lindsey focussed on four "puppetmasters" and the institutions they represent: the Fed's Greenspan, the Japanese Finance Ministry's Eisuke Sakakibara, German Chancellor Helmut Kohl, and speculator/drug-legalizer George Soros. While these men are indeed powerful, they are not—as Lindsey well knows—the real puppetmasters. The real puppetmasters, as *EIR* has documented over the years, are



the elite of the financial oligarchy, who set the axioms under which the Greenspans and Lindseys of the world operate.

The elder George Bush knows this well, for it is with precisely these people that he has negotiated, to get his mediocre son elected first the Governor of Texas, and then the President of the United States. It is also why Lawrence Lindsey is now the chief economic adviser of Dubya.

### ‘Greed Is Good’

The essence of Lindsey’s philosophy was stated in a speech he gave to a Community Development Lending Conference in Dallas in October 1996.

“In the short term,” Governor Lindsey stated, “one can rely on a sense of guilt, or charity, or a fear of enforcement action to motivate behavior. But it will not last. The only permanent motivating force in this world is self-interest.”

Shades of Bernard de Mandeville’s *Fable of the Bees!* Such a philosophy is neither new nor limited to Lindsey, but it does make him (im)morally qualified to run the economic policy of the Bush family.

Lindsey’s economic specialty is the use of tax policy to stimulate “growth,” through the application of incentives to investors. Since the biggest investors are the rich, growth, in Lindsey’s view, comes from helping the rich get richer.

In an article in the Sept. 8, 1997 *Forbes*, Lindsey complained that no one had thanked the rich for paying \$45 billion more than expected in taxes that year. In 1995, Lindsey wrote, the top 5% of American households got 21% of the nation’s aggregate income, up from 17% in 1985. That was “good news for the IRS,” he said, “since the rich pay a far higher percentage of their income to the government than the other 95% of the population does. That rich 5% now pays about 47% of all income taxes.”

“Whatever else one thinks about income inequality,” he concluded, “it does create revenue for the government to spend. . . . Wouldn’t you think that the rich would be at least entitled to a small thank-you from the guys in Washington?”

This desire to protect the rich from the ravages of government fits like a glove with the Republican philosophy of building up their capital. But “greed is good” makes a bad campaign slogan, so the euphemism “compassionate conservatism” is touted in its place. (We are the party of inclusion, Bush insists, to which one is tempted to reply, “Yes, you wish to include all of our money in your pockets.” It’s not exactly survival of the fittest—after all, the mediocre Bushes have always depended upon powerful patrons for their survival—but it’s close. Call it survival of the well-connected.)

Lindsey’s assignment—and Bush’s—is to preserve and increase the power and capital of the rich, while pretending to create prosperity for all. Vote Republican and we can all get rich together. Or, in the words of BusinessWeek writer Owen Ullman, Lindsey & Co. “want a program that will shatter the image created by congressional Republicans of a party of rich, heartless extremists, but will provide a formula that

can bring Corporate America firmly back into the fold without totally turning off the right wing.” The philosophy of Newt Gingrich is not being repudiated, just Newt’s unsavory image.

One of Lindsey’s pet proposals is the privatization of Social Security, putting the proceeds of the Social Security tax into the stock and bond markets, where they can supposedly benefit from the market’s boom. The reason for this, they insist, is to protect the population and keep the Social Security system from going bankrupt. But the problem with Social Security is that the pro-finance, anti-physical economy policies of Bush, Lindsey, and their stringpullers, is responsible for the decay of the productive sector of the economy, of which the Social Security problems are but a reflection. The effect of the Bush/Lindsey plan, over the next two decades, would be to double the amount of money in the financial markets. The post-industrial policy is the problem, and more post-industrialism will make matters worse.

Lindsey’s policy prescription for the economy is to reduce the tax burden on the rich, pour Social Security funds into the markets, and increase the pace of globalization. That is, he is calling for more of the poison which has brought the U.S. and the world to the brink of economic ruin—a policy which, under Reagan, Bush I, and now Bush II, he has devoted his life to implementing and nurturing. The more things change, the more they stay the same.

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# Dubya's Grandpa and Great-Grandpa Helped Put Adolf Hitler into Power

by Anton Chaitkin

*The following is excerpted from an article that appeared in New Federalist, June 9, 1997, under the title "Now, as Then: Bush and the British, from Auschwitz to Africa."*

When Adolf Hitler became Chancellor of Germany, his Nazi Party was in the minority. The Nazis had just suffered setbacks in the German elections of Nov. 6, 1932, losing 34 Reichstag seats. President Hindenburg had appointed Kurt von Schleicher Chancellor.

Yet, less than three months later, on Jan. 30, 1933, after a well-financed Nazi propaganda and armed-terror campaign, Hindenburg appointed Hitler to take Schleicher's place. The Nazis got Hindenburg to schedule new elections for March 5. With streams of money for their propaganda and guns, the Nazis "won" the election, and Hitler seized power.

The two principal German organizers of this Hitler takeover, were Hjalmar Schacht and Fritz Thyssen. Both men were operatives of the British Empire, through Bank of England Governor Montagu Norman, and of a British-controlled Wall Street grouping at the center of which were Averell Harriman, and Harriman's partner, Prescott Bush, the father of the later U.S. President George Bush.

Over several years, every Nazi step toward power in Germany was coordinated, and Nazi campaign finances were overseen, by this British-New York axis. Hitler's master-race ideology, which led to mass extermination, was simultaneously promoted and given the stamp of approval by this same British-New York faction.

## Thyssen-Harriman-Bush

Fritz Thyssen was the earliest important financial backer of Hitler. In 1923, he gave Gen. Erich Ludendorff 100,000 gold marks for the Nazis, prior to the attempted putsch by Hitler. From then through the 1930s, the bulk of the funds to build both the Nazi party, and Hitler's career, went through Thyssen.

On Oct. 5, 1942, during World War II, U.S. government investigators reported on Thyssen's Nazi base in America: "Averell Harriman was in Europe sometime prior to 1924 and at that time became acquainted with Fritz Thyssen, the German industrialist." Harriman and Thyssen agreed to set up a bank for Thyssen in New York.

"[C]ertain of [Harriman's] associates would serve as directors." Thyssen agent "H.J. Kouwenhoven . . . came to the United States . . . prior to 1924 for conferences with the Harriman Company in this connection."

The first Harriman-Thyssen meeting was most likely in 1922, when Averell Harriman had been in Berlin to set up the Berlin branch of W.A. Harriman & Co. This Harriman banking house had recently been created by the British-allied American financier, George Herbert Walker (George Bush's maternal grandfather), who was the bank's president.

In 1924, Harriman and Walker formally organized, within their New York office, a shell company entirely devoted to projects to be run through Thyssen, called the Union Banking Corporation. This interlocked with the Thyssen-owned Bank voor Handel en Scheepvaart (BHS) in the Netherlands, which represented Thyssen's German interests.

Thus, the W.A. Harriman & Co. (alias Union Banking Corporation) would be transferring funds back and forth between New York and the European Thyssen projects. By putting up about \$400,000, the Harriman organization became the controller of Thyssen's banking operations outside of Germany.

In 1926, Walker's son-in-law, Prescott Bush (George's father), joined the firm as vice president, and soon became its Chief Executive. That same year, Wall Street's Dillon Read set up the United Steel Works, Thyssen's main German corporation.

On Jan. 1, 1931, the Harriman bank merged with the old British-U.S. company, Brown Brothers. This put the new Brown Brothers Harriman, which would be the world's largest private investment bank, directly under the control of London's Montagu Norman. The governor of the Bank of England, personally a satanic Theosophist, and Britain's best-known public supporter of Adolf Hitler, Norman had earlier been a Brown Brothers partner; his family had run the firm since the 1860s. London's Hitler project was stepped up, with Harriman, Bush, and Thyssen as leading intermediaries.

After the war, Fritz Thyssen revealed to Allied interrogators, certain limited aspects of his mediation between the Norman-Harriman-Bush complex and the Nazi rise to power. He stated, "In 1930 or 1931 . . . I told [Hitler's deputy Rudolph]



*Prescott Bush with wife Dorothy, in 1952. Dubya Bush's grandfather, along with Averell Harriman and Britain's Montagu Norman, played a key role in financing Adolf Hitler's road to power.*

Hess . . . I would arrange a credit for him with a Dutch bank in Rotterdam, the Bank für Handel und Schiff [a branch of the Union Banking Corp.].

"The credit was about 250,000-300,000 [gold] marks—about the sum I had given before. . . ."

In January 1931, immediately after Montagu Norman's Brown Brothers merged with Harriman and Bush, their agent Thyssen met privately to talk money and strategy with Adolf Hitler, Nazi propagandist Joseph Goebbels, and Montagu Norman's German banker protégé, Hjalmar Schacht, at the home of Hitler's deputy Hermann Goering.

In Congressional hearings at the end of the war, the U.S. Treasury Department reported on the Harriman-Bush banking front for Thyssen, on the huge part that the Thyssen organization played in Hitler's war buildup, and on the flow of money that had put Hitler into power.

The Treasury officials stated:

"During the . . . two years [after the 1931 crash] Thyssen dedicated his fortune and his influence to the single purpose of bringing Hitler to power. In 1932, he arranged the now famous meeting in the Düsseldorf Industrialists' Club, at which Hitler addressed the leading businessmen of the Ruhr and the Rhineland. At the close of Hitler's speech, Thyssen cried, 'Heil Herr Hitler'. . . . By the time of the German . . .

elections later that year Thyssen had succeeded in eliciting contributions to Hitler's campaign fund from all of the big industrial combines. He himself is reported to have spent 3,000,000 marks on the Nazis in the year 1932 alone.

"During 1933 Thyssen served as intercessor between von Hindenburg, von Papen, and Hitler. He brought them together at a secret meeting which laid the basis for the appointment of Hitler as Reichschancellor."<sup>1</sup>

### **Schacht Passes the Hat**

After Hitler was appointed Chancellor, Hjalmar Schacht hosted and chaired a meeting on Feb. 20, 1933 at Goering's Reichstag President's palace for Thyssen's representatives and a few other German businessmen. Schacht passed the hat, raising 3 million gold marks for the final drive to Nazi dictatorship.

The biggest contributors there were Karl Bosch and Georg von Schnitzler for the IG Farben company, steelmaker Gustav Krupp (who had previously held off supporting Hitler), and the Thyssen-Wall Street United Steel Works chief executive Albert Voegler. Herr Voegler was also a director of the Harriman-Bush affiliated BHS Bank in Rotterdam, and a director of the Hamburg-America shipping company, which would soon be owned jointly by the Harriman-Bush enterprise and the Hitler government.

With Hitler and the Gestapo in power, Central Bank President and Economics Minister Hjalmar Schacht threw all resources into creating a Nazi war machine. Fritz Thyssen was made the dictator of the Ruhr region, with mammoth war contracts. He and his British-Wall Street allies took complete ownership of every industrial concern in which Thyssen was involved; his opponents were defeated, purged, and arrested.

While Hitler cynically denounced the IG Farben company as an "international Jewish organization," Schacht simultaneously awarded that company huge contracts to produce munitions and chemicals for the military buildup.

Throughout this period, up until 1937, banker Max Warburg was the leading stockholder of IG Farben. Warburg (like the Rothschilds, politically loyal to the British crown) meanwhile presumed to instruct his fellow Jews in the western countries *not* to boycott or otherwise protest Hitler's anti-Jewish persecution.

Max Warburg had brokered the Harriman-Bush takeover of German companies, and their subsequent staffing by Nazis. The Warburg family's Kuhn Loeb bank in New York had earlier launched the Harriman family's railroad fortune, with capital from the British monarchy. In the 1930s, Kuhn Loeb was selling new bonds in New York for Hitler and Schacht, to replace, at a lower interest rate, the German public and private bonds held by Americans. Max Warburg meanwhile served as Schacht's deputy at the German central bank.

1. "Elimination of German Resources for War," Part 5, page 879; Hearings of the Subcommittee of the Senate Committee on Military Affairs.



*Hjalmar Schacht, Hitler's Economics Minister and an ally of Wall Street and the City of London, in the dock at the Nuremberg Tribunal, where Nazi war criminals were tried for crimes against humanity. Schacht was acquitted.*

In May 1933, an agreement was reached in Berlin, for the coordination of all Nazi commerce with the U.S.A. The Harriman International Co., led by Averell Harriman's first cousin Oliver, was to head a syndicate of 150 firms and individuals, to conduct all exports from Hitler's Germany to the United States. This pact, reported in the May 20, 1933 *New York Times*, had been negotiated in Berlin by Hjalmar Schacht and John Foster Dulles, attorney for Harriman, Prescott Bush, and various Nazi enterprises, with the counsel of Max Warburg. Leading up to this agreement, a telegram (now in the Harriman papers, Library of Congress) was sent to Nazi official Hjalmar Schacht at the Mayflower Hotel, Washington, dated May 11, 1933: "Much disappointed to have missed seeing you Tuesday afternoon. . . . I hope to see you either in Washington or New York before you sail. With my regards, W.A. Harriman."

At the top, Montagu Norman made all the decisions. Schacht went abroad to meet several times each year with Norman to plan the budget of Nazi Germany within the guidelines of British credit policy. These meetings were often at Montagu Norman's London house, or at the Bank for International Settlements in Switzerland, which was controlled entirely by Norman and his Nazis. Norman, whenever he was in the U.S.A., coordinating Britain's Hitler project with his New York allies, would stay at the home of his fanatical

devotee, Thatcher Brown, the partner of Harriman and Bush.

Friedrich Flick, a direct partner of Harriman and Bush, and of Thyssen, was another contributor to the Hitler takeover. In preparation for the Nuremberg war crimes trials, the U.S. government said that Flick was "one of leading financiers and industrialists who, from 1932, contributed large sums to the Nazi Party. . . ."

### **Harriman-Bush: Banking on the Nazis**

The Flick-Harriman partnership was directly supervised by Prescott Bush, President Bush's father, and by George Walker, President Bush's grandfather.

The Harriman-Walker Union Banking Corporation's arrangements for the German Steel Trust had made them bankers for Flick and his vast operations in Germany by no later than 1926.

The Harriman Fifteen Corporation (George Walker, president, Prescott Bush and Averell Harriman, sole directors) held a substantial stake in the Silesian Holding Co. at the time of the merger with Brown Brothers, on Jan. 1, 1931. This holding correlated with Averell Harriman's chairmanship of the Consolidated Silesian Steel Corporation, the Harriman-Bush group owning one-third of a complex of steelmaking, coal-mining, and zinc-mining activities in Germany and Poland, in which Friedrich Flick owned two-thirds.

The Nuremberg prosecutor characterized Flick as “proprietor and head of a large group of industrial enterprises (coal and iron mines, steel producing and fabricating plants) . . . ‘Wehrwirtschaftsführer,’ 1938 [“Military Economy Leader,” the title awarded to prominent industrialists for merit in the armaments drive]. . . .”

For this buildup of the Hitler war machine with coal, steel, and arms production, using slave laborers, Flick was condemned to seven years in prison at the Nuremberg trials, and served three years.

On March 19, 1934, Prescott Bush, by then manager of Harriman’s personal funds and director of the Union Banking Corp., sent a memo to Harriman alerting him to an emerging resistance by the Polish government to the Bush-Harriman-Nazi enterprise, which was then looting Poland’s labor and mineral wealth. Hitler solved this resistance problem in 1939 by invading Poland, thus starting World War II.

George Bush’s father and grandfather were not prosecuted at Nuremberg. But, acting under the Trading with the Enemy Act in 1942, U.S. government officials had quietly seized their assets in the various Nazi enterprises.

Before the Pearl Harbor attack brought the United States into the war, the American end of the Hitler project had gotten some play in the press. Here is a report in the *New York Herald Tribune*, July 31, 1941:

**Thyssen has \$3,000,000 Cash in New York Vaults; Union Banking Corp. May Hide Nest Egg for High Nazis He Once Backed**

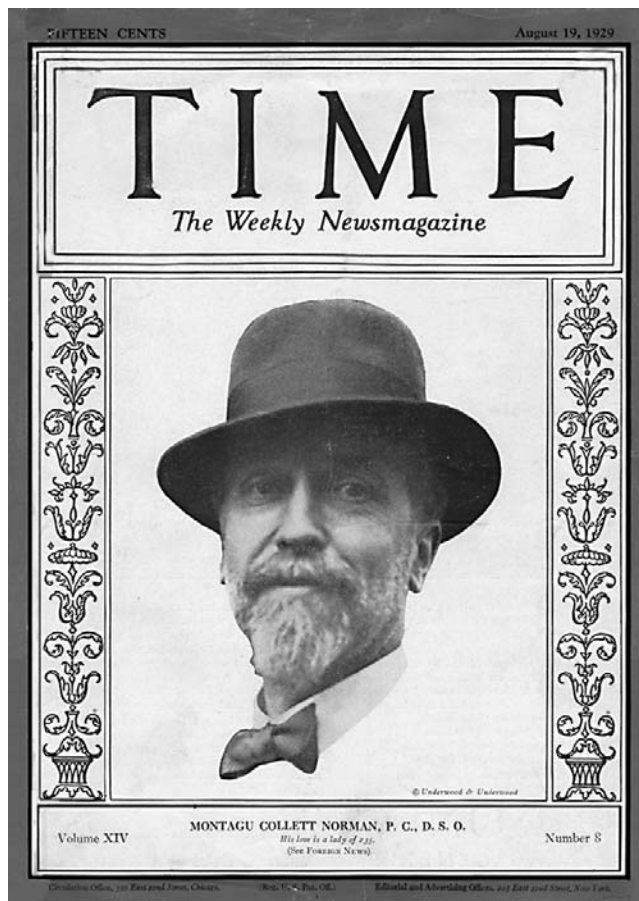
by M.J. Racusin

In the tides of economic warfare now surging over the world, the *New York Herald Tribune* has discovered that Fritz Thyssen, the German industrialist who was Adolf Hitler’s original patron on a prodigal scale a decade ago, has \$3,000,000 in American cash salted away in the bank vaults of downtown New York.

In the American colony of Thyssen enterprises perhaps the most interesting is the Union Banking Corporation, 39 Broadway, nominal guardian of the \$3,000,000 cache, all in United States currency—a sort of nest egg for Herr Thyssen or perhaps for some of his high-placed Nazi friends when the present troublous days are over.

Among other Thyssen interests in New York are half a dozen corporations engaged in the shipping, export and import trades, centering chiefly about the coal and steel industries and operating under the wing of the Union Banking Corporation. . . .

Perhaps it wasn’t Herr Thyssen’s money at all, some persons suggest. Maybe he sent it here for safe-keeping for some of the Nazi bigwigs—perhaps for Goering, for Goebbels, for Himmler, or even Hitler himself.



*Montagu Norman, Governor of the Bank of England, was Britain’s best-known public supporter of Hitler.*

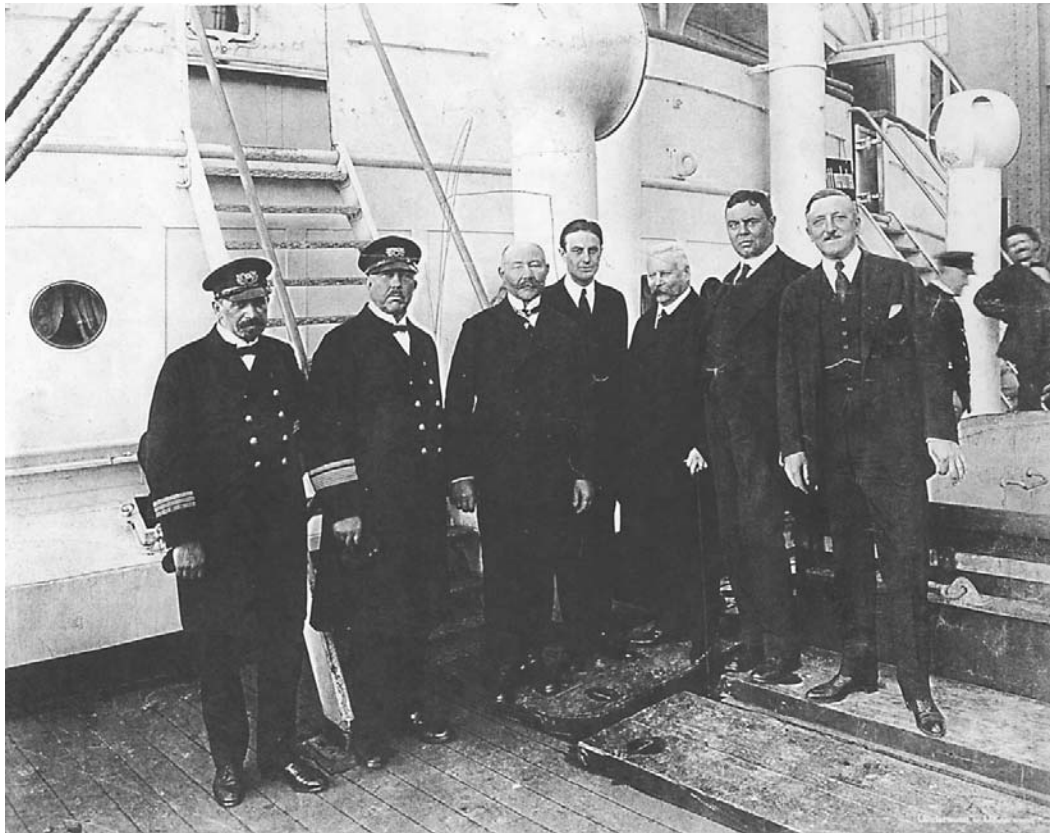
No matter how the story comes out, the United States government has the situation in hand. Every penny of known Thyssen assets is frozen, under the strictest control. . . .

The circumstances of [the bank’s] relationship [to the Nazi Thyssen] were frankly set forth in a letter addressed by Knight Wooley, a partner of the Brown Brothers Harriman firm. . . .

January 14, 1941  
 William R. White, Esq.  
 Superintendent of Banks, State of New York

Dear Mr. White:

As you are aware, my partners, E.R. Harriman [Averell’s brother], Ray Morris, Prescott S. Bush and our [employee] H.D. Pennington, are directors of the Union Banking Corporation, a state institution under your supervision. This corporation is located at 39 Broadway, and it is in effect a New York office, or agency, of the Bank voor Handel en Scheepvaart, in Rotterdam. . . .



*Owner Averell Harriman (center), with his officers on a Hamburg-America ship. Harriman and Prescott Bush co-owned this line with the Hitler government. This photo was seized, with other Nazi propaganda, by U.S. forces during the war.*

### **From London, to New York, to Auschwitz**

On June 14, 1940, nine months after the Nazi tanks rolled into Poland, the IG Farben company opened the Auschwitz factory and slave labor camp in occupied Poland, to produce artificial rubber and gasoline from coal. The Hitler government thereafter supplied IG Farben with political opponents and Jews as the slaves, who were worked to near death and then murdered. Later, Jews and others were simply mass-extermiated there.

The Auschwitz slave camp was a project of the merger and worldwide cartel agreements between IG Farben and the Rockefeller family's Standard Oil company (later called Exxon). On Oct. 12, 1939, eight months before Auschwitz opened, a Standard Oil executive wrote to its president, William S. Farish, concerning a renewal of their earlier agreements with the Nazis, and the British approval for the deal. The report to Farish stated:

In England I met by appointment the Royal Dutch [Shell Oil Co.] gentlemen from Holland, and . . . a general agreement was reached on the necessary changes in our relations with the IG [Farben], in view of the state of war. . . . [T]he Royal Dutch Shell group is essentially British. . . . I also had several meetings with . . . the [British] Air Ministry. . . .

I required help to obtain the necessary permission

to go to Holland. . . . The gentlemen in the Air Ministry . . . very kindly offered to assist me [later] in reentering England. . . .

Pursuant to these arrangements, I was able to keep my appointments in Holland [having flown there on a British Royal Air Force bomber], where I had three days of discussion with the representatives of IG. They delivered to me assignments of some 2,000 foreign patents and we did our best to work out complete plans for a modus vivendi which could operate through the term of the war, whether or not the U.S. came in.

Emil Helfferich, chief executive of both Standard Oil's Germany subsidiary, and of Harriman, Bush, and Hitler's Hamburg-America lines, testified after the war that money to pay the SS guards at the Auschwitz death camp, was paid out of a Standard Oil bank account. Both Emil Helfferich and fellow Harriman-Bush shipping director Karl Lindemann were authorized to write Standard Oil checks to Nazi SS chief Heinrich Himmler.

In 1936, the Warburg bank had transmitted a letter from this Helfferich to the Harriman-Bush enterprise, stating: "It is the intention to continue the relations with Mr. Harriman on the same basis as heretofore"—that is, just as before the Hitler dictatorship! After Helfferich sent a Nazi emissary to New York to meet Averell Harriman, the Harriman-Bush of-

fice replied: "I am glad to learn that Mr. Hellferich [sic] has stated that relations between the Hamburg American Line and ourselves will be continued on the same basis as heretofore."

This reply was sent to Rudolph Brinkmann, Max Warburg's employee at the Warburg bank.

Max Warburg was forced out of IG Farben in 1937, as the Hitler regime bore down upon the Jews. Brinkmann, a non-Jew acceptable to Hitler, kept the Warburg bank going for the Nazis—under the name "Brinkmann," as the IG Farben-Standard Oil cartel moved toward its Auschwitz project.

After countless hundreds of thousands of victims were murdered at Auschwitz, the money made by the IG-Standard cartel for Standard President William S. Farish, was inherited by his grandson, William S. Farish III. This Auschwitz heir is Queen Elizabeth's main host on her current visits to the U.S.A., and George Bush's closest friend: Farish took control of managing Bush's personal fortune after Bush's 1980 election as U.S. Vice President.

Quietly, George's father, Prescott, had persevered with his comrades in the old Auschwitz gang. Witness a Nov. 15, 1961 internal memo of Brown Brothers Harriman warning of an embezzlement at the August Thyssen bank, which memo stated that the "information [on the Thyssen family bank] came to us through our trainee, Rudy Brinkmann, and apparently was confirmed by E.M. Warburg & Co., New York."

## Harriman's Eugenics Movement and Nazi Race Science

The smoldering bodies in Auschwitz followed logically upon the race propaganda festival which had been staged by the Harriman-Bush enterprise a decade earlier in New York. The Third International Congress on Eugenics, held at the American Museum of Natural History on Aug. 21-23, 1932, had given a seal of approval to the then-planned takeover of Germany by the Nazi master-race fanatics.

The Eugenics Congress was officially dedicated to Averell Harriman's mother, who had paid for the founding of the "race-science" movement in America. She had built the Eugenics Record Office as a branch of the Galton National Laboratory in London.

Averell Harriman's sister Mary, hostess and director of "entertainment" for the Eugenics Congress, lived in Virginia fox-hunting country. Fellow Virginian W.A. Plecker, state Commissioner of Vital Statistics and crusader against race-mixing, spoke on "racial purity."

Averell Harriman personally arranged with the Walker/Bush/Helfferich Hamburg-America Line to transport Nazi ideologues from Germany to New York for this meeting. The most famous such guest was Dr. Ernst Rudin, psychiatrist at the Kaiser Wilhelm Institute for Genealogy and Demography in Berlin, where the Rockefeller family paid for Dr. Rudin to occupy an entire floor with his eugenics research.

Harriman's 1932 Eugenics Congress elected Ernst Rudin

president of the International Federation of Eugenics Societies. Rudin thus became official leader of the world racist movement, dedicated to sterilization of mental patients, euthanasia execution of the insane and the terminally ill, and prevention of births to parents from "inferior" blood stocks.

The *New York Times* gave favorable front-page coverage to the Eugenics Congress as a "distinguished gathering of scientists from many parts of the world."

Harriman-nominee Rudin went back to Germany. Hitler was soon installed in power, and Rudin wrote Hitler's "Law for the Prevention of Hereditary Diseases in Posterity." This sterilization law was printed in the September 1933 *Eugenical News* (U.S.A.) with Chancellor Hitler's signature, and advertised therein as an American Model Law. Anthropologist Josef Mengele, later notorious for his crimes at Auschwitz, wrote reports for special courts which enforced Rudin's racial purity law against cohabitation of Aryans and non-Aryans.

A quarter-million Germans were sterilized: mental patients, blind, deaf, and alcoholics. Rudin and his associates trained physicians and psychiatrists as sterilizers and as killers. They killed first at euthanasia centers, then at slave camps and racial extermination centers.

In 1943, Mengele was assigned as medical commandant of Auschwitz. His boss, Othmar Verschuer, wartime director of Rockefeller's Kaiser Wilhelm Institute for Anthropology, Human Heredity, and Genetics in Berlin, got money for Mengele's experiments at Auschwitz from the German Research Council, to which Verschuer reported: "My co-researcher in this research is my assistant the anthropologist and physician Mengele. He is serving as Hauptsturmführer and camp doctor in the concentration camp Auschwitz. . . . With the permission of the Reichsführer SS Himmler, anthropological research is being undertaken on the various racial groups in the concentration camps and blood samples will be sent to my laboratory for investigation."

Mengele constantly checked the railroad lines leading into Auschwitz, looking for twins, and other interesting persons, on whom to perform heredity experiments. Needles were injected into eyes for work on eye color. Organs and limbs were removed, sometimes without anesthetics. Sex changes were attempted. Females were sterilized, males were castrated. Those killed were autopsied at the Verschuer-grant laboratory next to the crematory, which was burning bodies to hide the evidence. Various organs, eyes, heads, and limbs were sent to Rockefeller's employee Verschuer at the Kaiser Wilhelm Institute.

In 1946, Verschuer wrote to the Bureau of Human Heredity in London, asking for help in continuing his "scientific research." In 1947, the Bureau of Human Heredity, moved from London to Copenhagen. The new Danish building for this was built with Rockefeller money. Verschuer soon became a member of the American Eugenics Society, headquartered in Rockefeller Center. . . .

## 'Great Game' Fanatics Spark Insurgency Against Central Asia

by Muriel Mirak-Weissbach

On Aug. 7, 1999, "Islamist" insurgents launched an uprising in Dagestan, in the Caucasus region of the Russian Federation. Rapidly, the assault expanded into renewed warfare in Chechnya, whose strategic aim was to split off the autonomous republic, and thus initiate the break-up of the Russian nation.

Now, one year later, the same insurgency has spread like a virus throughout the region, affecting and threatening the sovereignty and territorial integrity of Uzbekistan, Kyrgyzstan, Kazakstan, Turkmenistan, and Tajikistan. Iran and China are indirectly threatened as well. What this amounts to is a war against Russia, being fought over Central Asia. The insurgents, so-called "Chechens," who ignited the spark last year, are the same forces now ravaging Central Asia.

This is no sociological phenomenon, however—no organic development of some romantic fantasy of an "Islamic liberation struggle" or anything of the sort. What is threatening to become World War III, is a consciously and centrally deployed terrorist-insurgent capability, which was put together in the 1970s, under the likes of geopolitical madman Zbigniew Brzezinski, and reassembled, following the Soviet withdrawal from Afghanistan in 1988, as a worldwide capability.

Today, this "Afghansi" force, which is based in Taliban-controlled Afghanistan, is being deployed by forces of the Anglo-American financial oligarchy, in an insane drive to destroy what they have been incapable of taking over and controlling. This is a new version of the Great Game, fought by the British to control Russia and the Eurasian heartland: In the new script, Anglo-American geopoliticians have deter-

mined that they cannot easily subvert or overthrow strong national governments, nor can they totally dismantle their economies, as preferred.

Since their independence in 1991, the Central Asian republics have been under massive pressure by the International Monetary Fund, to open up their centralized economies to large-scale looting, on the model of what was done to Russia and the eastern European nations. This has failed, and, largely in response to signs of crisis in the West, leaders of Kazakstan, Uzbekistan, and Turkmenistan have wisely reoriented their economic policy, and reasserted sovereign control over important areas of monetary and financial affairs (see box).

At the same time, the five Central Asian republics have been targetted for raw materials looting. Together they represent one of the greatest concentrations and variety of raw materials and minerals in the world. British and U.S. oil interests had been working overtime to secure title to the rich oil and natural gas deposits, by promising far-reaching oil pipeline deals. Although gigantic projects—all geared to bypass Iran and Russia—such as the famed Turkmenistan-Caspian Seabed-Turkey pipeline, were celebrated with fanfare, the funds to realize the projects have not been forthcoming from the West. Royal Dutch Shell has pulled out of the project, while Turkmenistan and Kazakstan have increased their oil deals with Russia. And, increasing cooperation has been building among Central Asians and other countries, such as Iran and China.

While their rich raw materials were being coveted, the political systems of the Central Asian republics were being targetted for "democratization." With the exception of



Kyrgyzstan, the leaders of the Central Asian republics are men who come from the Communist era, and represent a continuity with the past, particularly regarding centralized control over important aspects of economic policy, and state industrial assets. The paragons of “democracy,” such as speculator George Soros and Secretary of State Madeleine Albright, deployed their money and rhetoric, respectively, in an attempt to dismantle the state structures of leading countries in the area. Thus, when Albright visited Kazakhstan in April, she loudly criticized the elections that had been held, and demanded more of her brand of “democracy.” Soros, in a June 25 speech in Warsaw, called for an “international association of democracies” to be created, that should focus on “Peru, Indonesia, and the Fergana Valley,” where Uzbekistan, Kyrgyzstan, and Tajikistan meet. The leading reason behind this crusade for “democratization,” was that the financial oligarchy that the two represent, desired the introduction of more “flexible” political structures and personalities, the better to organize economic demontage and raw materials exploitation.

### **Regional Initiatives Emerge**

Now, it is evident, that this has not worked. On the contrary, cooperation has been consolidated among the Central Asian states and with other regional powers, including Russia, China, and Iran. This has been the case in the economic sphere, as well as the security sphere, as the recent evolution of the Shanghai Five into the Shanghai Forum has shown. The group, comprised originally of China, Russia, Kyrgyzstan, Kazakhstan, and Tajikistan, since its founding in 1996, has evolved from a defensive alliance largely against drugs and terrorism, into a powerful alliance for economic cooperation, within the Eurasian Land-Bridge perspective, and opposed to pretensions of hegemonism on the part of a “unipolar” power. At its most recent meeting, on July 4-5 in Dushanbe, the member countries formulated a strategic agenda, toward creating “new economic and political orders that are just and rational.” They explicitly rejected any attempt (like that of Madame Albright) to exploit “human rights” issues in order to intervene into another country’s affairs. Significantly, Uzbek President Islam Karimov attended the meeting, while India and Iran made known their interest in joining the forum. (See “ ‘Shanghai Five’ Summit Offers Eurasia New Strategic Outlook,” *EIR*, July 28, 2000.)

In short, the regional powers seem to have tipped over the chess board for the Great Game. And the response of the Anglo-American financial oligarchy, has been violent.

Thus, they have embarked on a slash-and-burn campaign, utilizing their “Islamist” proxies, to simply destroy the region. The model is provided by the continuing warfare ravaging large parts of Africa (sparked by the same forces), through the Great Lakes region, Angola, southern Sudan, and elsewhere: Unleash the Four Horsemen of the Apocalypse, to disinte-

grate nations, and use the warlords, after the smoke has cleared, to carry away the rich national resources loot.

In our issue of Sept. 10, 1999, *EIR* issued an exposé of this scenario, providing in-depth background documentation on the history of the originally British operation, centuries ago. Lyndon H. LaRouche, Jr. produced a dramatic video presentation of this “Storm Over Asia,” which spelled out in minute detail, how the fires that started in the Caucasus, Central Asia, and the Indian subcontinent, were threatening civilization. LaRouche emphasized then, that the driving force behind this madness, was a panicked financial oligarchy, faced with the prospect of its imminent doom. Like the last, dying dinosaur, the beast is now rearing its ugly head, and thrashing out left and right in a destructive frenzy.

### **War in Central Asia**

The new round of warfare in Central Asia broke out in early August, and was not confined to any one country; it appeared almost simultaneously in different areas of the broader regional theater. The first significant incident occurred in southern Uzbekistan, in the first week of August, when an armed group crossed into the country, reportedly from Tajikistan. Uzbek Security Chief Mirakbar Rakhmankulov announced later, that Uzbek forces had surrounded the group; however, later reports indicated continued fighting. On Aug. 8, Russian border security forces in Tajikistan killed three insurgents, near the Afghan-Tajik border, and arrested two men with explosives, on the Tajik border. A day later, Russian border guards came under fire on the Afghan-Tajik border, by terrorists from Afghanistan, who were apparently probing to find vulnerable spots through which to infiltrate forces into Tajikistan. On Aug. 10, Uzbek troops, supported by helicopter gunships, raided a base of insurgents in the Gissar Gorge, near the Fergana Valley. Ten Uzbek soldiers were killed by the insurgents, believed to be from the Islamic Movement of Uzbekistan (IMU), which seeks to overthrow Uzbek President Karimov and set up an “Islamic” state in the Fergana Valley.

The same day, Aug. 10, President Askar Akayev warned that Islamist rebels were gathering in central Tajikistan, preparing to attack eastern Uzbekistan through Kyrgyzstan, during Aug. 15-20. He reported to the Kyrgyz Defense Council, that the government had gathered intelligence on bandit formations in the Qarotegin Valley and Tavildara areas, on Tajik territory, and explained, “For them, the shortest route to the Fergana Valley goes via the Alay and Batken sector of our country.”

No sooner had the Kyrgyz President issued his warnings, than 100 militants penetrated the south of the country, and engaged government troops in fighting on Aug. 10-13, which left “about 30 militants” and “about 10 government troops” dead, according to the Presidential press service. The fighting continued for five days, before Kyrgyz government troops

succeeded in repelling the insurgents, on Aug. 15, driving them back across the border. However, as Bolot Dzhanzakov, secretary of the Kyrgyz Security Council, announced the following day, the rebels crossed into the country again during the preceding night, penetrating 10 kilometers inside Kyrgyz territory.

As the situation in Kyrgyzstan was heating up, neighboring countries were preparing to upgrade their own defenses. The Turkmen government on Aug. 11 beefed up security measures along its border with Uzbekistan, by demanding special identification for citizens in the border area. About 100 rebels of the IMU had attacked Uzbekistan a week earlier,

and captured a strategic road over a 4,000-meter pass. Uzbek forces said that the militants were trying to create a base for further operations and open a route to traffick drugs and weapons. Unofficial sources claimed that the rebels had succeeded in cutting the only road linking the Fergana Valley to the rest of Uzbekistan.

On Aug. 15, Kazak television announced increased security measures, and training for military readiness, in southern Kazakhstan, evidently in expectation of an assault by the IMU.

At the same time, the affected governments intensified efforts to coordinate their defense. On Aug. 12, a working meeting took place in the Kyrgyz city of Baktan, with Kyrgyz,

## Uzbekistan and National Economic Policy

Uzbek President Islam Karimov, in his book *Along the Road of Deepening Economic Reform* (Tashkent, 1995), outlined the principles for the transition to a market economy. These included, that “the state should play the role of a chief reformer.” The reform process, founded on a legal basis, should take into due consideration, the demographic characteristics of the population and its living standard, and include “a strong and efficient mechanism of social protection and guarantees, which will maintain social and political stability.” Karimov emphasizes that an abrupt shift to a market economy, would lead to “destruction, to the brink of precipice and to social violence.” Citing the popular saying, “Never destroy the old house before you build a new one,” Karimov insists on maintaining a strong role for the state: “Denial of state regulation of [the] economy in yet volatile conditions of self-regulation under strong impact of supply and demand with no visible signs of free competition and limited range of external links provokes [a] deepening of [the] crisis, price rises, and a higher inflation rate.”

Referring frequently to the disastrous consequences that “shock therapy” had on Russia, Poland, and other former Communist countries, Karimov explains that his country “categorically rejected ‘shocking’ methods,” and introduced price liberalization, for example, gradually, from 1992 to 1994. In the process, the government maintained price controls on several categories of basic goods and services: Grain, bread, and flour producers were subsidized; education and school lunches for children were covered by the state, as were certain products for children and medicines. “Prices for bread and flour were still subsidized, as well as housing and public utility services and

public urban transport.” In addition, “The state secured reliable protection of the interest” of the population through various compensation funds, introduction of child-care allowances, regular increase of minimum salaries, pensions, and stipends, etc. Child-care allowances were increased, as was the length of time they were paid, to two years. All families with children under the age of 16 were granted state support. In the second phase of the transition, which began in 1994, Karimov identifies as priority tasks, continuing privatization (with the emphasis on small and medium-sized enterprises), overcoming the recession, and stabilizing production, strengthening the national currency (the soum), and shifting the structure of the economy, from a raw materials exporter to an industrial economy, producing a wide range of manufactured goods.

As for the privatization process, Karimov again stresses that it cannot be wild and all-encompassing, but must be carefully guided. “The privatization process should not be considered as the end in itself of economic reforms. Privatization is not a panacea for all the vices in the economy and social sphere inherited by us from the totalitarian and completely state-controlled system.” Therefore, he writes, it is not the number of firms privatized that counts. Again, learning from the tragedy of Russia, Karimov says, “the experience of other countries provides us with a number of examples when mass privatization has practically brought no desired results for the revival of the economy. Moreover, without appropriate preparation, without creating effective mechanism[s] of support for enterprises, it aggravated the economic crisis, drove many enterprises to the verge of bankruptcy, increased unemployment, as well as increased stratification of the population by their income and social status. No wonder that such privatization was not welcomed by the majority of the working people and became the subject of corrupt, criminal bargains.”

Uzbek, and Tajik representatives of bodies for defense, interior, and national security. It was reported later, that one option under discussion, was joint air strikes. Kyrgyz Presidential spokesman Osmonakun Ibraimov said that the three governments were discussing air raids, against mountain bases where they believed up to thousands of rebels were situated. He added that Uzbekistan had offered its Air Force for deployment against the rebels in the tri-border area, and in fact, on Aug. 15, the Russian agency Interfax reported that an air strike had taken place, against a rebel position in the Bakten region. In addition, it was decided to set up a joint headquarters in Khujand, Tajikistan.

The position expressed by the governments, was of total intransigence: Uzbek Foreign Ministry spokesman Bakhodiy Umarov said, "We don't intend to enter into polemics with bandits and terrorists. We can make them understand only one way, which means using force to destroy them." And Kyrgyz Security Council head Dzhanuzakov said, "With our joint forces we will annihilate the rebels, and we will take measures to annihilate them wherever they gather." He told reporters that the three governments would not only expel the invaders, but "wipe them out completely from the territory of the Commonwealth of Independent States."

Following the Bakten meeting, an emergency meeting

To achieve macro-economic stability, Karimov rejects the monetarist approach, which, he writes, is based on "the suppression of the inflation level, stabilization of currency circulation by means of abrupt reduction of money stock and aggregate capacity to pay." This, he says, reduces output, and freezes investment. Rather, Karimov opts for the option based on production: "the stimulation of the production and entrepreneurship activities, the promotion [of] structural transformations and elimination of discrepancies in the economy along with the measures based on the moderately tight fiscal and monetary policies, constraining excessive demand that is not backed up by goods. Our approach," he summarizes, "is as follows: We can overcome the deep protracted crisis we have found ourselves in, without social upheavals and explosions, *through reliance on production, on those who create material values. We are supported by those who produce goods, cultivate land, erect buildings, constructions and new production capacities*" (emphasis added).

What this means concretely, is that priority sectors must be identified and promoted in every way. This, in turn, requires a fiscal and tax policy that promotes production. Rejecting the idea of balancing the budget at all costs, Karimov insists on maintaining state expenditures to support production, and specifies, "The most important function of the taxation system is its stimulating influence on the development of production, efficient utilization of material resources and raw materials, natural, financial, and manpower resources, property accumulation." Furthermore, the taxation system must be changed, so as to reduce the tax burden on enterprises: "The high enterprise income tax rate gave no possibility for an enterprise to allocate funds for the development of production, technical retooling, replenishment of their working capital." Otherwise, he argues, recession would ensue, and increased tax revenues could only be accrued as a result of inflationary growth in profits, which could lead to a collapse of the financial

system. By reducing corporate income taxes, enterprise would also have the ability to raise workers' wages. Similarly, with credit and monetary policy: "Bank credits should be advanced in first turn to those who can increase the output of the strategically important products, consumer goods and to ensure their timely repayment." Uncontrolled credit extension, he writes, would be inflationary and undermine the currency. "This is the reason why every soum being put into circulation must be backed up by goods." Strengthening the national currency, which was introduced as legal tender in 1994, is to be achieved through increasing reserves, in terms of production. "The major objective is to increase the domestic output of the goods that would meet the most vital needs of the people."

Furthermore, foreign exchange reserves are to be increased, through the increase of exports of manufactured goods. The sectors which Karimov identifies as priorities for development, include of course oil and gas, but the emphasis is on developing the processing industries for such raw materials. In particular, the chemical industry is targeted for reorganization and expansion, for manufacture of polyethylene, polypropylene, polystyrene, etc. In addition, the machine-tool production sector is to be developed, so as to expand domestic production of manufacturing machines, agricultural machinery, and vehicles. Aircraft, automobile, and electronics production are also scheduled for development.

To achieve this transformation, Karimov writes, "Dynamic development and an increasing role of science-intensive production is the most important priority of the sectoral structural policies. Orientation to the development of science-intensive and technology-consuming industries will resolve the strategic task, i.e., strengthening Uzbekistan's hold in the world market, achieving economic and technological independence for the country."

— Muriel Mirak-Weissbach

took place with leaders from the immediately affected countries, in Sochi on the Black Sea, where Russian President Vladimir Putin was vacationing. A CIS summit was scheduled for Aug. 18-19 in Yalta. However, Kyrgyz President Akayev announced that he would not personally attend the summit, “because of the aggravation of the situation on the southern borders of Uzbekistan and attempts to carry out subversive acts.” On Aug. 16, he issued a call on national television for people to remain calm, assuring them that government troops were fully deployed against the rebels. He said about 150 rebels were close to the border, from Tajikistan, and that an estimated 700-800 more were preparing further invasions from the neighboring country.

### **Who Are the ‘Islamists’?**

One might question, how several hundred rebels could simultaneously threaten three nations, each equipped with national military forces. The point is, the so-called rebels are the advance striking force of an army, which is the Taliban occupying power in Afghanistan. From reports issued by officials of the governments targeted, the insurgents are not Uzbeks, but are an international force, including Indians, Arabs, Pakistanis, Chechens, Russians, Ukrainians, Kyrgyz, Uzbeks, and Tajiks. They are the long arm of the radical Taliban movement, which has militarily occupied most of Afghanistan, and set up a bestialized, stone-age regime there, which is based on drug cultivation and weapons smuggling. One secondary aim of their sweep across Central Asia, is to set up drug- and weapons-trafficking routes, into the three target countries. But their primary aim is to do what they are now engaged in doing: destroying nations.

The IMU is armed with advanced equipment, including Stinger missiles, and is capable of shooting down planes. If its forces immediately threatening Kyrgyzstan are estimated at 800, they are backed up by 8,000 in bases, including in Afghanistan. And, more broadly, the handfuls of rebels are fully backed by the entire military force of the Taliban in Afghanistan. As Kyrgyz Security Council chief Dzhanzakov said on Aug. 16, two helicopters were given by the Taliban to the terrorists fighting in southern Kyrgyzstan. Financing for the multi-pronged attacks comes from the Taliban directly, as well as from Saudi terrorist Osama bin Laden, also protected by the Taliban regime.

Representatives of the legitimate government of Afghanistan, have testified to the Taliban’s patronage of the IMU: On Aug. 15, Rahmatollah Bazhanpour, Minister of Immigration of the ousted Burhanuddin Rabbani government, told Iranian radio that it is the misfortune of the CIS countries that they have a common border with Afghanistan. Charging the Taliban with taking “unnecessary and unjustified steps” to extend its influence beyond the borders of Afghanistan, Bazhanpour said that opponents of the governments in the CIS and Central Asian countries are still being trained at camps in Taliban-

controlled territory. He also pointed to the international composition of these forces, naming Arabs, Chechens, Kashmiris, Pakistanis, Punjabis, and others.

If the IMU is nothing but an extension of the Taliban, the Taliban itself is the product of the Anglo-American intelligence services. As *EIR* has documented, the Taliban was conceived, planted, nurtured, cultivated, and deployed, through the Afghansi operation of Brzezinski, Margaret Thatcher, and George Bush, first to smash the Soviet Union, then the Russian Federation, and now all the republics of the region. The Taliban, in addition, enjoys the financial and political backing of Saudi and American oil interests in Unocal and Delta.

Finally, the entire Taliban-Islamist insurgency enjoys the political backing of Anglo-American intelligence, and their media outlets. As Uzbek television complained in mid-August, both BBC and Radio Liberty opened their programs to interviews with leaders of the Islamic Movement of Uzbekistan, Tohir Yoldosh and Juma Namangoniy, “seeking their expertise to analyze the events.” Furthermore, the U.S. National Endowment for Democracy has been identified as the official sponsor of a book being circulated by the Islamic-fundamentalist Hizb ut-Tahrir group, which is leading attempts to overthrow Uzbek President Karimov.

And, as Russian authorities recently revealed, there is a direct British hand in the “Islamist” insurgency in Chechnya — also backed by the Taliban — called the Halo Trust (see article in this issue).

### **Beyond Afghanistan**

Until the Afghanistan disaster is ended, by effective international political force, to reestablish international law and a legitimate government in the war-torn country, there will be no means of halting the poisonous spread of terrorism in the region. To date, well-meaning attempts, including diplomatic efforts by the neighboring countries, plus the United States and Russia, under the aegis of the United Nations, to create a multi-party coalition in Afghanistan, have failed.

It is not to be excluded, given the life-or-death threat this insurgency now represents for Uzbekistan, Tajikistan, and Kyrgyzstan, that these nations will mobilize their military forces jointly into an effective offensive against the rebels, and, under the rules of hot pursuit, also against their training bases inside Afghanistan. Such an option could also involve Russia directly.

The Voice of Russia carried a commentary on the crisis on Aug. 16, by Anatoly Potapov, who reported that a meeting of the Presidents of four Central Asian states and Russia was scheduled for that day in Sochi. The “Islamists” who oppose Uzbek President Karimov, he wrote, have gained strength through their cooperation with the Tajik opposition, and heavy financing from the Taliban, Islamic extremists in Saudi Arabia, and the notorious Osama bin Laden. The separatists have reached Kazakstan, and are threatening all Central Asia.

The Russian General Staff, he reported, is concerned lest the Taliban forces reach the border with Tajikistan. This is the border that the Russian military help defend. Potapov argued that Russia could provide crucial help to repel the insurgents, because it has “border troops, aircraft, and military equipment in Tajikistan.” And he expressed the hope, that such Russian help would be solicited by Uzbekistan.

At the same time, signal pieces have appeared in major Western press, touting the line, that U.S. ambitions to dominate the region have failed, and that Washington has decided that it might be better to “let Moscow handle affairs.” In light of the unfolding warfare, one is tempted to ask: Could this be a polite way of saying, let Russia get embroiled in a regional conflict, a new Afghanistan, this time encompassing all of Central Asia?

## Drought Is Devastating Central and South Asia

by Mary Burdman

The worst drought in 30 years is now devastating parts of Central and South Asia, with the worst-hit nation being Afghanistan. Tajikistan is also badly affected, as are parts of Iran. Drought struck northwestern India and adjoining areas of Pakistan in the Spring, but this has been somewhat relieved by the arrival of the monsoon.

Around 60 million people are already affected by the drought, and the overall economic impact will strike many more. Lack of water is a critical problem in many regions of Eurasia. To the east, drought has been taking a heavy toll in China this Spring and Summer, and now, drought is spreading west, into the Caucasus.

The worst, and potentially most dangerous situation is in Afghanistan, a nation already devastated by 20 years of civil war. Three years of inadequate rainfall, on top of the collapse of what water management had existed in the country, could cause full-scale famine.

Reports during the Spring and Summer by the United Nations World Food Program (WFP), warn of the dangers of famine and mass migration. Crops have been destroyed; livestock are dying; fruit trees are destroyed. Sanitation, already a problem, is collapsing, and the effect on public health is extremely bad. There could be mass migrations within the country, or even across the borders, by people who have lost everything. The effects on the countries, themselves already hit by drought, where such refugees might go, would create even more instability in this already highly volatile region.

### ‘A Human Catastrophe’

In its report of July 27, the WFP warned: “A failure to provide fast and effective food assistance in Afghanistan raises concerns of a human catastrophe that could range between acute malnutrition and loss of life. It could also lead to massive movement of people within the country and across borders into Iran and Pakistan.” Some 3-4 million Afghans are in danger of famine, out of a population of 21.9 million, and another 8-12 million will also be affected, if less severely, the WFP estimates. Famine is already affecting areas including southern Samangan province, the Panjshir Valley, and Badgis and Ghor provinces.

In a bitter irony, the drought is reportedly also taking a big toll on Afghanistan’s opium crop, one of the biggest in the world, and estimated for last year at 4,600 tons. This will certainly have an effect on the Taliban regime in Kabul.

In late July, WFP teams reported a very bleak situation in the provinces of Ghor and Badgis. Many people have already consumed their seed wheat, and sold their livestock — and the Summer is still at its height. This year, agricultural production could be only about 55% of last year.

Next year could be worse. While 300,000 tons of wheat seed is planted annually in Afghanistan, this year there will be a deficit of at least 60,000 tons. Since much planting is generally done during October-November, there is little time to distribute adequate seed grain, and some 400,000 farmers could miss the Winter planting season, the WFP reports.

The worst-hit area of Afghanistan is a wide region extending from the northwest to southeast. Rain-dependent wheat farmers in the north have lost their entire crops. This is the second year of severe drought in these regions, and last year people had already sold off most of what they possessed just to buy food. In 1999, southwest Afghanistan harvested only 40% of the previous year’s crop.

All areas of the country are affected. In the southern areas, up to 80% of livestock have died due to lack of water and fodder. The nomad population is possibly worst affected, some people losing all their livestock, and forced to go to the cities in search of food.

Even regions which have irrigation are facing deteriorating conditions. Water infrastructure was damaged by floods two years ago, on top of overall lack of maintenance due to the chaotic situation in the country. The low water levels in the rivers, will also limit production.

The poor in the cities are also facing rising food prices and lack of water. Already, the WFP reports, in the cities of Mazar and Herat, wheat and flour prices are double those of last year, and drinking water is in short supply.

Afghanistan, always dependent on food imports, now will have to import an unprecedented 2.3 million tons of food over the next year, twice what it needed last year. However, it is becoming much more difficult for Afghanistan to import food. Formerly, food had been imported from Pakistan, but,

after the military coup there in October 1999, border controls have become stricter, and the result has been "an acute decrease" in grain imports, the WFP reported. The amounts of grain imported from Iran have also dropped greatly.

## Tajikistan

Tajikistan is also in danger of severe food shortages for 3 million people, out of a population of just 6.2 million. Due to long-term problems in water management, poor quality agricultural machinery, and the lack of seed, the population has little ability to meet the crisis. Irrigation canals, water pumps, and farm machines have broken down, and seed grain has already been consumed. People here, as in Afghanistan, have sold or are selling their possessions just to buy food.

Crops dependent on rainfall have failed completely, and 30-50% of irrigated crops have also been lost. Grain production this year is predicted to be 236,000 tons, only 46% of the 1999 crop. For Tajikistan, this is the third consecutive year of shrinking harvests, but this year's collapse is the biggest so far. The Tajikistan grain crop will meet national needs for only three months, whereas, in the three previous years, at least six months of food supply had been produced in the country.

The WFP warned that, even with imports of 400,000 tons and food aid of 74,000 tons, Tajikistan faces a grain deficit of 313,000 tons until 2001, and if this grain is not available, this "will inevitably result in widespread, serious nutritional consequences and even loss of life."

The rivers are also lower than normal, due to less than half the normal snowfall in the past Winter. Power supplies are endangered, which also limits the working of water pumps.

## Pakistan

In Pakistan, some 2.2 million impoverished people in Baluchistan and Sindh provinces are suffering from severe drought. The drought had been getting worse over the past three years, but now, the monsoon has brought relief, even to some of the worst-hit areas. The drought-affected population had survived on food and fodder donations from the government and international donors. Conditions in areas which have not received rain, will only deteriorate further. Prices for livestock have fallen drastically, as there was nothing to feed them, further undermining the overall economic situation in affected areas.

## Iran

In Iran, some 12 million people, in 18 of the nation's 28 provinces, are facing shortages of drinking water, in the second year of drought. In 1999, wheat production fell by more than 3 million tons, almost 25%, due to water shortages, forcing the government to make record-high wheat imports of about 6.5 million tons. One of the most difficult situations,

is the presence of 128,000 Afghan and Iraqi refugees in Iran, who also must be fed.

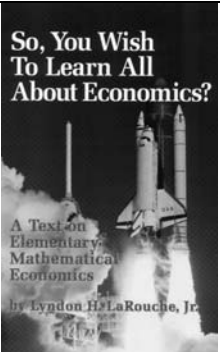
## India

Eleven states, especially in western India, were hard-hit by drought. At its height in late Spring, as many as 26 million people and 35 million cattle were affected, and there was mass migration from the region. Despite a timely and apparently adequate monsoon, many thousands still face economic hardship and hunger, because two to three cycles of crops have been undercut by the drought. This year, wheat and barley production are the lowest in five years, and oil seeds and pulses, the vital source of protein for the vast majority of the Indian population, are severely reduced.

## The Caucasus

Georgia is experiencing the worst drought in 30 years. Average wheat harvest losses of 58% are expected, with some areas losing 70%. An almost complete sunflower crop failure is expected. Livestock fodder is in short supply and its price has reportedly increased threefold.

Armenia is facing drought conditions, especially in the mountain areas. The wheat crop is badly affected, scorched and reduced in size, and vegetable and fruit output are reduced.



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# Did a Collision Sink the 'Kursk'?

by Michael Liebig

As of this writing, the reason why the Russian nuclear submarine *Kursk* sank in the Barents Sea on Aug. 12, is not known. The flow of official information from Russia is meager and partly contradictory. The United States, which, according to official sources, had at least two submarines in the area at the time, and which also maintains a comprehensive sonar surveillance in the Barents Sea, initially said nothing, and then claimed that there was evidence of "explosions" in that area of the sea in which the *Kursk* sank. It is apparent that neither the Russian nor the American leadership want to officially say what they know to be fact at this time. The *Kursk* catastrophe is, in any case, considered so important that President Bill Clinton telephoned President Vladimir Putin, and National Security Adviser Sandy Berger spoke with Russian Foreign Minister Igor Ivanov.

A purely technical accident, without outside intervention, is highly improbable as an explanation for the *Kursk* catastrophe: The submarine sank too rapidly, and the observed damage to the vessel's hull is too massive to permit such an explanation. Only two hypotheses thus remain to explain the sudden sinking of the *Kursk*: 1) a violent explosion from within the submarine, or 2) a collision of the submerged *Kursk* with some foreign object.

## Russian's Military Leadership: It Was a Collision

While the first hypothesis, that there was an explosion (with the possibility that it was due to sabotage), is the one the Americans offer, it is officially rejected by the Russian leadership. The Russians stated repeatedly that they are assuming a *collision* to be the cause of the loss of the *Kursk*. The commander of the Russian fleet, Adm. Vladimir Kuroyedov, said on Aug. 15, "There is evidence of a large and severe collision." On Aug. 17, Russian Defense Minister Marshal Igor Sergeyev said: "Evidence is accumulating for the version that the incident was caused by a collision with a foreign object."

On behalf of the Pentagon, Adm. Craig Quigley categorically denied that an American ship had been involved in the sinking of the *Kursk*.

Yet, the fact that there have been numerous collisions of American with Russian submarines in the Barents Sea

indicates that the statements of Kuroyedov and Sergeyev are not simply defensive subterfuge. This underwater war of nerves tests the extent to which the naval component of the Russian nuclear armed forces is still capable of carrying out its mission.

One such underwater collision occurred in 1993, in the post-Cold War era. This incident, which fortunately cost no human lives, became publicly known, and it is said President Clinton became angry with the leadership of the U.S. Navy. According to military experts, this was no isolated incident. Several such collisions have occurred, of which the public was never informed. In 1989, the Soviet nuclear submarine *Komsomolets* sank in the north of the Norwegian Sea, caused, according to Western military sources, by a collision with an American submarine in that case, although it was never admitted in public.

## The 'War of Nerves' Continues . . .

If the *Kursk* did sink as a consequence of a collision with an American submarine, such a collision, as in the earlier cases, would be the result of a deliberate "war of nerves" between the American and the British hunter submarines, on the one hand, and Russian missile submarines, on the other. The Americans not only "shadow" the Russian submarines; they creep up to them so close that it is a signal to the Russians that, should there be a real conflict, they would have no chance and would be destroyed just outside their own home ports in the North Sea, before they could fire off their nuclear intercontinental missiles.

This is no military game for the sake of tickling nerves: What is at stake is the capability and the credibility of the Russian nuclear forces. Despite its truly immense problems, Russia will remain for the foreseeable future the sole nuclear-strategic rival of the United States. In parallel with the Americans, the Russian nuclear forces form a "strategic triad": 1) land-based intercontinental missiles in bunkered silos; 2) long-range bombers with cruise missiles; and 3) submarine-based long-range missiles. The submarines are the relatively least vulnerable "leg" of the nuclear forces and, thus, represent an assured second-strike capability. The United States, Russia, Britain, and France have such submarine-based nuclear weapons; China and Israel are obtaining that capability.

The nuclear forces of Russia are shrinking in a kind of involuntary disarmament, as a result of the country's economic crisis. It is foreseeable that 60-70% of the land-based nuclear missiles will soon be incapacitated for technical reasons. The Russian long-range bombers—always the weak leg of the nuclear forces—have also suffered attrition in combat capability. That gives the nuclear-strategic submarines a decisive importance for sustaining the strike capability and credibility of the Russian nuclear forces. That President Putin, immediately following his inauguration in May, visited the Russian Northern Fleet to great media fanfare,

demonstrates the importance attributed by the Russian leadership to their nuclear submarines.

The *Kursk* is a nuclear-powered attack submarine of the Antei class (called “Oscar” by NATO), which can be armed with cruise missiles. Its firepower is designed to destroy an aircraft carrier battle group. It can operate as a deep sea hunter-killer sub, or in conjunction with the Russian Navy’s ballistic missile-launching submarines.

In the event of war, the Russian missile submarines must quickly leave their home ports in the North Sea and in the Far East in order to reach their firing positions in the Barents Sea or in the northern Pacific. That is just what the 80-odd American hunter submarines, all of which are nuclear powered, and lurk in the vicinity of the Russian bases, are supposed to prevent.

Last year, the Russian Northern Fleet took part in global naval maneuvers modelled on the “Okean” series of exercises, developed by the Soviet Navy during the previous two decades.

In the 1985 version, for example, the Northern Fleet practiced forming a “barrier” of some 30 submarines between the Norwegian and Barents Seas, as an underwater line of defense against U.S. attack submarines, whose wartime mission would be to penetrate the Barents Sea, and seek out and destroy Russian ballistic missile subs.

The Russian fleet maneuvers this year, during which the *Kursk* catastrophe occurred, were the latest practice of these capabilities, obviously testing a “breakout” of missile submarines into the Barents Sea—under strong cover of surface ships and their own hunter submarines. It may be presumed that the American hunter submarines—as if in a “mirrored” maneuver—were naturally testing their own early thwarting of this breakout of the Russian submarines.

### ... And Even Escalates

That brings us back to the hypothesis that the *Kursk* catastrophe was the consequence of a collision with an American submarine. In view of the approaching systemic financial and economic crisis of the West, which is no secret to the Russian leadership (see p. 12), there is a grouping in the Anglo-American establishment, which—prophylactically, as it were—would like to teach the Russian leadership a lesson, that the naval component of the Russian nuclear triad is no longer worth very much, and can be neutralized by the American fleet. British military expert John Erickson recently said that he is deeply upset that a “virus of geopolitical chicken games” is spreading through Anglo-American leading circles, with ever less consideration given to the consequences.

An American hunter submarine would surely not ram a Russian submarine intentionally, but the question is, whether the advisories for “shadowing” and “creeping” to the American hunter submarines were intensified, such that a collision could occur.

## Russia Accuses British ‘Halo Trust’ of Hand in Chechen War

by Rachel Douglas and Dean Andromidas

Close observers of President Vladimir Putin’s salvoes this Summer against certain of the so-called “oligarchs” of the young Russian business class, could not help but ask, whether he would ever challenge the higher oligarchy, the Anglo-American financial cliques of London and Wall Street. For that reason, the harsh attack issued on Aug. 7 by the Russian Federal Security Service (FSB) against the Halo Trust, a British non-governmental charitable organization engaged in the removal of land mines, was a turn of potentially great strategic importance. Flying in the face of London’s efforts to curry favor with the Putin regime, ranging from fawning over his economic team to the latest offer of assistance to the sunken submarine *Kursk*, Moscow’s decision to charge a British establishment institution with aiding and training the Chechen guerrillas in their war of secession, came just as Russians were absorbed in the aftermath of a bloody bombing under Pushkin Square in central Moscow. Furthermore, published elaborations of the FSB exposé implicated British Intelligence in bombings in the Russian interior, not only the North Caucasus republic of Chechnya.

The FSB charged that the Halo Trust, which employs former military personnel for clearing land mines in former and current war zones, has been working illegally in Chechnya since 1997, and that Chechen leader Aslan Maskhadov provided Halo with an office and security.

FSB spokesman Aleksandr Zdanovich declared: “Halo Trust is supposed to be engaged in humanitarian work, clearing mines. But the road to hell is paved with good intentions. In fact, this organization’s staff and its recruits—it trained more than 100 people—were trained not to clear mines, but mainly to lay minefields, to lay explosives on the roads used by federal troops, as a result repeatedly exploding their charges on the roads, laying their bombs in the forest, killing people, servicemen, and peaceful civilians. . . . Under cover of mine-clearing operations, they [Halo Trust] organized the training of combat engineers, and carried out full-scale topographic surveillance of Chechnya, fixing Chechen villages to the NATO frame of reference.”

The FSB accused one Matthew Middlemis, leader of a 15-man Halo Trust team in Chechnya last November, of being a career British military intelligence officer.



An Aug. 12 article by Sergei Grigoryev in the daily *Nezavisimaya Gazeta*, further detailed the FSB accusations. Illustrated with a picture of the Russian entry visa of Halo Trust employee Tom Dibb, a white citizen of Zimbabwe, the article reported that Halo was denied access to Russian territory for its personnel in 1997. Then, Dibb and others entered under cover as businessmen, interested in promoting Russian agriculture, while other Halo operations were staged from Abkhazia, in neighboring Georgia.

By June 1997, wrote *Nezavisimaya*, Dibb could report to London on “the results of his topographical and engineering survey of the entire territory of Chechnya, under control of the illegal armed bands.” Besides the location of minefields, the report covered the precise coordinates of bridges, federal troops’ bases, and other infrastructure. Such precision mapping would have required Navstar or similar global location systems, according to Grigoryev.

*Nezavisimaya* suggested that the Halo Trust trained more personnel, than it removed land mines, putting 150 people through its courses in 1997-99. The graduates of Halo’s training “were in no rush to the minefields,” rather, “a large number of them became trainers for the illegal armed bands.” Halo Trust training videos, which Grigoryev says were captured by the FSB, showed mine-laying, as well as other techniques for placing explosives, including in trees. The Russian paper played up the fact that “this sort of emplacement of explosives at some height above the ground is widely used by the guerrillas in attacks on the equipment of federal troops,” and “precisely this technique was used in the terrorist attack on the military construction unit in Volgograd.”

While the British Foreign Office called the Russian charges “speculation,” *Nezavisimaya* reported that the Halo Trust issued a weak statement, according to which it “bears no responsibility for the activity of members of the local population, which it trains.”

## What Is the Halo Trust?

*EIR*’s investigations show that the Halo Trust belongs to a privatized British military intelligence network, functioning in Asia, Africa, and Ibero-America, as well as the former Soviet Union and its periphery. (See “Britain’s ‘Invisible’ Empire Unleashes the Dogs of War,” *EIR*, Aug. 22, 1997.)

Though self-described as “a non-political, non-religious charity that specializes in removal of the debris of war,” the Halo Trust is found working side by side with private paramilitary security companies such as Defense Systems Ltd., or Gurkha Security Guards. Often enough, they operate in conjunction with private mining companies, which are exploiting mineral resources in Africa and other poverty-stricken areas of the world. Halo enjoyed positive publicity, when it hosted the late Princess Diana in Angola, as she campaigned for the removal of land mines. Defense Systems Ltd., which provided protection for her, was later expelled from Angola as a security threat to the government.

Like its partners in private paramilitary intelligence organizations of the Defense Systems Ltd. and Executive Outcomes type, Halo Trust is a project of ex-military people. It was founded in 1988 by Colin Mitchell, a retired British Army officer, known as “Mad Mitch” for his part in crushing a rebellion in Yemen in the 1960s. Mitchell served in the Argyll and Sutherland Highlanders, prestigious “household regiments” for the royal family. He then worked as a “consultant” in the ambit of almost every “little war” of the 1970s and 1980s—in Rhodesia/Zimbabwe, Afghanistan, Nicaragua, Pakistan, Eritrea, and Cambodia.

Mitchell’s wife, Sue, took over the Halo Trust after his death in 1996, together with Guy Willoughby, a retired officer of the Coldstream Guards, another “household regiment.” Willoughby trained mujahideen in Afghanistan. The offices of the Halo Trust are housed at 10 Storey’s Gate in London, a location it shares with the Westminster Foundation, the Foreign Office’s equivalent of the U.S. National Endowment for Democracy. Operating in the Balkans, the Caucasus, Asia, and Africa, the Halo Trust employs over 1,300 people.

The entry of the Halo Trust into the Russian North Caucasus, as described in the new exposés, coincided with the step-up of British financial operations in support of Chechnya’s secession. The business relations of longtime Conservative Party fundraiser Lord Alistair McAlpine and his patron, Baroness Margaret Thatcher, with Chechen money-bags Khozhakhmed Nukhayev, were summarized in *EIR* on Sept. 10, 1999. Russian newspapers also covered McAlpine’s establishment of his so-called Caucasus Common Market Project, in 1996-97. Only now, have Russian sources decided to turn the spotlight on the British on-the-ground military support, which was developed in the same timeframe.

## Safe-Houses in Georgia

One of the few Russian publications about the Halo Trust’s North Caucasus operation, prior to the FSB’s Aug. 7 announcement, was an article in late 1999 in the newspaper *Vyorsti*, and on the website of its associated publication, *Alfavit*. The article, by Taghi Jafarov, played up the fact that, when Russia “categorically refused” to allow the dispatch of Halo Trust personnel to the region or to hand over topographical information, “the British counted on the patronage of the Parliament of Georgia,” to get close, by setting up de-mining facilities in Abkhazia. As soon as they were there, the Halo Trust people obtained special dispensation to cross the Georgia-Russia border when de-mining required this—and promptly “launched topographical mapping of the very areas, forbidden to them by the Russian authorities.”

When, in 1998, Maskhadov was presented with evidence of these illicit British operations, wrote Jafarov, “the English fled across the Georgian border, abandoning in Grozny their office, equipment, and vehicles.” In May 1999, however, Maskhadov re-admitted Dibb, even after Russian Internal Affairs Ministry forces detained Dibb in North Ossetia on one

attempt to cross over. According to this article, the Internal Affairs Ministry protested in September 1999 to a British consul, about the activities of Dibb and other Halo Trust personnel in Russia, and banned Dibb from Russia already then.

The Halo Trust facility in Sukhumi, Abkhazia, in Georgia, was a base of operations for Middlemis and Dibb, according to *Nezavisimaya Gazeta*. As “the link between the Maskhadov regime and the West, [it] was designed, if not to prepare, then at least to study the possibility of introducing peacekeeping forces into the Caucasus under NATO command.” Through Georgia, wrote Grigoryev, “the British in effect were organizing the contraband supply of military equipment onto Russian territory.”

A maverick British strategic analyst, whom *EIR* briefed on the Russian accusations against the Halo Trust, commented, “Our intelligence services have their nose and fingers all over this Chechen situation, seeking to profit strategically from it. This is part of the British notion, which I regard as foolish and dangerous, of reviving the old ‘Great Game.’ Idiots in our intelligence services are involved in this. The fact is, our intelligence services are out of control.”

This person further noted the recent, extensive British activity in Georgia. “Our people here, are trying to re-create Georgia as a British fiefdom, as it was in the last century. [Georgian President Eduard] Shevardnadze had tea with the Queen, when he was in London last month.”

London’s cultivation of Georgia, as well as Azerbaijan, is another factor of destabilization through “balance of power” games in the Caucasus region. In a July 17 interview with the London *Daily Telegraph*, on the eve of his British visit, Shevardnadze waxed ecstatic about Thatcher as “certainly one of the most impressive” leaders he has worked with (that was in the 1980s, when Shevardnadze was Soviet Foreign Minister during the Thatcher-Bush-Gorbachov “New World Order”), saying Winston Churchill was his hero, and England was Georgia’s best traditional ally.

On Aug. 4, Shevardnadze received British Chief of the General Staff Sir Charles Guthrie in Tbilisi, taking the occasion to declare that Georgia will accelerate the NATO-standardization of its Armed Forces, preparatory to joining the alliance. Guthrie inspected British officers, working as UN military observers in Abkhazia, the area of Georgia, from which, according to Moscow’s charges, British intelligence is staging its support for terrorism in Russia.

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## Malaysia ‘Deserves Better’ than Albright

by Gail G. Billington

On Aug. 14, U.S. Secretary of State Madeleine Albright weighed in with her considerable opinion on the second conviction of Malaysia’s former Deputy Prime Minister and Finance Minister Anwar Ibrahim, who was sentenced to nine years in prison on four sodomy charges on Aug. 8. From the U.S.-Canada-Mexico foreign ministers meeting in Santa Fe, New Mexico, Albright singled out Malaysia’s Prime Minister Dr. Mahathir bin Mohamad: “There are lots of things that Dr. Mahathir has done that I don’t think serve Malaysia well. . . . There are certain countries where people deserve better, Malaysia is one of them.”

No, Madam Secretary, they deserve better than you.

### Mahathir Was Right

On Sept. 1, 1998, the government of Malaysia pegged its currency, the ringgit, at a fixed rate of RM 3.8 to the U.S. dollar, and slapped on selective controls on capital flows in a unique counterattack to the speculative assault on Asian economies, which wiped out decades of growth in a matter of weeks, an assault from which none of the Asian countries have fully recovered. On Sept. 2, Anwar Ibrahim was fired from his government posts. The decision to slap on controls was a *political* decision, which Special Functions Minister Tun Daim Zainuddin has said was the product of a months-long deliberative process at the highest levels of the Malaysian government in which all but one of the senior ministers argued *against* controls in favor of sticking to standard “free market” solutions. Prime Minister Datuk Seri Dr. Mahathir bin Mohamad was the one, and only, “naysayer.” In the end, he prevailed. As a result, Malaysia’s “home-grown” path to recovery, while by no means complete, is a crucial example of the exercise of national sovereignty by a duly elected government, acting in defense of the general welfare of its people. Moreover, increasingly, the pundits in the brotherhood of international economists and institutions, including International Monetary Fund (IMF) Managing Director Horst Köhler, have conceded that Malaysia’s choice is “not so bad and, in fact, was not a disaster to the economy.”

Malaysia has shared with its Asian neighbors and its friends, especially in Africa and Ibero-America, the fruits

of that deliberation, which has sparked a hope, not yet realized, that they, too, may so act to defend their nations. Progress in Asia since the late 1999 meetings of the tenation Association of Southeast Asian Nations (ASEAN) and its “plus three” dialogue partners, Japan, China, and South Korea, toward creation of an Asian Monetary Fund (AMF), would likely not have occurred without Malaysia’s act of courage to break with what American author and patriot James Fenimore Cooper called “the ways of the hour.”

### **A Fight To See the Broader Picture**

Malaysia has paid a heavy price for its decision. The country has been beset by an internal, existential crisis, starting with the June 1998 party congress of the dominant United Malays National Organization (UMNO). At the heart of the crisis is the issue of leadership: What is it? Who is it? Where is it for the next generation? Overlapping the political crisis is the corrosive effect of the global cultural assault associated with “e-commerce,” where the sun never sets on CNN, and Internet “chat-rooms” liberally spread rumors, gossip, and worse.

The crisis has been linked to the trials and tribulations of Datuk Seri Anwar Ibrahim. At the June 1998 UMNO congress, Anwar made a bid to seize the top post, trumpeting himself as the champion of “democracy”; “*reformasi*,” or reform; and, as it emerged later, the IMF. Dr. Mahathir called his bluff, literally plastering the walls with documentation of UMNO beneficiaries from government contracts and investments. Anwar and family members were prominent on the list. At the congress, a book, *Fifty Reasons Why Anwar Should Not Be Prime Minister*, was surreptitiously circulated to participants. It included allegations of sexual misconduct.

On Sept. 2, 1998, Anwar was fired from his government posts, following increasingly acrimonious disagreements over how to respond to the speculative assault on the region’s economies. On Sept. 20, Anwar was arrested, after leading large-scale violent demonstrations in the capital of Kuala Lumpur, during which his supporters trashed the UMNO headquarters and threatened to march on the Prime Minister’s residence with similar intent. The demonstrations coincided with the visit of Queen Elizabeth and her consort, Prince Philip, to the Commonwealth Games.

Anwar was subsequently tried and convicted on charges of sodomy and abuse of office, for which he received a six-year sentence in April 1999. He was tried on four additional accounts of sodomy, and was sentenced to an additional, consecutive nine-year sentence on Aug. 8, 2000. Barring any reduction in sentence on appeal, a mandatory five-year ban on political activity will further stall Anwar’s political career until 2019. Following his second conviction, the *Wall Street Journal*, *New York Times*, and *Washington Post* coldly wrote his political epitaph.



*Malaysian Prime Minister Dr. Mahathir bin Mohamad.*

Anwar’s dismissal was a shock to the nation. Dr. Mahathir had repeatedly said that he expected Anwar to succeed him, and that he had looked forward to retiring in 1998. But, no one factored in the financial contagion that hit Asia, nor the even bloodier policy fight over how to respond. This latter point is crucial. Ever since his dismissal, pro-IMF Anwar has been added to the stable of useful, but eminently disposable, “democratic” icons, which U.S. Vice President Al Gore, Albright, Australia’s Foreign Minister Alexander Downer, New Zealand’s Foreign Minister Phil Goff, Canada’s Foreign Minister Lloyd Axworthy, and the European Union brandish in the faces of “lesser” powers to remind them who is boss, while solemnly invoking “the rule of law.”

### **The ‘Reformasi’**

After Anwar’s first conviction in April 1999, his wife, Datin Wan Azizah Wan Ismail, launched the National Justice (Keadilan) Party, which then joined an opportunistic coalition of the rural Malay-based Parti Islam SeMalaysia (Malaysian Islamic Party, or PAS), the urban-based Chinese

socialist Democratic Action Party (DAP), and the socialist populist Rakyat (People's) Party. The coalition was far from a marriage made in heaven, and the fracture lines are showing clearly, especially between the DAP and PAS. Anwar's "martyrdom" is also proving insufficient to hold even Keadilan together. Internal squabbles among the four-person leadership have led to the resignation of Marina Yusof in protest over the "leadership style" of Dr. Chandra Muzaffar.

The chief beneficiary has been the PAS party, based in rural Malay-dominant Kelantan province. PAS has gained at the expense of the ruling UMNO party, taking control of a second province, Terengganu, in the November 1999 general elections, and making inroads into Kedah, home province of Prime Minister Mahathir. PAS's appeal is based on demonizing the ruling party as insufficiently "Islamic," and the promise that support for PAS is a sure ticket to heaven. Among the policy initiatives of PAS are such suggestions as only ugly women should work outside the home because pretty women are a distraction in the workplace. In June 2000, PAS leader Nik Aziz called for male civil servants to be paid more, so that women will stay home. Women should not run for public office. The PAS-run state government in Terengganu has banned women from participating in Quran recital competitions because a woman's voice is *aurat* (parts of the body that should be covered).

This is the *reformasi* Gore threw in the face of Dr. Mahathir at the December 1998 ASEAN informal heads of state meeting in Kuala Lumpur. This is what Albright and her protégés among the Anglo-dominant Commonwealth countries embrace when she waves the so-called "bloody shirt" of Anwar, as she did in her Aug. 14 comments from Santa Fe. This is the "something better" Malaysia deserves?

### **Do Albright and Gore Back Terrorism?**

Since April, Malaysia has been shaken by a series of unprecedented terrorist incidents that have further rattled confidence and a sense of security, and which might be construed as appearing to give credence to an impulse toward "Islamicization," feeding off regional crises in neighboring Indonesia and the Philippines. On April 25, alleged members of the Abu Sayyaf separatist guerrilla group in the southern Philippines kidnapped 21 foreign tourists and Malaysians from the Sipadan tourist spot in Malaysia; several are still being held. On June 2, a senior leader of the separatist Free Aceh Movement in northern Sumatra, Indonesia was gunned down in Kuala Lumpur. On June 13, a device was exploded by police at the Russian Embassy in Kuala Lumpur.

On June 22, but only reported in the July 12 *Far Eastern Economic Review*, the U.S. CIA, State and Defense Departments, and diplomats and foreign correspondents posted to Kuala Lumpur met in Washington, D.C. to discuss "Prospects for a Post-Mahathir Malaysia." The magazine reported that the meeting concluded: "Malaysia could face considerable political uncertainty, including infighting in the ruling

United Malays National Organization, once Mahathir gives up the reins he has clasped tightly since 1981. The panelists predicted new economic turmoil in three to five years because of growing fiscal debt, brought on by the state's rescues of troubled companies and the minimal restructuring of the economy in the wake of the 1997 financial crisis. The group concluded that the political career of imprisoned former Deputy Prime Minister Anwar Ibrahim wasn't necessarily finished, but that before he can play a significant political role again, he will have to be pardoned by Malaysia's king and reinstated as an UMNO member."

On July 2, members of what has now been identified as a "deviationist" cult, the Al-Ma'unah (Brotherhood of Inner Power), impersonated Army officers and stole more than 100 rifles and grenade launchers from two Malaysian Army posts, taking two policemen, an Army Ranger, and an orchard owner hostage. They surrendered on July 6, only after torturing and then killing Hindu and Christian policemen hostages.

Dr. Mahathir went on national television on July 19 to discuss this terrorist incident, revealing for the first time, that some of the cult members had taken a stolen grenade launcher into Kuala Lumpur and attempted to fire on a temple and a Carlsberg brewery, but failed because they were not trained in the use of the weapon. Dr. Mahathir pulled no punches in his comments, condemning the opposition PAS party and any other parties that defended the cult, for spreading hatred against the government. He was followed on July 24 by Police Inspector General Tan Sri Norian Mai, who gave a detailed briefing of the incident on national TV, specifically rebutting a widely spread rumor that the government had *staged* the entire incident to discredit the opposition.

At most, Western media covered only the initial reports of the weapons' theft, which they used to ridicule Malaysia's police and Army. Little, if anything, has been covered of the details, including subsequent reports that many, if not most of those involved, are PAS members and/or associates.

Dr. Mahathir addressed both the June 22 CIA conference and the Al-Ma'unah raid at the opening of the Malaysian Structural Steel Convention and Exhibition on July 11. The weapons-theft incident, Dr. Mahathir said, shows that "if you support the wrong kind of ideas, you will only get hurt. That is why we have always been against this politics of hate. . . . This is not our religion. This has deviated from the teachings of Islam." Dr. Mahathir added that Al-Ma'unah had demanded that his government resign, but not that Anwar be freed.

Malaysia's act to change the rules of the world financial architecture has brought the wrath of the powers behind "the ways of the hour" down upon them. Heed the wisdom of Benjamin Franklin, who, when asked at the conclusion of the 1787 Constitutional Convention, "What have you wrought?," replied, "A republic, if you can keep it."

## The 'Iron Silk Road' Could Open Next Year

by Mary Burdman

While Asian nations are preparing for the coming financial crash, in North Korea and South Korea, and increasingly in China, construction of the Eurasian Land-Bridge is on the agenda. On Aug. 14, South Korean President Kim Dae-jung announced at a reception for the first group of 100 South Koreans on their way to Pyongyang, the North Korean capital, the next day, to meet their family members in the North, that the government in Seoul had already agreed with the North Korean government to hold the ground-breaking ceremony for the Seoul-Shinuiju, North-South rail line on Chuseok, the Korean lunar year "Thanksgiving holiday," which falls on Sept. 12 this year.

President Kim's statement confirms, that both South and North Korea are moving at an increasingly faster pace to build the Korean section of the Eurasian Land-Bridge (see "Inter-Korean Summit: 'Open the Roads, Re-Link the Rails!,'" *EIR*, June 23, 2000).

President Kim Dae-jung was quoted by Korean press, saying that once the Seoul-Shinuiju line is connected—a matter of constructing 20 kilometers of track through the Demilitarized Zone (DMZ)—and then also the Seoul-Wonsan line, Korea's railways will connect to China, Mongolia, and as far as Europe. The system will become a second Trans-Siberian Silk Road, Kim said. In the long term, goods could be transported from Pusan and Mokpo, two ports on the southern tip of the Korean peninsula, to London and Paris, by land.

Kim also said that, eventually, an undersea tunnel would be built between Korea and Japan. North Korea is also calling for the construction of a North-South highway.

Koreans must not again wage a "fratricidal" war, but rather, should turn their efforts to economic development, making it possible for both Koreas to "greatly prosper," Kim said.

The North-South rail line could be already functioning by Autumn 2001, Hwang Ha-soo, of the Exchange and Cooperation Bureau of South Korea's Unification Ministry, announced on Aug. 3. "We hope to get to work right away, and we can complete the work in a year," he said. The two sides are already working on clearing land mines in the DMZ, to enable construction to begin.

Inter-Korean trade, though low, is already rising, and the

railroad would completely open up trade on the peninsula. Trade, worth \$330 million last year, has risen to \$202.8 million so far in the first half of 2000, an increase of 22.9% from the same period in 1999, the Unification Ministry reported. North Korean exports to the South, which are mostly agricultural, fishery, and forestry goods, rose more than 40% in this period; the South exports mostly appliances and other consumer goods to the North. Trade is now carried out via ship along the west coast, a slow and costly process.

Another important step toward economic cooperation, was agreement reached by South Korea's largest industrial group, the Hyundai Group, with North Korea on Aug. 10, to build a large industrial park at Kaesong, just north of the DMZ. The agreement will also allow South Koreans to visit Kaesong, which was the historic capital of Korea during the 10th to 14th Centuries.

Hyundai official Chung Mong Hun met with North Korean leader Kim Jong-il during a three-day trip to the North. Kim Jong-il had wanted Hyundai to build on the Yalu River, on the border with China, but the firm wanted to be close to South Korean energy sources and markets, and the port of Inchon. Hyundai is to build a complex which can house about 1,000 factories, and employ more than 200,000 workers. Kaesong is already a rail center in North Korea. A group of Hyundai engineers is staying on the site to begin work.

Hyundai, under enormous pressure since the global financial crisis which began in Asia in 1997, is facing serious financial problems. Creditors demanding a restructuring plan want to force all members of the Chung family, which founded Hyundai decades ago, out of its management. However, the Chung family has led a series of initiatives toward North Korea, beginning several years ago, including taking gifts of cattle across the DMZ. It is likely, that the Kim Dae-jung government supported the agreements to roll over Hyundai's debts reached in early August.

In addition to the family reunions on Aug. 15, Korea's Liberation Day, other "tension-reducing" measures are being taken. A direct military telephone line is to be installed between the two capitals, and meetings of the defense ministers are to occur as part of the future Inter-Korean ministerial talks. During Aug. 5-12, the heads of leading South Korean news organizations visited Pyongyang at the invitation of Kim Jong-il, and media of both sides agreed to cooperate, rather than attack each other.

China, where the Eurasian Land-Bridge had been put "on the back burner" for several years, is focussing again on rail connections to Central and Southeast Asia. China will focus on rail construction to its western regions for the coming decades, announced the Beijing *People's Daily* the week of Aug. 7. International rail links are also to be built, from China's Xinjiang province in the west to Kyrgyzstan and Uzbekistan, and from Yunnan province in the southwest to Southeast Asia. China, Myanmar, and Laos have concluded preliminary negotiations on the rail lines.

# Independence for Scotland Posed, as Nationalists Prepare To Elect Leaders

by Mark Calney

To give my consels all in one,  
Thy tuneful flame still careful fan;  
Preserve the dignity of Man,  
With soul erect:  
And trust the Universal Plan  
Will all protect.

—Robert Burns, “The Vision”

On July 17, Alex Salmond surprised everyone in Scotland, when he announced that he would be resigning as leader of the Scottish National Party, a position he has held for ten years. Those particularly shocked by the news were the other members of his own party, who are in the midst of preparations for a general election that U.K. Prime Minister Tony Blair is expected to call by May or June of next year. Now, their energies will be concentrated on the leadership election campaigns, scheduled to occur at the SNP national conference on Sept. 20-23.

Salmond’s announcement has not only started an election battle over the leadership of the SNP, but also has sparked a public debate concerning the policy direction of the SNP, which will have implications for the future of Scotland, as well as strategic policymakers south of Hadrian’s Wall.

## Scotland and the ‘New Economy’

Like every other country in the world, Scotland has suffered from looting by the international speculative financial bubble. The ravages of such con games as free trade, globalization, and privatization, under both the British Tories and Labour, continue to take their toll in Scotland. During 1997-99, Scotland lost 47,000 manufacturing jobs, as the Clyde River shipyards continue to more closely resemble a ghost town than an industrial complex. There are three times as many people living below the poverty level now in Scotland than there were in 1979. According to this year’s UNICEF study, entitled “Child Poverty in Industrialized Nations,” by Bradbury and Janetti, 329,408 children in Scotland, one-third of the adolescent population, are living on the breadline. Meanwhile, as Britain’s health care system has declined to 18th in the world (according to the World Health Organiza-

tion), the number of pensioners living in poverty has increased to 266,669. In a nation of 5.12 million people, this has had a horrific effect.

Ironically, beneath the territorial waters surrounding Scotland is the fifth-largest oil-producing reserve in the world, whose production is more than that of Kuwait. However, Scotland is experiencing some of the highest gasoline prices in the world. Currently, a gallon of gas in Scotland, exceeds £4 a gallon, meaning that to fill the average gas tank of a family car costs more than \$60. As the Labour Party has increased gasoline taxes some 40%, due to what many in Scotland and the U.K. are calling a “gasoline poll tax,” small business bankruptcies, particularly in Scotland’s rural areas, are dramatically increasing.

## Where Is the Vision?

After the successful outcome of a public referendum in 1979 (due to the work of the SNP), a Scottish Parliament, with very limited powers, was reconvened, for the first time since 1707, in Edinburgh on July 1, 1999. The policy debate within the SNP, is whether to make independence again the central focus of its political and electoral campaigns, or to stick with the process of “devolution,” i.e., the doling out of a few more, limited powers. The British media, which include those outlets in Scotland that are by definition and practice invariably pro-Unionist, has characterized this faction fight as one between the “radicals” or “fundies” who are demanding independence as the key focus, and the so-called “gradualists” of devolution.

The first to announce his campaign to replace Salmond as National Convener of the SNP was Alex Neil, a member of the Scottish Parliament (MSP). He is also the SNP spokesman on Social Security, and he issued the SNP study “Poverty Amidst Plenty.” Neil is clearly the standard-bearer in this election for those who want to return the SNP to the vision of creating an independent Scottish nation. In his announcement, Neil told the press: “Independence is not a luxury we can wait 20 years for. If we are going to change Scotland and raise children out of poverty, we need it now. . . . Never forget, devolution is an invention of Unionists, to stop our march to

independence. Devolution is designed to tie down the SNP in the administration of Scotland as a region of the U.K.”

The Neil camp believes that the issue of independence should not be marketed like a product by finding a popular consensus of opinion among voters on secondary issues, a strategy made infamous by the toe-sucking U.S. architect of “triangulation,” former adviser to both Democratic and Republican candidates Dick Morris. But rather, independence should be pursued as a vision that provides a universal idea of justice and the good for all people.

In an editorial statement that appeared in *The Scotsman* newspaper on Aug. 8, Neil attacked the notion that being a nationalist is equal to being an isolationist or chauvinist. Including an appeal to end the inhumane sanctions against the people of Iraq, he stated that, if elected, “One of my priorities will be to establish a foreign affairs forum. . . . Far from being the antithesis of internationalism, nationalism is an essential component for dialogue and cooperation between nations.” This is a far cry from the public apologists for the British oligarchy who, in their fawning acclamations for “globalism,” claim that nationalism is the root of modern fascism. Any competent historian knows that modern fascism is based on empire, ruled by an oligarchical elite, organized around the central belief that man is merely a beast.

Opposing Neil for the SNP leadership position is John Swinney, also a member of the Scottish Parliament and close to Salmond, a former Royal Bank of Scotland economist. Upon his announcement to stand for election, Swinney, in an interview with the *Sunday Herald* of Scotland, gave his view for SNP policy. In his attempts to pursue popular opinion, he said, “We’ve got to begin to formulate policy in a way that a government goes about forming policy — with a wide consultation.” One of Swinney’s aims is to win fiscal autonomy for Scotland within the confines of the devolved Scottish Parliament. “I’d want to be able to control all tax revenue raised in Scotland,” he stated. Though a desirable goal, the question remains: How do you achieve such ends when it is ultimately the British Parliament in Westminster that has the last say on such fundamental matters?

As a result of Swinney choosing to run for election as leader (National Convener) of the SNP, he had to step down from his position as deputy leader (Senior Vice-Convener). This has created a situation where both leadership positions are now up for election. Currently, three people have announced their intention to stand for that position: Kenny MacAskill MSP, Rosanna Cunningham MSP, and Peter Kearney, the current National Political Education and Training officer of the SNP.

When the membership of the Scottish National Party meets to elect new party leaders at their national conference, it would not be inappropriate for them to consider the words of their national poet, Robert Burns, in his poem “The Vision,” and to recall that worthy quote from the book of Proverbs: “Where there is no vision, the people perish.”

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## Interview: Peter Kearney

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# ‘End the Union of 1707,’ Says Scottish Candidate

*Peter Kearney is a candidate for the position of Senior Vice-Convener, or deputy leader, of the Scottish National Party (SNP). He lives in Glasgow, Scotland, and works as a surveyor. Kearney is the current National Political Education and Training Officer of the SNP and is the SNP Convener of Coatbridge and Chryston Constituency. The following interview with Mark Calney occurred on Aug. 8.*

**EIR:** In July of last year, we had the formal opening of the Scottish Parliament, which had been dissolved almost 300 years ago with the Treaty of Union in 1707. Does this mean that Scotland is now independent?

**Kearney:** The short answer to that question really is no. Scotland is not independent. Independence, as most people in the world would understand it, means national self-determination. It means that the nation-state has its hands on all the levers of power. What that means is that you have complete fiscal autonomy, you have control over macro-economic policy, defense matters, foreign affairs, social security, and all the other domestic matters such as health, housing, and transport. The Scottish Parliament has simply created another level of administration — another authority within the British state. Scotland is still part of the United Kingdom. The Westminster Parliament in London is still the sovereign legislature, insofar as Scotland is concerned.

What happened last year, was that a number of powers that had been devolved or administered from London, were transferred to the Scottish Parliament. It is similar to, but far less, than some of the powers that a state legislature would have in the United States. For example, the Scottish Parliament can legislate on matters like health and service spending. It can also control the transport budget for roads, and the education budget for schooling. But, it cannot have any input or control over questions like energy policy, which is an enormous area for Scotland, because Scotland currently is the fifth-largest oil producer in the world and has the largest oil and gas reserve of any country in Europe. However, it is the



Westminster Parliament that taxes those reserves, gets the income from them, and determines where that money goes.

**EIR:** The fact that the Scottish Parliament has been reconvened, even with its limited powers, reflects the outcome of the referendum that occurred prior to that.

**Kearney:** The referendum that brought the Parliament into being was voted on in September 1997, under [British Prime Minister] Tony Blair. The Labour Party won the general election in 1997. The reason they had devolution and the transfer of some limited powers back to Scotland, and the reason they had that in the Labour Party manifesto, was primarily because of pressure from the Scottish National Party and the Scottish electors, who wanted more control over their own affairs. The Parliament is extremely limited in what it can ultimately deliver. And although it is still an important platform that the Scottish National Party has to use, of itself it will not lead to independence.

**EIR:** I've heard you describe "devolution" as a "constitutional cul-de-sac" for the SNP and Scotland. What is "devolution" exactly?

**Kearney:** An example of "devolution" might be the German Landtag, in various German states, that has powers to legislate on certain subjects and administer certain areas of policy. Catalonia, in Spain, is another example.

In the case of Scotland there are things like health, housing, transport, and education that have been "devolved," or removed [from Westminster] to the Scottish Parliament, which can now legislate on them. But the big powers, as I would describe them, the real levers of authority, such as defense, foreign affairs, taxation, macro-economics, and energy, are firmly left in the grip of the national government in Westminster. Another point to keep in mind, is that having the ability to legislate on these powers in the Scottish Parliament is only part of the picture. For a government to be truly autonomous, it needs to have the independence that comes with being able to raise taxes. The Scottish Parliament has only a very limited power in that respect. The legislation that created the Parliament allows it to vary the basic rate of income tax by plus or minus three pence in every pound. Theoretically, the Scottish Parliament could levy an extra tax in Scotland that could raise a couple of hundred million pounds a year in revenue. But, that is all. It can't get access to, for example, the petroleum revenue tax from oil. Scotland has to work within a budget that is given from Westminster. Every year, Gordon Brown, the Chancellor of the Exchequer, carves up the British public spending cake and allocates an amount of that to Scotland. Once that has been allocated, then the Scottish Parliament can decide how they want to slice up their own cake. But, they only have a piece of the British cake. They don't have a cake of their own, which is what independence means, and what the SNP would argue for.

**EIR:** With the resignation of Alex Salmond as head of the SNP, an election campaign has begun for the leadership positions of the party that will be determined at the end of September. Can you give our readers an idea of what the distinctions are between the different factions of the SNP, which are vying for election?

**Kearney:** Alex Salmond had been the leader of the Scottish National Party for ten years, having been elected by the party in 1990. He surprised everyone when he announced last month that he intended to step down as party leader. Many people didn't expect this, because the party is now in a position where we expect to be fighting a general Westminster election in the U.K. probably next year. Tony Blair will have been in power for four years. Although, unlike the United States, we don't have fixed parliamentary terms, the British Prime Minister can call a general election to suit himself or herself. But it's normally called within five years of the last one, and the smart money is on May or June of next year.

With that in mind, the Scottish National Party has been planning and preparing for that campaign, and it is unusual for the leader to step down at this point. But, it happened, and what it means is, we now have another contest inside the SNP for the post of leader, as well as the position of deputy leader. This is because the current deputy leader, John Swinney, will be standing for the leadership, and he will be contesting that position with Alex Neil.

As far as the deputy leader position of the party is concerned, my two opponents are Rosanna Cunningham and Kenny MacAskill. Both are members of the Scottish Parliament, and I am not. Though I stood for election to the Parliament last year, I was not elected.

One of the main platforms I'm standing on is that I believe that it is very important for the SNP at this time not to concentrate all our abilities and all our resources inside our Scottish Parliamentary group. I think that that would be a mistake. Although the Scottish Parliament is an important development in Scottish politics, it's not the end of the story. It can't give us independence. We still need to win on other levels. We still need to fight strong campaigns to increase our share of the vote at Westminster. We also need to fight campaigns to increase our seats in the European Parliament. The Scottish National Party now has three parliaments that we fight elections to, and to say that the members of the Scottish Parliament are the most important people in the party would be fundamentally wrong. First of all, our members are the most important people in the party, and we need to make sure that we keep our link with the members. There is concern within the party that that may be eroding at the moment—that the Scottish Parliamentary group is focussing too closely on devolution and on the Unionist plan to keep Scotland as part of the United Kingdom. What we need to remind ourselves of is, that there is a bigger picture out there. We must not take our eye off the prize of independence. But, if we keep squabbling and arguing over how best to slice up Scotland's share



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of the British cake, we'll forget the fact that what we should be arguing for is a Scottish cake — our own independent parliament.

The other reason that I am standing for deputy leader, is that within days of the other two candidates declaring, they had both stated publicly that they were in agreement with one another on the substantive policy areas. They also both back the same candidate for the leadership, which is John Swinney. And they both agreed with one another on the strategy and the tactics that the party is currently employing. It certainly struck me that that hardly made for a proper election contest. I think the members of this party need to be offered a choice, and they won't be offered a choice by two candidates saying they more or less stand for exactly the same thing.

**EIR:** I've noticed in the British press, and in particular in the Scottish press, that the faction of the SNP which you represent, which wants to make the primary issue of the SNP independence, is constantly portrayed as being "radicals." It reminds me of how the British press used to characterize the Founding Fathers of America, such as George Washington and Benjamin Franklin.

**Kearney:** If I'm in the company of Benjamin Franklin, being called a "radical" or a "fundamentalist," then I'm very proud to be in that sort of company.

Yes, the SNP is a political party, and we do fight elections within the British state, which means we need a manifesto with a whole range of fiscal, social, and economic policies. But, beyond that, the Scottish National Party is a movement. It's also a national liberation movement. We have a unique selling point which no other party in Scotland has, and that is that we want to free Scotland from its current position within the British Union. We want to achieve sovereign independence for our country. That means we have a higher moral purpose, literally, than any of our opponents. And, if we get too bogged down in the detail of manifestos, line by line, and economic policies, line by line, we will lose sight of that vision. Then, we will also lose the ability to invigorate the Scottish public and remind them that they get a very raw deal from being part of the British state. They would be far better off managing their own state.

**EIR:** Far too often we hear in the media, and also from politicians themselves, the idea that "politics is the art of compro-

mise," as opposed to politics being guided by principle. I was struck by what you stated in your press release: "But from the start I'd like to make it clear that I believe the pursuit of social justice and independence are indivisible."

**Kearney:** I think that that is a sad reflection on politics, not only in Scotland or the United Kingdom, but also in Europe, and across the world. In many places around the world, compromise has come to replace principle. I think the end result of trends like that is that people disengage from the political process. People become de-motivated and de-politicized, and that cannot be good. We all have to make hard choices in politics, at whatever level. It doesn't do the voters any justice or any service to somehow pretend that with a few warm words and sound bites, we can paper over those hard choices. In reality, we can't. The danger for all parties, but particularly my own party, is that we fall into the trap of the focus group mentality, where we listen to the lowest common denominator view of society's wants and desires, and then try to package ourselves to appeal to those opinions. We must not be reactive. We must be proactive. Political parties shouldn't follow. They should lead. We should set an example. Our vision may not currently be shared by the majority of people in this country; therefore, it's up to us to make sure that it is. We don't change depending on what's in or out of fashion at the moment.

**EIR:** I'd like you to address the economic situation facing the Scottish people. You and a few of the other leaders in the SNP have pointed out some paradoxes in this area. The mass media on both sides of the pond, continue to tell us that we are in an unparalleled economic boom in human history, that we have entered the so-called "New Economy." Scotland is situated in the North Sea, surrounded by the largest oil deposit in western Europe, yet you have some of the highest gasoline prices in the world. I just read a report by Fergus Ewing, an SNP Member of the Scottish Parliament, which examined the bankruptcies occurring in the Highlands because of the skyrocketing price of gasoline.

**Kearney:** Not too long ago, I spent several weeks in Florida, and I found the cost of filling up a car to be insignificant compared to what we are used to paying in Scotland. For example, to fill up an average family car in Scotland will cost in the region of £40, which is \$60 to \$65 to fill the tank. Of course, this has a direct effect on the cost of every single commodity, and has an impact on every business in the coun-

try. That is something that independence, and Scotland being in control of its oil reserves and deciding how it uses income from them, would be able to address immediately.

To get on to the point you made about the wider economic issues and the pretense that there is some global boom, and how people say that we live in a global market place: Ultimately, these are vacuous sound bites. The perception that people are trying to promote there, is that somehow the concept of national sovereignty doesn't exist anymore and we are just one big market. People talk a lot about multinational corporations that straddle the world. I think that that is a misnomer. The more accurate description would be "trans-national" corporations. Those trans-national corporations, whether they be Sony, McDonald's, or Coca-Cola, all have a locus in a particular state, and at the end of the day their global income will return in large measure to that state.

It's too easy for most people to think of these global empires as face-less, but they do have a base. I believe that the concept of national sovereignty is as alive today as it was 300 years ago. Take a look at one example: In Malaysia, Prime Minister Mahathir showed last year that you can stand up to the global currency speculators and you can exert your own economic sovereignty in the world. The financiers told them that the sky would fall in and Malaysia couldn't withdraw their currency from the global marketplace. But they were wrong. Mahathir did it, and their economy has prospered as a result.

**EIR:** In the recent months, we have seen actions taken by nations in various regions of the world to protect their own populations against that type of economic speculation and savagery. There has been an international fight to address that issue, and to create a new financial system that is based on national sovereignty and physical economic production rather than speculation. We have seen hundreds of parliamentarians, legislators, and other leaders who have signed on to the Ad Hoc Committee for a New Bretton Woods, a policy to reestablish a sound monetary system based on those principles which have been advocated internationally by Lyndon LaRouche. We've also seen the Italian government take the first concrete step toward that new system, when it recently implemented Jubilee 2000, and wrote off the debts owed by the underdeveloped nations. How do you view these developments?

**Kearney:** As far as the push for a New Bretton Woods, I have endorsed that policy. Ultimately, the economies of the world must be anchored in tangible assets and physical production. The fictitious dot.com bubble is beginning to burst. There have been a couple of major bubble bursts in the U.K. with some of these dot.com start-ups, which were grossly overinflated by the stock market. As far as I'm aware, there isn't a single dot.com company that has made a pound of profit. So, what they're basing their value on, is some sort of future potential, not in anything tangible that they have produced and would qualify as a real profit. This is something

we must get away from, because it is not anchored in reality — the hard reality of human labor and production.

Also, the point you made about global capital and debt reduction; you're right that the Italian government did write off a number of loans to developing countries. That is certainly welcome and a good step. The problem with debt reduction at the moment, and the goals that have been achieved by Jubilee 2000, is that all these arrangements have been bilateral. The British government has reduced or wiped out some of its loans, but they weren't particularly huge. What really needs to happen to change the position of developing economies is for the IMF [International Monetary Fund] and the World Bank to agree to multilateral deals, where the real debt owed to those institutions is removed or radically restructured without some of the almost suicidal conditions that are attached to those loans.

**EIR:** The United Nations UNICEF organization released a report in June which revealed that some of the worst child poverty conditions in the world are in Great Britain. I was astounded to read that one-third of the children in Scotland, that is, almost 330,000 children, live on the breadline. This is below the levels of child poverty found in such nations as Turkey, Hungary, and Poland. This, again, appears to be one of those economic paradoxes occurring in a country which is thought to be one of the most advanced and economically developed nations of the world.

**Kearney:** We are very much a nation of haves and have nots. When 30% of the children in Scotland are living at or below the poverty level, we are beginning to see the reemergence of things like tuberculosis, which supposedly had been eradicated 30 or 40 years ago. The prospects for so many of these people is absolutely bleak. This gets back to the point I made originally about de-politicizing people and getting them out of the political system. When people get to that level, they tend to switch off from the political system entirely, because they feel it can do nothing for them. So, we end up with an underclass, and that serves the purposes of those politicians who created it, because they are no longer answerable, because they [the underclass] don't vote. It's a vicious cycle.

**EIR:** Given what you've said about national sovereignty, how do you view the debate over the euro?

**Kearney:** This is a very important debate, particularly for Scotland. Unfortunately, because of the fact that we are part of the British state at the moment, we have no say. We have no input into the decisions that Tony Blair and his government may or may not make. Like the debt reduction issue, I'm convinced that an independent Scotland would have a very different view on assistance to developing countries.

The case for a common currency within Europe has not been proved without doubt. For every argument in favor of a common currency, such as stability of exchange rates, there are counter-arguments that work against it. One of them

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would be, that you no longer have the ability to make changes in your interest rates as part of your government policy. The Republic of Ireland, as an example, with its 3 million people, as compared to Scotland's 5 million, is a member of the European Union and the common currency. Ireland is currently experiencing an increase in inflation, but cannot adjust its interest rate as a means to cope with this problem, since Ireland's interest rate is set in Frankfurt. So, the jury is still out on the issue of the euro in Scotland, until we achieve independence and have our own currency.

**EIR:** Scotland used to be one of the world's leaders in shipbuilding. Now the shipyards and other industries in the country are shut down. How do you see the problem that Scotland is losing its skilled labor force?

**Kearney:** The onset of the loss of these industries came about with the election of Margaret Thatcher's Conservative government in 1979. They had a profoundly anti-trade union mentality, and they were also very much against state subsidy to any industry, which had an effect on railways, steel, coal, and shipbuilding—all traditional heavy industries. That was exacerbated right through the Thatcher regime, but was then picked up by the Blair government in 1997 and carried on. So, the end result has been that that heavy manufacturing base, which I definitely believe any economy requires—because a steel industry, for example, once you lose it, is exceptionally difficult to create it again. And a steel industry is the basis of so many other industries. That has largely gone in Scotland, to be replaced by service industries. . . . What we have to do, is encourage indigenous companies to invest in technology at our own national level and build up our own industrial base. The answer is not to have global corporations setting up in this country and becoming the major employer.

**EIR:** I've noticed, at least in the British press, that there appears to be a resurgence of the Tories in the U.K., led by William Hague. In fact, I saw a comment in the Scottish press describing an election race between Blair and Hague as "Tweedledum versus Tweedledumber." I have to say that it is strikingly similar to the U.S. Presidential race between Al Gore and George W. Bush.

**Kearney:** I would make that comparison. In many respects, New Labour, as they now style themselves, has basically inherited the Thatcher and Major mantle. When Tony Blair

was elected in 1997, Gordon Brown, his Chancellor of the Exchequer, pledged that they would carry on the Conservative's public spending plans for the next two years. So, we really didn't have a change in government. The policies of Margaret Thatcher and John Major were continued by Tony Blair. . . . There is very little distinction between the current New Labour Party and their so-called opponents in the Conservative Party. . . . In the case of New Labour, they are losing their connection to the base that previously supported them. In Scottish terms, it is fertile ground for the SNP, and it's up to the Scottish National Party to offer a social justice agenda that promises infrastructure and equality to the Scottish people. It is up to us to pick up those soft votes Labour has effectively discarded.

**EIR:** I'd like to go back to the opening of the Scottish Parliament last year, when the republican song by Robert Burns, "A Man's a Man for a' That," was sung in the presence of (and much to their dismay) Queen Elizabeth, Prince Philip, and Prince Charles. This brings up the question of the royal family in politics and in Scotland. I'd like you to comment on that, especially since Charles's sister, Princess Ann, has taken a higher profile role in Scotland, and there has been talk of the possibility of restoring the Stuart mantle upon her to continue the royal lineage of the present House of Windsor in Scotland.

**Kearney:** It's interesting. I think that the national and international view of the United Kingdom would probably be that of a royalist state, with the population firmly behind and in support of the British monarchy. That support does not run as deep as people think it does. When opinion polls have been carried out in the past, which include all parts of the United Kingdom, on their view of the monarchy, Scotland gets the highest percentage of people who are against an unelected head of state and against the present British royal family. Commonly, it will be above 50% against.

Bearing that in mind, the political developments in Scotland over the last year have left the royal family, and royalists generally, very concerned. If it's in the interest of the British state to hold on to Scotland, for pretty self-evident reasons (primarily as an enormous source of funds), then it's obviously in the interest of the monarchy and the royal family, as the pinnacle of the British state. They play a role in maintaining British rule in Scotland. I think they've been very con-

cerned about the changes in Scottish politics and Scottish society, to the point that they've appointed special advisers to look at the Scottish situation and see if they can somehow increase their relevance in this country. There is nothing that they could do that would make the British royal family more relevant or more appealing to the people in this country. There will always be a small, aging minority of people, that generation which lived through the Second World War, who fondly view the Queen, her husband, and the rest of the family. But, that's changing. If you look to the younger voters, the population below age 25, they do not have those old attachments and fond memories. They see them for what they are, and what the current generations of royals have proved themselves to be: a parasitical family, who have no real role to play in a modern, European, forward-looking society. They're an historical anachronism.

I can't say that there would be a majority of Scots who tomorrow would vote for a republic, but I believe those who would man the barricades to defend the royal family are very much in the minority. Perhaps that's another area that the SNP needs to lead on. We don't have a conclusive policy on that. The current policy of the Scottish National Party is that the issue of the monarchy would be put to the people in a referendum. Meanwhile, we would not support or oppose them. Perhaps that is something that needs to be reassessed.

**EIR:** We've run into another paradox again. Tony Blair, with all his chest beating on the issue of making the world safe for "democracy," nominally presides over one house of Parliament, the House of Lords, which no one in the U.K. cast a ballot to elect. Additionally, I don't believe anyone voted for the royal family.

**Kearney:** Given the opportunity, they never would, either. My personal view here is that the monarchy and the unelected heads of state are utterly unjustifiable. They are anti-democratic in every respect, and can never be legitimate for any country. People make the point that the Queen is nothing more than a figurehead. But that really belies the reality. Just looking at the pomp and circumstance and pageantry you could say, "Yes, she's a figurehead." But, beneath the surface is a person who has real constitutional powers. They are real executive powers that can be used. We should not forget that the head of the British state is an unelected monarch, and that person does control an enormous amount of patronage and power, which gives them huge influence.

In conclusion, permit me to say that it's an exciting time for Scotland and an exciting time for the Scottish National Party. The leadership and deputy leadership election has got to be something that we use as an opportunity to re-focus our energies. If we focus on the big picture, which is to end the Union of 1707 and set Scotland up to take its place in the world among the community of nations, then we will have made the right decision and we will have served the people of Scotland. That's the challenge that we face.

## Egyptian-U.S. Relations 'in the Hand of a Goblin'

by Hussein Al-Nadeem

As the Egyptian saying goes, Egyptian-American relations have recently been "in the palm of the hand of an *Afrit* (goblin)," due to provocations against Egypt and its leadership by the Anglo-American and Wall Street media and elites. Egypt, which many consecutive U.S. administrations have considered an ally, looks upon the United States, in turn, as a friend and ally, and not a regional asset.

First of all, Egypt was heavily attacked when the Camp David peace negotiations between the Israelis and the Palestinians collapsed in late July. The government was blamed for not backing the Israeli-American pressure on Palestinian President Yasser Arafat to make concessions on Jerusalem. A July 31 *New York Times* article by Thomas Friedman hurled insults over Egypt's "ingratitude" for American aid, which provoked a storm of condemnation from all strata of Egyptian society. (Friedman wrote this article after his visit to Egypt some weeks earlier, to advocate "globalization," had failed.)

The conflict was further aggravated when Egypt arrested the American-Egyptian head of the Ibn Khaldoun Center for Development Studies, Saad Eddin Ibrahim, for "spying on Egypt and undermining its national security and unity," on behalf of the United States and specifically of the Central Intelligence Agency and Pentagon-linked institutions, as the Egyptian Prosecutor General put it.

### EgyptAir Flight 900

For the Egyptians, the drop that filled the bucket was the release on Aug. 11 of a "factual report" by the U.S. National Transportation Safety Board (NTSB), on the crash of EgyptAir's Flight 900 in the Atlantic on Oct. 31, 1999. What enraged the Egyptian public, as well as the official institutions, was the hyped-up false theory that the co-pilot, Gameel Al-Battouti, had committed suicide, taking all 217 passengers and crew to their doom. This "suicide" story was first leaked to the U.S. press through the FBI in the days following the crash, in order to shape the whole investigation around this preposterous theory. Coming when Egypt's relations with both Israel and the United States were already tense, the NTSB report was extreme psychological, cultural warfare against Egyptians. Furthermore, Flight 900 carried more than 30 high-ranking Egyptian military officers, a fact

that raised more than one question on all possible scenarios. This latest report from the NTSB added more insult to injury, by including a report from the FBI on the alleged “psychological” state of Al-Battouti, which characterized him this time, as an “exhibitionist” womanizer rather than a “Muslim fanatic.”

Egyptian investigators considered the report to be a falsification of facts, and they insisted on a thorough technical investigation of the Boeing 767 aircraft.

As part of a counterattack, Egyptian investigators included in the final NTSB report a document issued by the chairman of the Egyptian Civil Aviation Authority, Abdelfattah Kato, calling on the U.S. Federal Aviation Administration to release radar data which he says indicate that three high-speed objects were tracking Flight 900’s path in the minutes before its plunge into the ocean. These data have been described by the NTSB as “classified and restricted Air Force data and cannot be provided by the NTSB.” These plus eyewitness accounts, have led Egyptian officials and the public to suspect that an “attack,” or some other external factor, caused the tragic crash.

Meanwhile, the Egyptian Civil Pilots’ Association issued a statement, saying that the American authorities are “attempting, through the powerful American mass media, to prepare public opinion to accept the suicide theory.” The statement said: “The existence of strange objects beside the airplane has been proven through the radar data. So, why has an investigation into a missile attack not been opened, or into the airplane’s possible downing by a bomb placed at the rear of the airplane, especially as the whole tail group has not been found after the crash?” They also demanded a technical investigation into possible mechanical failure of the Boeing 767 “elevator control system,” which determines the direction of the airplane’s nose, upward or downward.

The point here, is not to single out the credibility of one investigative lead over another. The main issue is that, from the beginning, U.S. investigators, under the influence of the FBI and media, made up their minds that the suicide theory, and no other scenario, would be the one followed.

## **Egypt and the Middle East Peace Process**

Ironically, had the recent Camp David summit succeeded in imposing the terms that the Zionist lobby-influenced Al Gore and Clinton Administration, and the Israelis, wanted to impose on Arafat, especially regarding Jerusalem and the refugees, the Middle East would have plunged into an unending spiral of violence. As Arafat later disclosed, he told President Bill Clinton, “I would rather be killed by a Jewish fanatic than an Arab Muslim.” Jerusalem cannot be conceded, in part or as a whole, by any individual leader or government in the Middle East. It is a complicated issue which has united all Arab and Muslim nations and governments. Egypt, indeed, supported Arafat in his resistance to the Camp David temptations.

As Egyptian President Hosni Mubarak stated in an interview with the Egyptian weekly *Ros al Youssef*, a “Jerusalem compromise would lead to uncontrollable violence.” He considered such a compromise as “political suicide,” due to the complexity of the issue. Throughout the interview, Mubarak explained his government’s position on the Camp David summit. “Since the launch of the peace talks and until this very date, Egypt has never told Arafat to accept or cede anything.” However, Mubarak said that he was keen to tell Arafat “to accept what he sees as congruent with the Palestinian goals and interests and to reject whatever he sees as unfair. . . . What happened in Camp David was not accepted by Arafat, and it could not be agreed to by any person in the Arab and Islamic world, since nobody can spare Jerusalem.” Mubarak added, “The Jerusalem issue is highly sensitive to the extent that some Western and American circles cannot understand the roots and dimensions of, and the relevant public opinion, whether in Egypt or any Arab, Muslim, or Christian country.”

Reflecting on the seriousness of the situation, Mubarak said: “I even told Israeli Prime Minister Ehud Barak that the issue is the most serious and difficult stage of talks; it touches all religions, and any concession therein will cause an explosion in the situation that nobody can control. Terrorism will pop up once again under such strong justification.”

Regarding the anti-Egypt campaign, which the interview characterized as “waged by circles in the American Administration,” Mubarak said: “It is an artificial one, spurred by people who do not have the needed knowledge, and anyone can figure out who stands behind it.” He elaborated that this campaign will not come out with any useful results for any party. “On the contrary, it will be a minus for the goals of the peace march and will block it.”

Egypt is a nation of more than 60 million proud citizens, with a significant strategic and political role in the region as well as the world, especially as it has planned and become a bridge between Africa, Asia, and Europe in the framework of the global strategy of building the Eurasian Land-Bridge, or New Silk Road. It expects, and deserves, to be respected as such. Egypt has had financial and monetary problems which made it ask for help from the United States, thus making it, at times, vulnerable to political pressure. However, this will change, as the U.S. and Western financial institutions, and the paper values attached to them, become worthless with the onrushing financial meltdown.

The Egyptian people, its leadership and political elite, who fought the British Empire and its puppets for more than 70 years, have long regarded the United States as a close friend and ally. However, when this ally, or a faction of its political and propaganda machine, tries to dictate Egypt’s internal and foreign policy with the type of arrogance characteristic of the “Brits,” Egyptians will resist. If you want to make friends with the Egyptians, don’t behave like a “British imperial master.”

# Hollywood's New Cult Offensive: 'The Gladiator' To Revive Pagan Rome

by Elisabeth Hellenbroich

Ridley Scott's monumental film epic, *The Gladiator*, takes place during the Second Century A.D. The rule of the Roman Emperor Marcus Aurelius (161-180 A.D.) is approaching its end, and his son, Commodus (180-192 A.D.), is crowned Emperor after his death. With Commodus' reign, the decline of the Roman Empire accelerates, and reaches its climax in 410, when Rome is plundered by the Goths.

The initial historical setting for the film is Marcus Aurelius' 12th campaign against the barbarians, who repeatedly breach the borders of the Empire on looting forays. "*Victor Roma!*" is the victory cry of the Roman legionnaires, who vanquish the barbarians in battles with many casualties. The barbarians of that time are the "rogue states" of today—to summarize the subliminal message of the film—while the only superpower, with its propaganda about "the new world order," is in the process of throwing the world into chaos. Under conditions of a globally collapsing financial system, economic crises, starvation, ethnic conflicts, and epidemics, Tony Blair, Al Gore, and George W. Bush present themselves as the modern heirs of this heathen-Roman, fascist heritage.

"The Roman gladiators of that time are the Anglo-American mercenaries of today," as one Israeli military historian commented on the film. The clock of history is turned back to the time prior to the Thirty Years War (1618-48). "People are tired of peace, the human being is a warrior-creature by nature," he said. In the face of a growing feeling of degradation in Western countries, the impotence of traditional armies and the fear of being the victim of terrorists and kidnappers, the feeling is growing that a new class of "warriors," i.e., "gladiators," is needed. "The Americans of today," claimed this historian, "are the modern Romans."

Parallel to the first showing of the film in European movie theaters, from Oct. 21, 2000 to Jan. 21, 2001, the British Museum in London will have an exhibition on "Gladiators and Caesars: The Role of Gladiator Games in the Roman Empire." The exhibition covers the period from 50 to 400 A.D., with a particular focus on the Second Century.

In an article titled "Blood and Circus," the London *Times* wrote on May 17, that *The Gladiator* shows that the violence of the Roman arenas is still alive today. "We are the heirs of

the gladiators. . . . The hooligans who cry for blood today at the football games and boxing matches are like the cheering plebs in the Roman arena. . . . Is that fascist propaganda?" the *Times* asked. It is clear, in any case, that "there is something in our blood which loves wars and the red death."

### Fascination with Decadence

The film begins in the foggy forests of Germany, where the Romans put down the last revolts of the barbarians. It is 180 A.D.; Emperor Marcus Aurelius is finally victorious over the Germans after 12 years of war. The Roman Empire is at the height of its power, and the aging Marcus Aurelius tells his most successful general, Maximus, that he should restore Rome to its former power and that the corruption should end.

Maximus is supposed to succeed him on the throne, but the jealous Commodus has Maximus arrested when Marcus Aurelius dies. Maximus manages to flee. Made a slave in the Roman province of Zucchabar in North Africa, Maximus becomes a gladiator who wants to take revenge for the injustice he has suffered (including the murder of his family), and in the end he organizes a revolt of the gladiators. Maximus himself dies in a fight with Commodus in the arena.

The Colosseum is the main field of action of the film, where nearly 150 orgies and gladiatorial games are held under Commodus's rule. Commodus "fascinates," according to English historian Edward Gibbon (*The Fall of the Roman Empire*, 1764), as a perverse tyrant who committed the most unbelievable atrocities and wallowed in sensuality, living with 300 beautiful women and boys. When an attempt at seduction failed, he became violent.

The audience becomes a part of the "virtual reality" of the gladiatorial games in the film. It experiences one orgy of blood after the other, as if it were sitting on the seats of the Colosseum. There is no longer any difference between human beings and animals; human life is destroyed, to enjoy the act of destruction. The message of the film: Human beings become beasts in the gladiators' games, and the cheering, bloodthirsty crowd, the *vox populi*, the "voice of the people," applauds.

Change of scene from the Roman province in Africa to

Rome, the center of imperial power. Gigantic and monumental, the masses of human beings are almost suffocating, the edifice of the Colosseum surpasses all other monumental buildings in Rome. Here we experience Hollywood's fascination with "pure" fascist aesthetics—gigantomania, pomp, monumental edifices of heathen Rome, which served Hitler and Mussolini as models.

Commodus orchestrates gladiatorial games in the arena every second day, under the eyes of 50,000 onlookers: "The people love victory. . . . The greatness of Rome is an idea, a thing of the imagination. I will give the people an image of Rome and it will love me for it. I will give the people the greatest image of their lives," he says.

"Rome is the masses. He [the Emperor] takes away their freedom and they will applaud. He serves them death, and the people will love him for it," one Senator comments.

"Bread and circuses" are a central feature of the system by means of which the oligarchy stays in power, and Proximo, the "manager" of the gladiators, summarizes for Maximus the philosophy of the *vox populi*: "I was the best, because the crowd loved me. If you win the crowd, you win freedom. . . . Either you kill, or you will be killed."

Maximus, the gladiator, is depicted as a hero with whom the audience can identify. Identify with what? With a pagan Rome in which the oligarchs, following the Stoic-ascetic philosophy of Marcus Aurelius, introduce "bread and circuses," to divert the attention of the suffering population from the oppressive taxation, economic stagnation, and cultural collapse, and to keep them in permanent submissiveness?

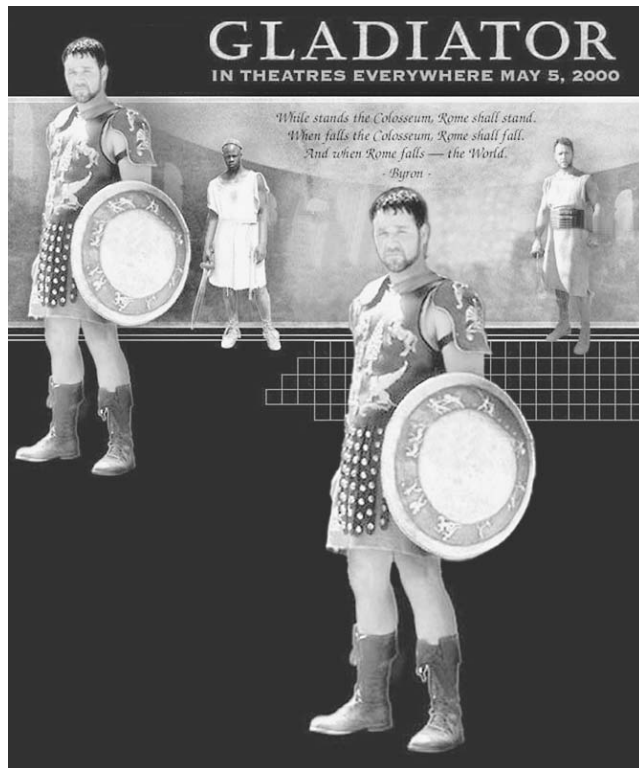
During Marcus Aurelius' reign—in the 19 years he was in power, 17 were years of war—a great deal of money was spent on the circuses, and the persecution of the Christians was intensified.

Marcus Aurelius' philosophy is expressed in his self-conception: The life of the Stoic is fatalistic, the rhythm of the world is a monotone and meaningless: "Whatever happens to you, it was predetermined to happen for eternity." Ephemeral life is shaped by pessimism and hopelessness. "Yesterday some slime, today a mummy or a river, the senses clouded, the whole of life a theft of rot," he writes.

The film conveys the morbid fascination with a Rome which collapses as a consequence of imperial expansion, economic and demographic collapse, and cultural self-destruction. Rome was a military state which was oligarchic at its core, not founded on the accomplishments of a real republic—technological progress, and intellectual revolutionary discoveries; it was founded on the booty of war, the human and material tribute of conquered peoples, the income of mines and quarries, and the taxes of an increasingly enslaved population.

## The Role of Christianity

One essential aspect is not addressed in the film: the persecution of Christians. Under Marcus Aurelius, but especially under Commodus and Diocletian, the persecution became



increasingly cruel. Christians were either thrown into the arena to be devoured by wild animals, or they were burned like living torches. Apparently the director of the film wanted to hide the pagan dimension of the oligarchic world he admires so much.

Christianity—as St. Augustine (354-430) wrote about it in his *The City of God*—represented a crucial development for human civilization. For the first time, building on the heritage of the Greek Classics and the writings of the Apostles, an image of Man was shaped which is based on the universal principle, that every person is made in the image of the Creator, to increase the power of human beings over the universe and promote the well-being of all people.

For the first time, a God confronted the Pantheon of the licentious gods, as St. Augustine writes, a God which is the sole ruler of Creation, whose Creation is subordinated to one law, which is above all laws created by human beings. For the first time, with Christianity, the idea of a higher divine justice, the idea of the dignity of all people, was given higher rank than positive law and religious cults.

Where the human being was merely an instrument and object for the Roman Empire, in Christianity, the human being became the conscious subject of history, who intervenes into history to give it the direction toward the good, instead of fatalistically submitting to fate.

In spite of the propaganda campaigns, the hope remains that healthy human reason will assert itself among a majority of people, in the face of imminent shocks, against the "virtual reality" of Hollywood.

# International Intelligence

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## **Colombian Military Rescues FARC Hostages**

Fifty Colombian Army soldiers invaded a mountain encampment of the Revolutionary Armed Forces of Colombia (FARC) and freed five kidnap victims, whom the FARC had held in the “demilitarized zone” that the government of President Andrés Pastrana had ceded to the narco-terrorists.

According to an Aug. 15 report in *El Tiempo*, the five, including 73-year-old journalist Guillermo Cortés, had been held for up to nine months. Cortés was unstinting in his praise for the rescuers, who had travelled by mule to bring the captives down the mountains to a town where military helicopters could pick them up. “This was a brilliant operation by the Army. I do believe in the Colombian Army,” he said.

The officer in charge of the rescue, Gen. Francisco Rene Pedraza, told the press that, until a few weeks ago, the hostages had been held in “FARClandia,” the so-called DMZ, which is off-limits to government forces, giving the lie to the FARC’s pretenses that they were not using the DMZ as a concentration camp for kidnap victims. Indeed, the FARC had denied kidnapping Cortés, despite intercepted phone calls in which FARC leaders discussed his ransom. Thus far, the government has chosen to accept the new lies from FARC leaders Manuel Marulanda and Raúl Reyes that they will “investigate” charges that kidnap victims are being held in the DMZ.

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## **Putin To Cut Nuclear, Not Conventional Forces**

President Vladimir Putin agreed to unilateral cuts in the Russian strategic nuclear arsenal, in favor of building up conventional forces, at the Aug. 11 meeting of the Russian Security Council. His decision marks a watershed in a two-year struggle between Defense Minister Igor Sergeev, a former head of the Strategic Rocket Force, and the politically ambitious Chief of the General Staff, Gen. Anatoli Kvashnin.

The *Washington Post* on Aug. 13 reported that the nuclear cuts will eventually

reduce the strategic missile arsenal to 1,500, largely through attrition of missiles that reach the end of their service life. The savings will be put toward the modernization of Russia’s conventional forces. Russia has a total defense budget of \$4.5 billion, two-thirds of which was being spent on the nuclear force.

*EIR*’s weekly European newsletter *Strategic Alert* on July 24, reported on the struggle, which broke into the open on July 12-13, when Russian news services quoted Sergeev denouncing Kvashnin’s plan for downgrading the strategic missile forces, as “psychotic,” and accusing Kvashnin of acting “like a NATO employee.” Kvashnin is regarded as a likely candidate to succeed Sergeev, and apparently has considerable support from Putin, with strategic issues determining Russia’s future as a world military power, at stake. The split, which observers say can end only in the departure of one or the other, comes amid uncertainty around U.S. intentions to deploy strategic anti-missile defenses, and possible Russian responses, which would involve major new investments.

At the center is economic policy: Although Putin supports the military industry and advanced research capabilities, the emphasis has been on boosting export earnings, rather than pushing armed forces modernization to fuel an internal economic revival, requiring a general mobilization of the civilian economy.

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## **OAS’s Gaviria Threatens Peru with ‘Democracy’**

Organization of American States General Secretary César Gaviria threatened to intervene as a “mediator” if the Peruvian government of Alberto Fujimori does not make concessions to the opposition headed by Alejandro Toledo. Peruvians voted heavily to return Fujimori to a third term on May 28, rejecting Toledo, and drawing the ire of the international “democracy” mafia. Gaviria, former President of Colombia, was in Peru in early August, along with former Dominican Republic Foreign Minister Eduardo La Torre, who will head the OAS’s “permanent” mission to Peru to pressure Fujimori

to get on with “democratization.”

At a Lima press conference on Aug. 9, Gaviria threatened, that should the government be found “intransigent,” the OAS would drop its role as “facilitator, and would have to mediate, make statements, and inform member countries.” Gaviria said that he agreed with the opposition that the government should have already moved toward adopting measures sought by the opposition, and he complained that the opposition’s interests had not been taken into account when Congressional committees were formed. The two held separate meetings with Fujimori; with Alejandro Toledo, and his immediate circle; and with a broader group of opposition leaders. The government presented a “chronogram” for dialogue on proposed institutional changes over the next three years; the opposition had its own, much shorter timeframe.

In between “facilitating” democracy, Gaviria absolved the organizers of a protest march on Inauguration Day, July 28, of the violence that left 6 dead, 420 injured, and extensive property damage in downtown Lima. In his press conference, Gaviria said that the OAS “presumes that the organizers of the march are innocent and free of any act of violence.”

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## **Drought, Floods Starving Millions in Africa**

Tens of thousands of people in Swaziland face starvation as the country’s food stocks have run out, after this year’s harvest was destroyed by flooding in February. An estimated 14,000 rural villagers have run out of food and thousands more are at risk unless the country receives at least 23,000 tons of maize to offset deficits caused by floods earlier in the year, the Swaziland Ministry of Agriculture and Cooperatives said on Aug. 10. African Eye News Service reported that Swaziland’s national maize production was 71,000 metric tons—a 37% drop from the previous year’s output.

In neighboring Mozambique, 40,000 people in the central province of Sofala, where farmers have lost almost all of the second planting season, face starvation, a government spokesman said on Aug. 12.



**FOUR BASQUE** terrorists from ETA were “honored” at a rally of 10,000 people in Bilbao on Aug. 13, a week after the car in which they were transporting explosives blew up, killing all four. Spanish press rained down criticism on the regional government run by the “moderate” Basque National Party (PNV), which had permitted the rally to occur.

**MEXICAN** President-elect Vicente Fox has been exposed for using at least 30 children, at \$7 a day, to work his ranch in Guanajuato, according to the Aug. 13 daily *Reforma*. The Constitution prohibits children younger than 14 from working, and those from 14-16 can only work six hours a day. The children on Fox’s ranch worked eight-hour days, as seasonal labor with no benefits. Fox, who spent the Aug. 12-13 weekend on the ranch, could not be reached for comment.

**THE NATO KFOR** mission in Kosovo shut down a Serbian-owned mining and smelting complex near Mitrovica on Aug. 14, under the pretext that it was environmentally unsafe. The shutdown takes place, pending the facility’s reconstruction under NATO-UN control—an ambitious undertaking, considering the dearth of reconstruction efforts anywhere in the Balkans.

**THE COLOMBIAN** narco-terrorist National Liberation Army (ELN) seized 25 biodiversity researchers on Aug. 14, part of their actions against U.S. President Clinton’s planned visit on Aug. 30. The researchers were interrogated and released. Other ELN actions have included destroying energy towers, burning city buses, and blocking highways.

**RUSSIA’S** Foreign Ministry called the U.S.-British Aug. 12-13 bombings of Iraq a “violation of international law” on Aug. 15. The strikes against the southern city of Samawa killed several civilians, destroyed residential areas, and depots of food imported under the UN oil-for-food arrangements.

Chemba’s district administrator Francisco Natal said peasants had planted in the expectation of good rains. To alleviate the food shortage threat, the authorities have advised the farmers against selling their last harvest to Malawi, and also to plant drought-resistant crops, such as sweet potatoes and cassava, but that “the hippopotamus also attacked these crops.”

In Kenya, more than 3 million face starvation from drought, because, say aid agencies, the international community has turned a deaf ear to urgent appeals for food. The UN World Food Program and the Kenyan government had requested \$88 million to cover July through December. But, according to the aid agency Oxfam, only a third of the requirements have been met: “There is a serious shortfall for August. There is neither the food nor money for us to meet the huge needs we face in the worst affected areas. We can’t wait until this crisis becomes a catastrophe; we have to act now,” a spokesman said.

It was only after the February floods had killed thousands in Mozambique, that similar callousness from “international donors” became sufficiently embarrassing for aid to be forthcoming.

## ***Sri Lanka’s Bandaranaike Quits as Prime Minister***

Sri Lanka’s elder statesman, Prime Minister Sirimavo Bandaranaike, resigned from her largely ceremonial post on Aug. 10, presumably because of her age and poor health. However, there is some suspicion that her departure was orchestrated by her daughter, President Chandrika Kumaratunga, who seems to be propitiating the powerful ethnic Sinhala chauvinists, who oppose reforms benefitting the Tamils, which would undermine the separatist Liberation Tigers of Tamil Eelam terrorists.

Kumaratunga picked Minister for Public Administration and Plantation Industries Ratnasiri Wickramanayake, as her new Prime Minister. Wickramanayake is close to the Sinhala chauvinists, and made his first statement by addressing the Parliament in Sinhalese.

On Aug. 11, one of Sri Lanka’s most

powerful Buddhist leaders, Venerable Rambukwelle Sri Vipassi, urged all groups to forge a united front and prevent any government attempt to re-introduce a “most injurious” Constitutional reform bill in Parliament. The reforms, which include granting Tamils citizenship, would devolve power to the regions, one of which could be administered by the Tamils. The fierce opposition to the reforms of Sri Vipassi, who heads one of the four principal Buddhist sects, was a key factor in Colombo’s decision to shelve an Aug. 15 Parliamentary vote on the issue.

## ***Concorde Investigators Scrutinize Metal Strip***

The civil commission investigating the reasons behind the July 25 crash of an Air France Concorde jet, has been working to discover where a 40 centimeter metal strip, found 1,600 meters from where the jet took off shortly before it crashed, came from. The commission, working under the Transport Ministry and deploying 40 police officials, has ordered a list of all planes and servicing vehicles that had been on the runway in the four hours before the crash, according to reports in the Paris press on Aug. 10. It is known that the metal strip did not come from the Concorde itself.

According to BBC reports on Aug. 15, the Civil Aviation Authority in Britain has now ordered the grounding of the British Airways Concorde fleet, until the safety of the tires, which have exploded on takeoff in the past, and are under suspicion in the Air France crash, can be determined.

The British magazine *New Scientist* includes an article on a 1998 report on the Concorde engines by BMT Reliability Consultants of Fareham, commissioned by British Airways. France’s *Le Figaro* reported on Aug. 10 that the study defines the risk levels from negligible to catastrophic, and, of the 152 types of risks, they identify 55 as serious. “We must remain prudent,” stated an expert assigned by the French Justice Ministry to the crash investigation. “While well documented, the report does not change anything. . . . We are not working at this point on the engine problems.”

## LaRouche: Support Election of 'Good FDR Democrats'

*In an international teleconference on Aug. 17, broadcast live on his campaign website, Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr. engaged in a broad-ranging dialogue with 22 journalists. We publish here the text of his opening remarks, followed by a selection from the questions and answers.*

**LaRouche:** I'll make a series of observations as to what the situation is.

Now, obviously, apparently today, we will have an acceptance speech, from Vice-President Al Gore, accepting the nomination for Democratic nominee for President. This is a catastrophe; it's a national catastrophe. Not only are both of the leading candidates at this time, totally unqualified for the office of President, in spite of, and because of their advisers. Their platform is horrible. But worst of all, we are coming into a period of unusual crisis globally, as well as nationally, which such unsuitable candidates—the fact that the American voter has no apparent alternative to these guaranteed failures—is a catastrophe for the United States, and a potential source of catastrophes for the world.

Now, my approach to the situation, given the reality in terms of the election, is to organize my position in the campaign, as a rallying point for bringing into power, in the Congress, as many good Democrats as possible. What I mean by a good Democrat, essentially, is a Franklin Delano Roosevelt Democrat: that is, a person who is committed, and qualified to be committed, to the defense and promotion of the general welfare of all citizens and their posterity, and who supports a relation with other nations, which is based on that same principle of mutual benefit. I would hope that by getting as many Democrats, and good Republicans, as we can find them, into the Congress, that we will have a majority in the Congress, which is ready to respond to a crisis, to prevent an out-of-control President from ruining the world, and for doing some good things as well.

Now, what's the nature of the crisis?

Most people alive today have no personal experience with

the kind of crisis which the nation and world are experiencing currently. Despite all the hullabaloo in the United States, the United States, along with other nations, is on the verge of the worst financial crisis, globally, in several centuries—which will certainly hit the United States soon. Because of the nature of things, you cannot predict exactly when or how this collapse will occur, except that we're in the condition in which we know that the crisis will hit in some form very soon.

This is a very dangerous period. Already, the world is becoming much more dangerous globally, as the United States, and the British monarchy—the United Kingdom, Canada, Australia, New Zealand—as a five-nation combination of Anglo-American power, who are trying to dominate the world, are expressing their domination in the attempt to impose a globalized—that is, like a new Roman Empire—a globalized system of financial oligarchical dictatorship on the world as a whole. This financial oligarchy, this dictatorship, is about to blow up, in the greatest financial and monetary crisis in at least three centuries. So, under such conditions, the reigning powers in the world, centered in the Anglo-American powers, the financial centers of these nations, is in a desperate mood. And we find around the world, the desperation which reflects that mood.

For example, the United States recently has clobbered Japan, and western continental Europe, in ways which have estranged our allies in the Orient, the Far East, and in Europe, from the United States. We have similar situations in other parts of the world. The United States is presently estranging itself from the world, from nations with which it had formerly close relations, as a desperate effort to try to keep this global financial system in place—which won't work. So, therefore, we have a strategic situation which is beyond anything in recent decades of experience, of people alive today.

The world is extremely dangerous. And, as a result of these conditions, things are going to change rapidly. While at present, it would appear that George W. Bush is a guaranteed victor over an Al Gore, from whom Democrats are deserting in droves; but nonetheless, things can change suddenly, so



*Lyndon H. LaRouche, Jr. in Washington, D.C.*

there is no possible way of predicting exactly what's going to happen. We're going to have two significant third-party candidates, Pat Buchanan and Nader, running, which will make things complicated, especially under the present conditions.

The problem today in the United States is, politically, that the policies of the two leading candidacies are addressed to the top 20% of family income brackets in the United States; that is, people who benefit, or believe they benefit, from the present financial system, and its financial speculation. Whereas the policies of both leading candidates are directed *against* the 80% of family income brackets, the lower income brackets. This means that there is a conflict between both Bush and Gore, and organized labor, and the so-called ethnic minorities, African-American, Hispanic, and so forth. And also with senior citizens, and the poor generally. So 80% of the American people are *in deadly conflict* with the policies, the presently expressed policies, of the two leading candidates.

So, we have not only a global situation, which is extremely unstable, but we also have an extremely, increasingly unstable domestic political situation—among two candidates who are not much liked, one of whom has a lot of support, and the other of whom has lesser, dwindling support. So, this is a highly unstable period. No firm predictions can be made.

I call your attention to a statement made by President Clinton in the conclusion of his address to the Democratic convention in Los Angeles, in which he described a situation from his youth, when he saw a world, which he thought was stable, which suddenly became unstable. And he described

that situation in general terms, to the conference, to the convention. I think that's a very appropriate remark. None of us knows exactly what might bust loose, at any time during the next 11 weeks. No one does. I don't know—I probably know better than most.

But it's a highly unstable world, a highly unstable U.S. political situation, and we're going to have to play it by ear.

Therefore, my policies are well known. I've documented them, I don't have to repeat them here. They're in writing all over the world. I say on the domestic side, I am staying with the people who've associated themselves with me, in the Democratic party, who are committed to represent the lower 80% of the family income brackets in the United States, their right for justice, and to represent that point of view as an elaboration, and continuation, of the Franklin Roosevelt tradition inside the Democratic party. And to hope that we can elect, on the state level as well as the Congressional level, as many officials who represent that point of view, as possible.

We're looking for Democrats, but if a Republican is going to represent that point of view, we will be very happy to welcome him into the fold. Thank you.

**Doug Thompson, *Arkansas Democrat Gazette*:** . . . When it was announced that there would be no [LaRouche] delegates from Arkansas to the Democrats, Mr. LaRouche essentially promised a floor fight. How did that go?

**LaRouche:** Well, the point is, what we did, since it was obvious that the thug tactics were going to prevent any discussion on the floor; what I did immediately, is, I said, I've got a responsibility, a moral one, and therefore, I asked some peo-

ple to hold an Ad Hoc Platform Committee Hearing, in which former Sen. Eugene McCarthy participated as a coordinating figure, along with others. I think that that Ad Hoc Platform session performed its function very well, brilliantly, in fact, and provided a benchmark for which the American Democratic Party voters, particularly among the have-nots; those who are senior citizens, who are among leading have-nots; those who are in the so-called ethnic minorities, who are among the have-nots; or labor in general, which is, in general, among the have-nots; that these people who assembled as

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*The United States is presently estranging itself from the world, from nations with which it had formerly close relations, as a desperate effort to try to keep this global financial system in place—which won't work. So, therefore, we have a strategic situation which is beyond anything in recent decades of experience, of people alive today.*

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leading state-level Democrats, for that Platform session, and the people who came to that, created a reference point.

Now, what's happened now, is that the Democratic Convention in Los Angeles has been the catastrophe for the Democratic Party which Al Gore and Company made it. So, my thinking is, okay, I'll stick to the Democratic Party. I'm loyal to the people of the Democratic Party who are loyal to what it was, and I'm not running away from it. And that's where I stand.

Al Gore will go, as he's gone before; lost every big election that wasn't from Tennessee, for state office from Tennessee. He's proven himself, once again, unelectable. The Democratic Party should walk away from this convention, and the defeat that he's going to bring upon it, saying, "Okay, Al is a failure. We're not going to make that mistake again." Well, I'm going to be there. And a lot of good Democrats who stand with me, and others, we're going to put the party back together again.

**José Neme Salum, *Excelsior*, Mexico:** After the Mexican elections, which resulted in the victory of an ultra-liberal government, and given that a similar government may head up the United States, what alternatives, Mr. LaRouche, do you think we Mexicans have, to be able to face the risk posed by there not being either a hard, nor a soft landing of the U.S. economy, but rather a "Concorde effect," that is, an explosion

in mid-flight? And, at the same time, how can we salvage our sovereignty, in order to retake the road toward national development?

**LaRouche:** Well, first of all, what either George Bush, or Al Gore would represent, according to their present policies and program, in the United States, would be an attempt to install a variety of fascist government. The kind of globalization program that Al Gore represents, as typified by his attacks on the Prime Minister of Malaysia, Mahathir bin Mohamad, shows that this man is of the category which Michael Ledeen called, in his book, *Universal Fascism*—in point of fact, Al Gore is a universal fascist. In point of fact, the crowd around George Bush is of the same temperament, and equally brutal, perhaps more so.

So that from the standpoint of these two candidates, Mexico hasn't got much of a chance, or any other country.

However, there are other considerations. As I've said, this situation is not going to continue. *There is no inherent stability or inherent simple linear trend in any events in any part of the world today*, in point of fact. If you want to look at what Mexico's future is internationally, look to Asia. What is now in progress in Asia, before the Okinawa summit, and more so afterward, is a distancing of Japan and other countries of Asia from what is called the Washington Consensus: that is, Japan and other parts of Asia are no longer going to accept the kind of policy dictates which came out of Washington as of October 1998. In the meantime, very soon—we don't know what day or what week—this international financial system will collapse. It will be the biggest financial collapse in the history of European civilization in three centuries. *That is inevitable.*

The question is going to be, how do we put the world back together after such a financial collapse? In Asia, right now, the efforts around the Asian Monetary Fund, and cooperation among the ASEAN nations, plus Korea, China, and Japan, is to build a defense against the collapse of the present international monetary system, the so-called IMF system. I believe they could be successful, in part. I think that what is going to happen then, is there will be a contest between those who agree with the ASEAN-plus-3 group on establishing a new monetary system, some people in western continental Europe, who are thinking in the same directions, and others, including nations in Central and South America. I think the mood will be, with the discrediting of the Anglo-American system, monetary/financial system, that people in desperation will suddenly abandon their submission to the London-Washington dictate, and will suddenly demand that London and Washington—Washington, in particular—come to a more reasonable arrangement in establishing a new monetary system.

In Washington itself, a financial collapse—remember, a financial collapse in the United States means the potential of 30% or more unemployment *very soon*—under those conditions, which are worse than those of the 1929-33 period, the

American people, particularly with 80% of them as victims of this system already, are going to be in a stage of political revolt. Now, under those conditions, the danger is, that a regime such as that of an Al Gore or George Bush, will tend to try to impose a fascist dictatorship to repress the revolt by the 80% of the U.S. population. Most of the world, on the other hand, will be going in a different direction.

I think that under those conditions, if we do a good job in the remaining 11 weeks of this election campaign in the United States, that we can create the situation in which the United States' prevailing opinion will be moving in a different direction than the kind of fascist threat which we're getting from the Anglo-American financial oligarchy group, that is, from the Blair-Gore-Bush group. I think that that can be successfully resisted. I'm optimistic. I know that this can happen. I know that Hitler happened in Germany when it shouldn't have happened in 1933. Such things do happen. But our policy must be to fight against the possibility of such things, and to prepare to cooperate with other nations to resist that.

I think there can be a very sudden and dramatic reversal of trends based on the kind of phenomenon which Franklin Roosevelt represented in the early 1930s. I'm hopeful. I can't guarantee anything. Nobody can guarantee anything. But I'm hopeful we can do that. And I think that the only thing that makes sense is to commit ourselves to that perspective, and be willing to fight for it. . . .

**Arelya Mitchell, *Mid-South Tribune*, Memphis, Tennessee:** Not so very long ago, you had something about Mexico should look toward Asia as far as a financial model? Can you expound on that, and also, with Africa, with all the events that are happening on the continent of Africa, what type of policy should the United States have toward Africa, and emerging African nations, I should say?

**LaRouche:** My view is that the United States, as the principal of the old Bretton Woods system, and the actual founder and initiator of the International Monetary Fund in its original form, should morally and politically and strategically, assume its responsibilities for acknowledging the bankruptcy of the present International Monetary Fund system. Under those conditions, the United States should support a conciliation with other parts of the world, to create, on an emergency basis, a new monetary order, a new financial order, modelled on the successful features of the postwar system, the first 20 years of the IMF. And in order to provide a new system of stability, in which the United States will be a supporting and contributing partner.

Now, at this point, you have two focal points in the world, in reality, in which there's a struggle in that direction. The leading movement in that direction, which involves the greatest part of the human population, is the ASEAN-plus-3 group. . . .

Therefore, what is coming out of Asia, in terms of the discussion around the Asian Monetary Fund, as expressed

recently by the agreement between North and South Korea, as a part of that process — if you combine that with the discussion which is going on in France and some other circles in Europe, you say, well, the United States should be talking to our continental European partners, as to the members of the ASEAN-plus-3 group; we should be, or the President of the United States, Bill Clinton, perhaps right now, should be meeting with these people to say, "Okay, we are prepared to consider *scrapping* the presently bankrupt international monetary system, and to take emergency action to set up a new one." In that case, the ideas which are circulating now in the ASEAN-plus-3 group, from Korea, from Japan, and so forth, and from Mahathir of Malaysia, for example — these ideas are the ideas which are in the interests of the United States.

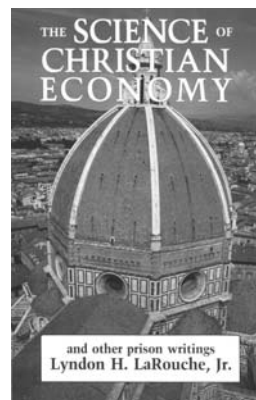
Now, as far as Africa is concerned: Africa is a disaster-area. Africa has had no freedom to develop during the entire period since 1971, so therefore, we are going to have to, other nations are going to have to agree on providing arrangements for Africa, largely in infrastructure development, which will let Africa begin the process of its own development. In the meantime, we have to recognize that this disease crisis in Africa, is a threat to Africa and to all of us, and we must take such measures as are necessary to fight these problems in Africa as a way of defending our own interests. . . .

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# Buchanan Campaign May Fuel Voter Revolt

by Jeffrey Steinberg

On Aug. 12, just hours before he delivered his acceptance speech as the Reform Party's Presidential nominee, Patrick J. Buchanan held a press conference at which he was asked to comment on Lyndon LaRouche's call for convening a New Bretton Woods conference to reorganize the bankrupt global financial and monetary system. Buchanan replied to a crowded room of reporters, "I agree with Mr. LaRouche that the dollar has some problems and the European currencies are going into the bucket, and we clearly need some form of monetary reform."

The Buchanan comments offered a brief moment of gravitas near the end of a five-day political brawl that saw fringe elements of the Reform Party splinter off into what even the Buchanan-bashers at the *Washington Post* had to concede was a "rump convention."

The splinter group, representing, at most, 20% of the 400 official delegates, and an additional 1,000 party supporters who showed up in Long Beach, California, chose Natural



*Reform Party Presidential candidate Pat Buchanan.*

Law Party transcendental-meditation kook John Hagelin as their alternative nominee, at a location across the street from the Long Beach convention center.

Lenora Fulani—a New York City-based, self-described Marxist lesbian psycho-therapist, and an avowed enemy of LaRouche—tried to hijack control of the Reform Party by initially backing the Buchanan candidacy, but suffered a further blow to her political status, when she failed to win the Vice Presidential slot on the Hagelin ticket. She lost to a Silicon Valley dot.com millionaire by a nearly two-to-one margin in the delegate vote.

The main impact the splinter group may have on the November elections is as a sabotage factor, blocking Buchanan's efforts to rapidly secure the \$12.6 million in Federal Election Commission money given the Reform Party candidate by reason of the party's success in the 1992 and 1996 elections, when Ross Perot won more than 5% of the popular vote. If the Hagelin gang files a Federal suit, that could delay release of the funds to the Buchanan campaign. Combined with the Establishment media "brownout" of Buchanan's efforts, this could have a crippling effect, which is something that *both* Republican Party nominee George W. Bush and Democratic Party nominee Al Gore would like to see.

## Third Party Breakout

While Buchanan has been given scant media coverage, Ralph Nader, the Green Party Presidential nominee, is basking in media attention, which has the Bush forces smiling from ear to ear. If Nader takes 9-12% of the vote in California, the Bush campaign believes, their candidate can beat Gore in that crucial state and all but guarantee a rout in the Electoral College.

Underlying the support for Buchanan and Nader—which could reach critical mass in November, perhaps even throwing the election into the Electoral College—is voter fury at the two major political parties, which have "morphed" into one single policy bloc, representing the interests of the wealthiest 20% of the population, at the expense of the overwhelming majority of Americans. In the last two Presidential elections, the Democratic and Republican parties combined were unable to draw 50% of the eligible voters to the polls.

While Nader is enjoying media attention and, reportedly, covert financial backing from some of Bush's wealthy friends, the same Establishment media fear the implications of Buchanan's breaking out of the bounds of containment. Unlike Nader, who is about as dynamic as a dishrag, Buchanan has the capacity to draw enthusiastic support—particularly if he gets into the Presidential debates. This could hit both Bush and Gore, as part of Buchanan's "appeal" is to the blue-collar "Reagan Democrats," who are legitimately angry at the impact that the North American Free Trade Agreement and other free-trade and globalization policies have had on their standard of living.

Buchanan could become a lightning rod for the growing anti-globalization, anti-free-trade majority of working fami-

lies—but, ominously, there is a danger that this could also turn into a nasty anti-immigration and neo-isolationist movement.

## The Speech

This complex of factors was evident on Aug. 12, when Buchanan first made his remarks about LaRouche's New Bretton Woods call, and then delivered his acceptance address. The speech captured the complex and contradictory appeal of candidate Buchanan:

"I began my campaign, 18 months ago, in a tiny steel town in West Virginia called Weirton," he told the crowd. "Even though the U.S. economy was booming and U.S. companies were crying out for steel, Weirton Steel was laying off workers, and Weirton was dying. Why? Because cheap steel was being dumped into the United States from Russia, Korea, Brazil, and Indonesia so those bankrupt regimes could raise the cash to pay off the international banks. The workers of Weirton and their families were being . . . sacrificed to the gods of the global economy."

Appealing to the anti-globalization mood of many working-class voters, Buchanan railed, "We will reclaim every lost ounce of American sovereignty. We will lead this country out of the WTO [World Trade Organization], out of the IMF [International Monetary Fund], and I will personally tell [UN Secretary General] Kofi Annan: Your UN lease has run out; you will be moving out of the United States, and if you are

not gone by year's end, I will send 10,000 Marines to help you pack your bags."

On China: "As for Communist China, we will no longer accept one-sided trade deals, where we buy 40% of their exports and they buy 1% of ours. And I will tell them: Fellas, either you stop this persecution of Christians, and these threats to our friends in Taiwan, and rattling missiles at the United States, or you fellows have sold your last pair of chopsticks in any mall in the United States."

While playing to the sentiments of the China-bashers, on the one hand, Buchanan was direct and to the point in his opposition to the war against Yugoslavia and Iraq, and similar "drive-by shootings of cruise missiles" elsewhere around the globe: "Saddam Hussein is another wicked tyrant," he said, "who has launched aggressive war and murdered his own people. But who has killed more innocent Iraqis? Saddam Hussein, or U.S. sanctions? When Madeleine Albright was told on a television show that a UN study had found that 500,000 Iraqi children may have died because of our ten years of sanctions, Albright said: 'We believe it was worth it.' Worth it? When did the greatest nation on Earth start waging war on children? . . . Talk about arrogance of power! George III could not have said it better. Friends, I am ashamed to say it, but we have begun to behave like the haughty British Empire our fathers rose up against and threw out of this country."

## Video-Game Violence Turns Children Into Killers

A 14-year-old boy who had never shot a gun before, shot eight classmates with eight bullets. Police were stunned. How could he do it?

The boy was *trained*, by his addiction to video-game violence. From "Pokémon" to "Doom," America's children are being turned into monsters, who kill "for the fun of it."

Schiller Institute founder Helga Zepp-LaRouche, in this 1 hour and 40 minute video, **The Mark of the Beast**, exposes the evil which is hitting everybody's hometown—and to which most parents remain oblivious. She traces the decline of American culture since World War II, and links the insane strategic and economic policies of the financier oligarchy and its war-planners, to the mass brainwashing of youth by video and TV violence.

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# Verizon Strike: Taking On the 'New Economy'

by Marianna Wertz

The strike by 87,000 Verizon Communications workers, which began on Aug. 6, is, in its basics, a challenge to the industries in the so-called "New Economy" to give their workforce the same fundamental rights which were won with so much blood, sweat, and tears by the union movement in the "old," manufacturing-based economy. The strikers, including 72,000 members of the Communications Workers of America (CWA) and 15,000 members of the International Brotherhood of Electrical Workers (IBEW), walked out after their contract with Verizon expired at midnight on Aug. 5, vowing that no Verizon worker will go back to work until all union contracts are settled with the company.

The strike faces two very difficult problems, however, in taking on industry-leader Verizon, formed this year in a merger of Bell Atlantic and GTE corporations, covering telephone service from Maine through Virginia. The first is, that Verizon, like most firms in the "New Economy," is desperately trying to compete in a globalized, dog-eat-dog world, where throwing out worker rights is the basis for continued existence. None of the new wireless companies is unionized, and Verizon wants to keep its wireless division non-union as well. If Verizon concedes to the strikers' demands, it faces competitors who could swallow it up.

The other problem facing the strikers is that the "New Economy" itself—the speculative bubble-, Internet-based firms and their hangers-on—is threatened with meltdown in the coming weeks. That meltdown will leave firms such as Verizon with no market for wireless communications, cell phones, cable modems, and other such services, as money flows instead into hard commodities like gold and real estate.

Nevertheless, the strike is important in this interim period, in which the expanding speculative bubble is forcing even such well-established companies as the former Bell Atlantic and GTE Corp. to break the old rules and squeeze their workers dry.

## 'Orwellian'

As Maria Bury, president of CWA Local 2101 in Maryland, told this news service on Aug. 17, the three crucial issues that are still unresolved are forced overtime, stress on the job, and job security. A CWA advertisement airing on radio stations along the East Coast during the third week of August, calls the working conditions at Verizon "a brutally stressful environment," where "sometimes, supervisors even follow

us into the bathroom." The stress, while worst at Verizon's calling centers, is systemwide, said Bury.

The environment is further pressurized, according to the CWA, by "an Orwellian combination" of "computer monitoring—every second, every call, every keystroke is charted" and micro-managed by supervisors who listen in on the calls.

Instead of addressing these conditions, Verizon so far has taken a backward step in the talks by demanding further restrictions on the ability of customer service employees to move into other jobs.

Bury stressed that the workers need public support in order to win the strike, and that in fact, the strike "has nothing to do with monetary value; it's not about us getting raises. It's about fighting for our jobs and keeping jobs in our communities."

## Who Will Benefit?

One key question raised by the strike, as Bury noted, is whether the thousands of new jobs created in the "New Economy" are benefitting the communities and families they serve. A new report by the Washington, D.C.-based Jobs with Justice, a union-supported think-tank, indicates that most of these jobs are in fact only enriching the top management.

Workers at Bell Atlantic's wireless subsidiary earn only about 75% of the wages, with far inferior health and pension benefits, of their non-wireless counterparts, who get union payscale at Verizon. The firm offers no employment security and no voice on the job. On average, union workers earn \$672 a week, versus \$516 a week for non-union workers at Verizon.

Verizon executives, on the other hand, like so many of the nation's corporate leaders, are personally cashing in on the bubble. Bell Atlantic CEO Ivan Seidenberg took home \$3.3 million in salary and bonuses in 1999, plus stock options worth \$25 million. He also received a special \$3.8 million merger bonus, and another \$11.4 million for remaining at Verizon after the merger.

This is not because Verizon Wireless is hurting for funds in the bubble economy. Verizon Wireless is the largest wireless company in the United States, with more than 25 million subscribers, projected revenues of \$15.6 billion, and a stock-market value of more than \$70 billion. Despite this, says Jobs with Justice, Verizon Wireless "has chosen a low-road strategy, hawking its services in our communities without reinvesting those revenues in good, secure jobs."

That, in fact, is the story with virtually every "New Economy" enterprise: The quick buck for the top 20%, and increasing stress and misery for the bottom 80%. If the Verizon workers can strike a blow against this pattern, it will have been worth the effort.

As we went to print, talks were continuing between the CWA/IBEW and Verizon. While progress was reported, there was no resolution as yet of the key issues of job stress, forced overtime, and the right of employees to change jobs within the company.



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# National News

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## Rickets Cases Rise Among Black Children

Rickets, a vitamin deficiency disease associated with the 19th Century, is on the rise in America, according to the August issue of the *Journal of Pediatrics*. During the last six years, 30 cases of rickets were reported, almost half of them in 1998-99. All of the children affected were African-American.

The disease is caused by a lack of vitamin D, often due to lack of exposure to sunlight, which stimulates the body to produce the vitamin. Rickets is associated with a loss of calcium in, and a weakening of the bones, which in turn, causes bowed legs, a proneness to broken bones, and in extreme cases, to seizures.

Rickets was widespread in 19th-Century England, among child laborers who worked in sweatshops from dawn to dusk, and had little sun exposure.

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## McKinney Scores Failure of U.S. Africa Policy

Rep. Cynthia McKinney (D-Ga.), in an interview published in *The East African* newspaper of Nairobi, Kenya on Aug. 10, was sharply critical of U.S. policy toward Africa. "It is unfortunate that U.S. policy in Africa has been such an abysmal failure," she said. "It is true that Bill Clinton is the most friendly U.S. President to Africa in several generations, but how can someone so friendly end up with such an outrageous, atrocious, horrible policy that assists perpetrators of crimes against humanity, inflicting damages on innocent African peoples? The whole world knows that Uganda and Rwanda are allies of the U.S., and that they have been given a *carte blanche* for whatever reason to wreak havoc in the Congo."

There is no way to achieve peace until Uganda and Rwanda withdraw their troops from the Democratic Republic of the Congo, she said. She also noted the vast diamond wealth of the area, suggesting that this might be a factor in the ongoing warfare. Uganda and Rwanda "claim to have problems with

insecurity. If they amassed their troops on their borders, then these people won't cross the border and enhance insecurity within Rwanda and Uganda. [But] we also understood that those troops were not at their borders, and their forward deployment was not Kisangani but Boma, on the opposite side of the country, which puts a lie to their claim that their intrusion in the Congo was due to border insecurity. Because there are so many diamonds in Kisangani, I am left with the question: Is that the reason they are fighting each other? . . .

"On the issue on diamonds, there are wealthy people living in the United States who have a close friendship with people who make U.S. policy. So, when you start talking about diamonds, you are hitting a nerve center. . . .

"The violation of the territorial integrity of Congo pits Rwanda and Uganda against the founding principle of the Organization of African Unity. . . .

"The U.S. invests all its hopes and aspirations for good and positive things in personalities. What U.S. policy ought to be doing is building institutions; not individuals. And certainly not individual leaders."

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## Rabbi Lerner Rips Lieberman Nomination

Rabbi Michael Lerner, editor of *Tikkun* magazine, who has been described as a guiding influence on First Lady Hillary Clinton, criticized the selection of Joseph Lieberman as Al Gore's running mate, in a column entitled "Bad for the Jews, Bad for the Country," *Beliefnet* reported on Aug. 7.

Lerner says that the choice of Lieberman "is likely to accelerate the process in which the two parties seem to be merging into one pro-business, pro-wealthy, elitist, and morally tone-deaf governing force." He notes that Lieberman had earlier joined with Clinton and Gore in the Democratic Leadership Council (DLC) "to transform the Democratic Party from its previous New Deal roots as the champion of working people, minorities, and the poor, to a party that would cater to the needs of Wall Street and the upper middle class." And, he adds, "they've done a great job."

Lerner further argues that the selection

of Lieberman will give greater prominence to the tendency in the Jewish community "to subordinate values and spiritual goals to self-interest and material success." He notes that American Jews have always been among the most liberal voters in America, which reflects a strong commitment to social justice and caring for the poor. But in recent years, a strong conservative tendency has emerged among American Jews, more concerned with "making it," and insisting that the interests of the Jewish people lie in identifying with America's elites of wealth and power. "The sad truth," Lerner says, "is that Lieberman represents the tendency within the Jewish world to abandon the moral and spiritual vision that led generations of Jews to be the moral conscience of our society."

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## HMOs Force Physicians To Flee California

State and county medical associations report that there has been an exodus of physicians from California, mainly due to low reimbursements from health maintenance organizations (HMOs) and the high cost of living there. California dropped four places in the ratio of doctors to population since 1990, when it ranked eighth. Now, it ranks 12th in the nation, with 244 physicians per 100,000 residents.

The executive director of the Santa Clara County Medical Association said that people are under the wrong impression that the insurance premiums they pay go to support their physicians. "Often, 8 to 12¢ [for each dollar] goes to the doctor; that's gross, before expenses."

The California Medical Association found that pediatricians are being paid about \$24 per month per child, while the average costs—including mandatory immunizations—are about \$47 per month per child. The Bureau of Labor Statistics reports that a lone practitioner has to pay about \$17,000 a month for office rent, utilities, and staff, out of his gross income. If HMOs pay only \$24 per child, a pediatrician would need 708 HMO-enrolled patients who require *no* medical care, in order to use his monthly capitation fees (fixed fees paid by the HMO) to cover monthly expenses.

# *The Storm Over Asia Intensifies*

At the end of his Democratic Convention speech on Aug. 15, President Clinton delivered an implicit *warning*, that crossing the boundary between times of apparent stability and times of drastic instability, can be very sudden, turbulent, and unexpected by most.

Thus the climate of violent storms crossing a world divided: between the inflated and “booming” bubble-economy of the United States, and the collapsing currencies and economies of most of Asia, Russia, most of Europe and South America—not to speak of the genocide of disease and war ravaging Africa. Though perhaps none of this was on the tip of the President’s tongue, nonetheless it is the truth which gives a tragic substance to whatever warning he wished to leave.

Lyndon LaRouche, in his extraordinary 1999 video program, “Storm Over Asia,” pictured the gathering thunderclouds of potential war—and even nuclear war—over that broad region of the world. They were, LaRouche showed, the consequence of two opposed dynamic forces. The intense global financial crisis is driving the dominant “British-American-Commonwealth” financial oligarchy to destroy nations and seize strategic assets. At the same time, the nations of East Asia are making the first, urgent, and overdue moves toward formation of a new Asian Monetary Fund, to escape the diktat of the collapsing empire of the IMF. This impertinence has made those nations targets of destabilization and war.

LaRouche’s warning was prophetic with regard to these crucial, opposed dynamics of events, events of which President Clinton was aware when he made his remarks.

Do the Americans among you, as citizens still living (as of this moment) in the American economic bubble, wish not to be bothered about storm clouds of destabilization and war in Asian nations of hundreds of millions of people?—they are, after all, described as mere “emerging markets” in most of your U.S. media. Like the downtown Chicago folk who weren’t concerned whether Mrs. O’Leary’s cow was growing restless on the outskirts of town, you will very quickly have to

choose *your* course of reaction, to the ongoing collapse of the IMF’s post-Bretton Woods system.

With this issue of *EIR*, we begin full-scale updating of this battle which lies underneath the extraordinary increase of terrorist actions, for example, being reported in the world’s news. Kathy Wolfe’s continuing exclusive articles and interviews on the emerging Asian Monetary Fund policy from Japan and Korea, are joined by Gail Billington’s on the attempt to destabilize one of the architects of that policy, Malaysia’s Dr. Mahathir; and by Muriel Mirak-Weissbach’s report on the Central Asian Republics of the former Soviet Union, part of the South Asian region where the world’s most dangerous terrorist outbreaks are now occurring every day.

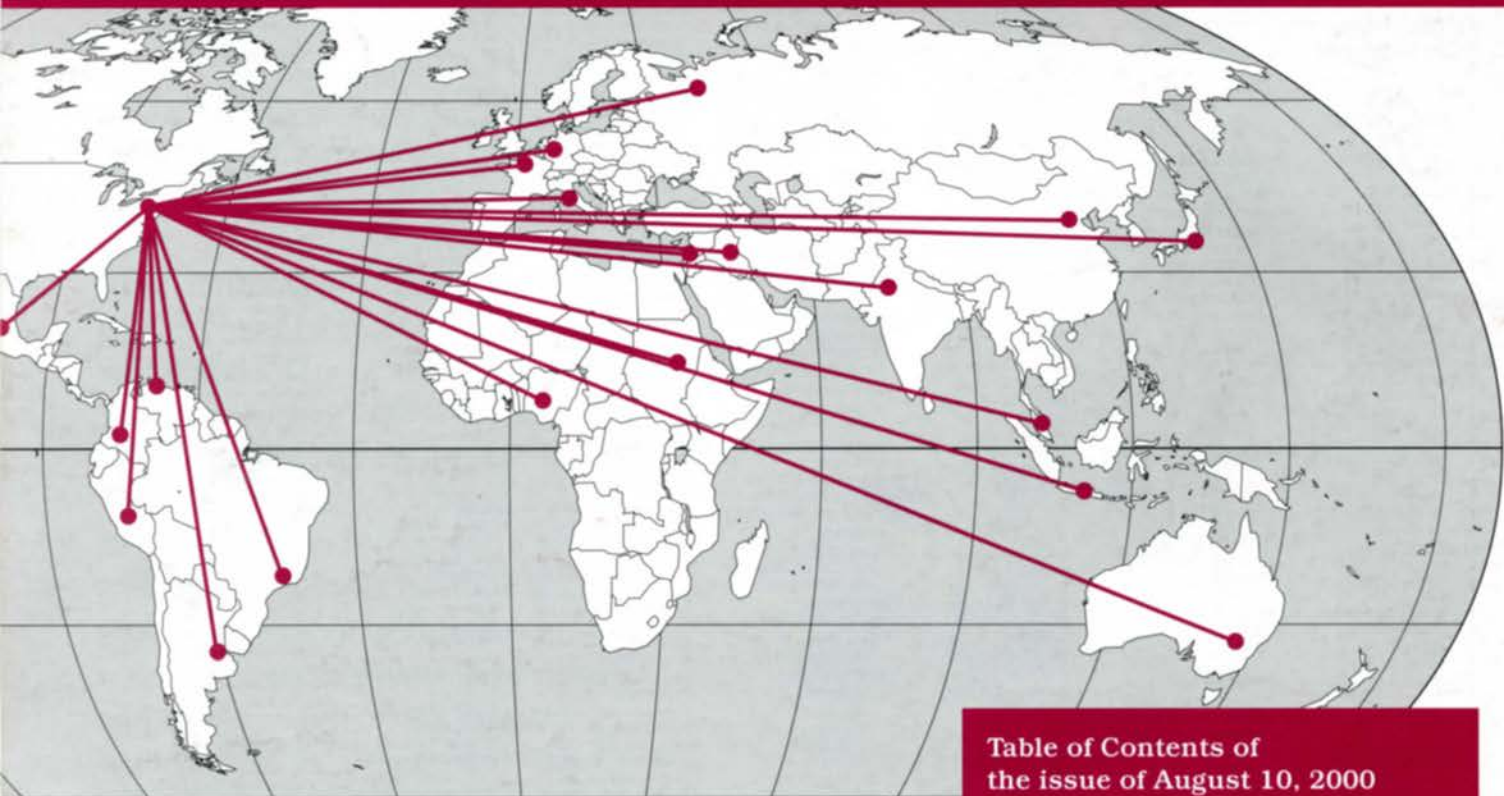
Next week we will show you why in the world it was that mega-speculator George Soros, at the much-ballyhooed World Forum on Democracy conference in late June, called for a crusading alliance of the world’s major powers to bring democracy to—the Fergana Valley. This call issued by Soros, and backed up by British and American representatives led by Secretary of State Madeleine Albright, sent shocks of alarm through the governments of the Central Asian republics and the warning flags went up in Moscow. Now, two months later, irregular war-fighting and terrorist bombings are daily ravaging India, Pakistan, and the Central Asian republics, where they are threatening to draw the Russian Army into major military engagements, or even set off a new, potentially nuclear, India-Pakistan war.

These storms will not subside, but will intensify and spread, until the presently collapsing IMF system is put into bankruptcy and replaced with a New Bretton Woods system. In the United States, we now know that we have two unqualified leading Presidential candidates, both committed to playing with the very destabilizations President Clinton appeared to be warning against. But anyone who sees the shocks ahead, knows that the real outcome of the election is still completely unpredictable. A successful outcome depends on what can be accomplished by the forces around LaRouche and the readers of this publication.



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