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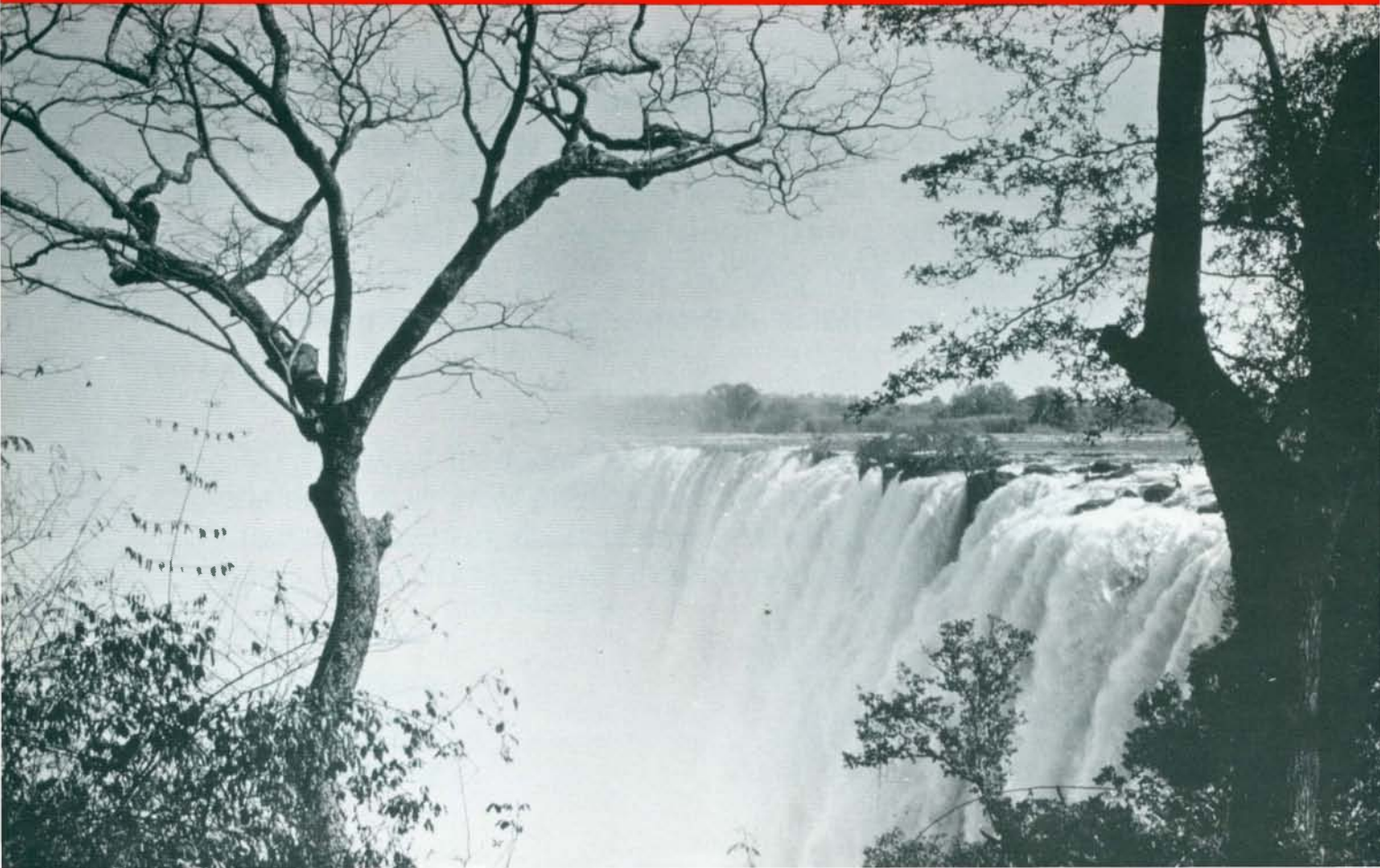
Executive Intelligence Review

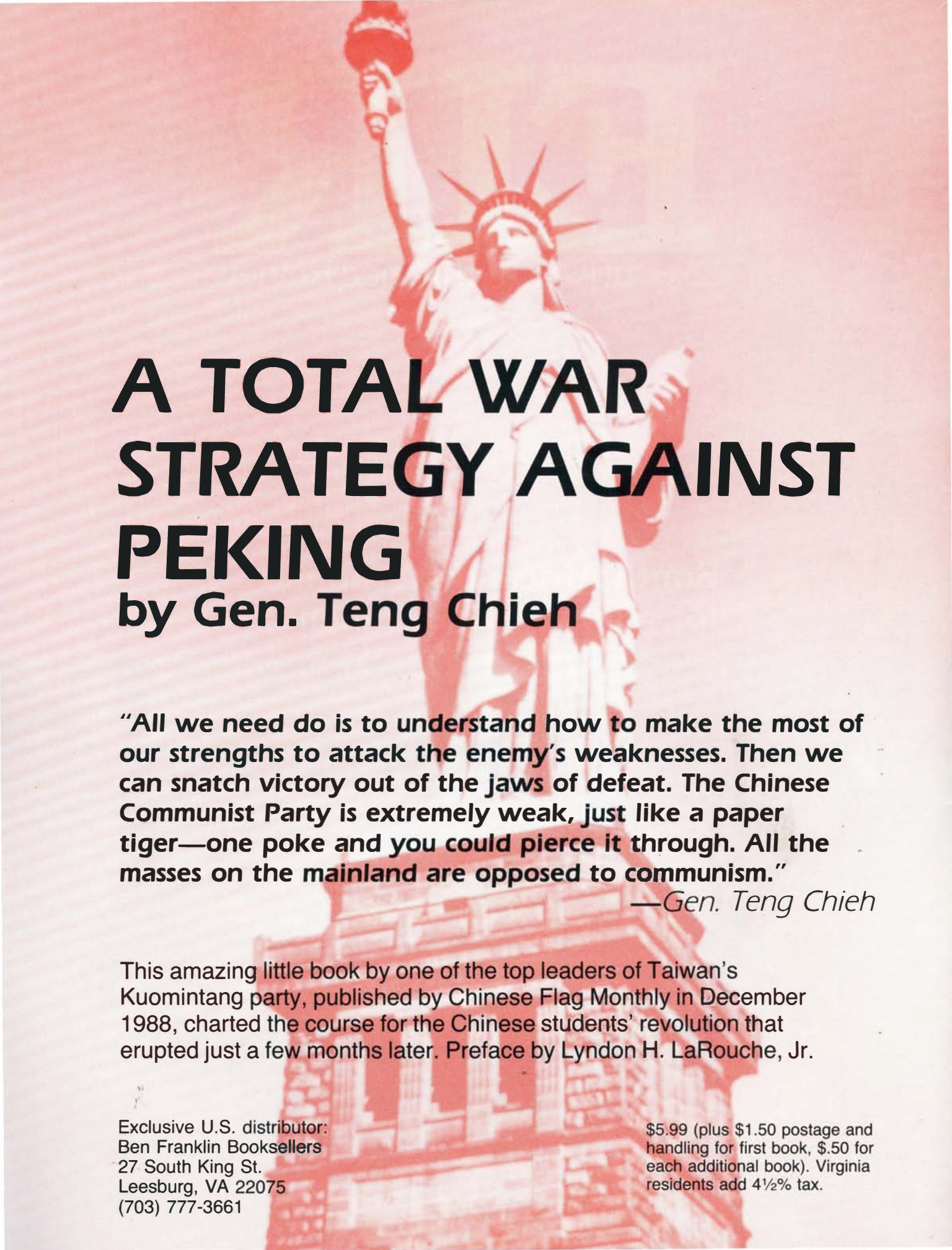
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U.S. civil rights figure inspires East Germans
Nicaragua to elude U.S.-Soviet sellout deal?
New York emergency rooms—a needless nightmare

**South Africa: powerhouse
for regional development**





A TOTAL WAR STRATEGY AGAINST PEKING

by Gen. Teng Chieh

"All we need do is to understand how to make the most of our strengths to attack the enemy's weaknesses. Then we can snatch victory out of the jaws of defeat. The Chinese Communist Party is extremely weak, just like a paper tiger—one poke and you could pierce it through. All the masses on the mainland are opposed to communism."

—Gen. Teng Chieh

This amazing little book by one of the top leaders of Taiwan's Kuomintang party, published by Chinese Flag Monthly in December 1988, charted the course for the Chinese students' revolution that erupted just a few months later. Preface by Lyndon H. LaRouche, Jr.

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We focus attention this week on the condition and potentials of the world economy, particularly in the many countries and regions where the United States *ought* to behave itself as a friend and ally, starting with southern Africa, in our *Feature*, and touching elsewhere upon Nepal, Pakistan, Argentina, Mexico, Nicaragua, Australia, Panama, Czechoslovakia, and Yugoslavia.

Some of these are countries among the least developed, or most torn by recent wars. Others, like Australia, are considered “industrialized” but are saddled with a crippling debt. Still others, in Eastern Europe and now Nicaragua, are struggling to throw off the yoke of communism, without bending to the yoke of “free enterprise” looting and the hideous conditionalities imposed by the International Monetary Fund and World Bank. The new Czech government has given a particularly clear indication of its intentions in this regard (p. 7).

How is the Bush administration responding to the crisis, manifested in the irrealty of Wall Street (p. 4), the nearing of a new oil shock (p. 17), and the bankruptcy of the U.S. social security system (p. 64)? One side of its response has been sheer police-state measures, what *EIR* founder Lyndon LaRouche termed “administrative fascism,” much like what Czech President Vaclav Havel called “the post-totalitarian society” of bureaucratic oppression in his country, after the Soviet tanks arrived in 1968. The Supreme Court has just upheld the doctrine behind Bush’s Brezhnev-like invasion of Panama (p. 60), while the U.S. has dropped all pretenses of trying to make its drug-tainted puppet government there curb money laundering (p. 56).

Toward our strong allies, the Federal Republic of Germany and Japan, the two nations with the most potential to cooperate in a global economic recovery that could also reverse the U.S. slide into oblivion, the real U.S. policy is trade war. Note the striking similarity between what our Bonn correspondent (p. 15) and a Washington reporter (p. 66) reveal about Bush’s treatment of Kohl and Kaifu, respectively. On p. 6, see the French diagnosis of the U.S. decline and Europe’s future.

In the Soviet Union, major shifts have occurred in the Baltic states and in Moscow center since Feb. 23. Next week, we will highlight these events and Lyndon LaRouche’s analysis of the strategic situation.

Nora Hamerman

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'Resilient' U.S. market: heading toward the mudslide

by Steve Parsons

To the casual observer, the last week of February and beginning of March provided new "proof" of the remarkable resiliency of the U.S. economy. Despite a plethora of bad news, including another huge plunge in the Tokyo Nikkei, the U.S. stock market chugged on, registering advances each day from Feb. 26-March 2, while even the battered junk bond market remained relatively stable.

Of course, none of the historical illiterates in Washington or on Wall Street cares to notice that the calendar is fast approaching the anniversary of the abrupt termination of the reign of a certain omnipotent Roman emperor. The current emperor in Washington undoubtedly believes that he, too, can make it through the Ides of March, perhaps after bashing the premier of Japan at Palm Springs and getting a new round of tribute.

But the confluence of events, amid an ever-accelerating decline in the U.S. economy, are fast reaching the point where official power becomes the imprecations of King Canute shouting against the tides.

Some devastating statistics have been released around March 1, that underscore the continuing headlong collapse of the American economy. The worst was a Commerce Department report that January registered a 10.5% drop in durable goods orders, the single largest fall since record-keeping began in 1958. Leading the plunge were transport and military equipment, which declined 27.6% and 36.0%.

True to form, most economists shrugged this off with comments about "special factors," like the ending of Boeing's surge in orders after its strike. Typical was the sheer idiocy, as exemplified by Allen Sinai, First Boston's chief economist, who pontificated, "The bright spot is that manufacturing is now a relatively small part of the economy, so this doesn't spell recession for the economy as a whole." Yet

even this sage added, "But we can't go on excusing reports like this with special factors."

Most indicative of the convulsing economic base was the report that machine tool orders had dived 14% in January, compared to January 1989, and down 4.2% from December 1989, largely as a result of the sharp drop in the auto industry. Machine tool production once marked the United States as the world's pre-eminent industrial power; now, its anemia marks the "success" of the U.S.'s post-industrial policies.

As for the auto industry, sales of cars and light trucks dropped 12.1% during mid-February, compared to year-earlier levels, despite large rebates and incentives. And on Feb. 26, General Motors laid off 4,200 more workers and shut down parts of three more plants.

The magic of the market

Yet none of this was reflected in the upside-down stock market, which rose every day, with the Dow Jones closing the week on March 2 nearly 100 points higher. The last day's rise even dismissed the horrifying news of a 7.1% drop in home sales, and a report that the leading economic indicators were flat in January, much weaker than expected. But most remarkable is that the rise defied nearly the worst plunge ever in Tokyo's Nikkei stock average. On Feb. 26, while the Nikkei endured an almost 1,700-point slaughter, the Dow actually went up.

While the Wall Street mavens marveled over the magic of the market, at work behind the scenes was the same consortium of Federal Reserve and Treasury officials, along with Wall Street's elite, who have manipulated the market results at every critical juncture since at least the Oct. 13, 1989 mini-crash. This team has been in full operation since the Drexel Burnham bankruptcy filing on Feb. 13, ensuring that the

market registered no breach with the Establishment's line that the financial system could "discount" Drexel as a mere aberration due to its junk bond excesses.

One particularly well-informed Wall Street insider recounted the "innocent" explanation, retailed by the London *Economist* among others, of why the market hasn't blown out despite catastrophes like Drexel and the Nikkei drop. The reasoning is that in recent downturns, many investors have been burned by selling short on the initial downturn, only to lose badly when the market swerved up. Now, investors are waiting and holding their "shorts."

However, something much more sinister was at work on Feb. 26, he insisted. Even under the best of conditions, with calm investors, there was simply no way for the U.S. stock market to open higher on that day, simply because many would have shorted just as a hedge, and "the market should have gone down 15-20 points. And that's assuming people weren't nervous."

But with the 1,700-point drop on the Nikkei being played big all over the media, "people in New York were messing their pants. The market should have dropped *at least* 60-70 points at the opening bell. Maybe it would have come up if there was no big movement out of stocks. But instead everything opens higher, and keeps going up. This is totally abnormal after such a cataclysmic event for the market to go straight up.

"Somebody wasn't letting it go down."

This insider confided that at least two long-time members of the Chicago Mercantile Exchange—one of whom is a Merc official—are acting as front men for the Federal Reserve. Under instructions from the Fed, they buy stock futures, getting funds through a cut-out like a Swiss bank or some other institution, with the Fed guaranteeing their exposure. On Feb. 26, they put the word out at the Merc that "nobody sells the S&Ps [the composite of stock futures] at the opening bell, nobody." The pits were empty, except for those who were *buying*. "And the futures shot up like a rocket, even though everyone was losing his bowels."

While this manipulation may be successful in the short term, our confidante noted that these market "successes" are drawing in the "weaker money," that is, those who are suckered into the market by its continual rises, while the "smart money" is fleeing because of the volatility and uncertainty. The weaker money does not have the reserves behind it to reverse a fall; they're just going to take the hit and get creamed. Therefore, "it's making things more unstable in the future, such that when you get a crack in the market with this kind of money in it, *it will be absolute.*"

A suckers' rally amid insanity

New York Post columnist John Crudele concurs. In a column entitled "Setting the Stage for a 'Suckers' Rally," Crudele points out that "once stock prices started to rally, smaller investors were sucked in. And stock prices rise even

more. When this happens, there is really nothing substantial behind the rally and it can fizzle out at any moment. Professional traders know this, so they remain very agile—ready to abandon the market at the slightest sign of trouble. "And there could be lots of trouble ahead," what with the sputtering economy and interest rates trending upward. "This makes a strong case for those who believe the stock market is staging a suckers' rally."

Jailed political economist Lyndon LaRouche specified two other significant aspects to the perverse rise in the market. First, he said, "We have some very definite indications of some market manipulation going on, but not quite enough to account for the whole picture. We have to look at the factor of *insanity*, especially insanity in Washington.

"We have conclusive proof that the Bush administration circles, at least the majority of them, are collectively insane. While we must assume that there is also the possibility that a good deal of this is caused partly by manipulation with some intelligible purpose, we also must not overlook pure insanity, which is thriving."

Second, "The Bush administration under Super 301, the Carla Hills atrocity, has engaged in outright financial warfare against Japan, and is preparing to run political and financial warfare against continental Europe, with emphasis on West Germany in particular, and on German unification. We've already had financial warfare being run from London against the German bond market a couple of weeks ago. Now we have financial warfare that is also being run against Japan, despite all disclaimers that it is going on. We have meddling in Japanese markets by relevant people, including Salomon Brothers."

As one top European banker related to *EIR*, "Salomon is the largest foreign firm in the Tokyo market. They have taken the lead in setting up not only computerized stock futures trading modeled on Wall Street-Chicago, but in December, they created a new contract which allowed investors to make money 'betting' that the Tokyo Nikkei Dow would *fall*. Suspiciously, just at the time when the large Japanese trading houses could be known to be less active in the market because of the close of the Japanese fiscal year on March 31, a rash of press articles in the *Wall Street Journal* and other relevant papers came out highlighting how vulnerable Tokyo was. The Salomon 'put' contract became very popular with investors. I expect they will continue, despite pleas by the Tokyo Stock Exchange, to use their position to force Tokyo further down."

"In any case," says LaRouche, "we're looking at a situation in which the markets, particularly the U.S. markets, are overripe for the great financial mudslide of 1990 . . . as I projected last January into the early part of February. We're looking straight between the middle of March, the 10th of March and the 10th of April, plus or minus five days each way. The possibilities are 95% that it will occur during this period."

France proposing united Europe, large-scale infrastructure projects

by P. Coulomb

A series of important policy statements from French officials, following President François Mitterrand's trip to the Indian subcontinent, have confirmed that France has worked out an ambitious policy which links the unification of Europe with a bold vision of development for the developing sector. There is nothing accidental, leading French officials told *EIR*, in France's renewed activism in the direction of the developing sector; it is part of an overall strategy which aims to renew Gaullist France's historic role as a friend and ally of the "Third World." Though no area of the developing sector is excluded from this, the priority areas defined by French leaders include the Maghreb, the Mediterranean Basin more generally, and Africa—in short the natural southern "periphery" of Europe.

Confirming this view in an interview with the weekly *Nouvel Observateur*, the chairman of the Foreign Affairs Committee of the French National Assembly and former presidential spokesman, Michel Vauzelle, noted that the unification of Germany and of Europe must be accompanied by measures to create "poles of development in the Maghreb" and, more broadly, in the South. France, he said, had a particular role to play in this along with Spain and Italy, Europe's major Mediterranean nations.

Interestingly, this orientation was also endorsed by the Christian Democratic president of the European Commission, Jacques Delors, in a speech to the French Bishops' Conference, where he, too, linked the unification of Europe to the need to widen the scope of development efforts to the Mediterranean Basin and the Third World. Both indicate a growing consensus, born out of efforts by the French presidency to work out a global strategy in the face of the unprecedented events sweeping Europe.

As the pace of change in Europe's postwar political landscape quickened, François Mitterrand's executive adviser Jacques Attali published a programmatic study of the possible directions of world development, *Lignes d'Horizon* (Fayard, 1990), written during the Eastern European revolutions but reflecting a long-matured thought. In the study Attali proposes that the integration of Eastern Europe into the western part of Europe, to be successful, must be accompanied by large-scale infrastructure and industrial development programs—in energy, transport, telecommunications, and environmental cleanup. It is for this purpose that Attali suggested

the creation of the European Bank for Reconstruction and Development, which since then has been officially agreed upon by the European Community. (Attali is slated to be named its first president.) If this succeeds, he writes, Europe will become the "heart of the world," the most prosperous, technically developed, and advanced area of the planet and hence its greatest pole of attraction. In addition, it will become the center for the expansion of freedom and democracy throughout the planet.

Attali, however, sees this in conjunction with the need for a similar effort to be undertaken for the nations of the developing sector. Without this, says Attali, war, which is increasingly unlikely between East and West and between the competitive areas of the North, will become increasingly likely between North and South. The peoples of the developing sector will not sit back and watch without getting their just rewards. Hence for Attali the Oder-Neisse line, the river system dividing present-day Poland from East Germany, "should in some sense be seen also as a North-South line."

Globally speaking, Attali proposes that hyper-industrial civilization is needed and coming; not *post*-industrial but *hyper*-industrial, i.e., a world of industry and high technology which takes environmental concerns into account but as part of the need for growth. Hindering this is financial speculation: capital required for development, for the stabilization of the democratic governments of Eastern Europe, for curtailing poverty in the North, for renewing infrastructure (notably in the United States) is being soaked up in speculative excesses of all kinds. This speculative growth is "now culminating in the most of extreme instability."

Though it is the most elaborate view presented by any Western government leader of the needs of our times, it expresses the consensus of French elite circles as indicated above. President Mitterrand himself has long been a supporter of the cause of Third World development, but so was his chief rival in the last presidential election, Jacques Chirac. In fact, France's elites are renewing the vision of President Charles de Gaulle, who in 1964 proposed that development of the Third World was the great task facing mankind, only to be echoed a few years later by Pope Paul VI in *Populorum Progressio*. Europe's reemergence as the moving force in modern history must lead, in their view, to European unity and hence to solidarity with the developing sector.

Czechoslovakia says no to IMF economics

by Our Special Correspondent

“If a market economy were to start immediately, economic agony would result,” stated Czechoslovak Deputy Prime Minister Valtr Komarek, who is in charge of overall economic policy in Prague. Addressing an international business conference there on Feb. 15, Komarek warned that at least one-third of the country’s production would be destroyed and there would be economic chaos if such a “market economy” were introduced. Komarek’s words reflect a bold decision to reject *both* the Karl Marx *and* the Adam Smith schools of economic mismanagement; “freeing the market is important, but is not an end in itself, it must serve the broader goal of increasing national prosperity,” he said. The mere “unleashing of market forces,” which would mean the privatization of state enterprises—essentially the whole economy—freeing of prices, and the end of subsidies, would wreak havoc on an economy which must be rebuilt.

This is why the minister strongly declined “basing economic policy on textbook Friedmanite economic doctrine,” contrary to his Polish colleagues, whose implementation of the International Monetary Fund’s Friedmanite recipe is unleashing unheard-of unemployment levels (up to 4 million) and galloping inflation. “We shall not be trying for an economic earthquake and seeing if we survive,” Komarek added, “we should continue in a civilized manner. Development should take the form of a well prepared process which we can influence.” His strong words can be likened to a motto authored by Tomas Masaryk, President of the First Republic between the wars: “transformation is not change, it is self-perfection.”

The new leadership in Prague is thinking in terms of building infrastructure—railways, roads, energy, telecommunications—and has no time for Western visitors who propose to erect casinos, hotels, resorts, and labor-intensive sweat-shops that would use the low level of local wages and the Czechoslovak currency to pile up huge repatriable profits which would not help the productivity and well-being of the nation. Such projects would require the country to incur large initial indebtedness, and enslave itself to Western banks. The “social cost” would be immense, since, as Foreign Trade Minister Andrej Barcak said, “nobody is going to say to people: ‘first you have to work harder and then you will get poorer,’ ” which is what the Poles and Hungarians hear from Western business and government circles.

No IMF shock therapy

More details were given by Prime Minister Marian Calfa on the same day in a talk to the new trade-union organization. Calfa emphasized that the Czechoslovak government would follow a “gradualist” road, rather than the “shock-therapy” favored by Finance Minister Vaclav Klaus. Klaus’s budget would allegedly shift a 5 billion crowns deficit to a 5 billion surplus by liquidating subsidies. Many uselessly subsidized bureaucratic entities would be unlamented, most tied to the Communist Party bureaucracy, but many useful ones would fall victim as well. The Civic Forum had complained to President Havel that Klaus’s reforms would lead to large-scale factory closures. In the policy fight that ensued, and delayed announcement of the reforms, the “gradualists” won out.

Calfa did announce that reforms will take place; but they will be gradual. Czechoslovakia will *not* raise its foreign debt, it will have a balanced budget, it will abolish state monopolies, and subsidies will gradually disappear; companies will have to fend for themselves. New laws will enable the establishment of joint-stock companies and private firms. But Calfa warned against “get-rich-quick” companies and profiteering. Free of communist rule, Czechoslovakia is not about to bow to free market fetishes which have devastated the Third World. “We have the living example of the abominations inflicted by the IMF upon Poland and Hungary in front of our eyes as a warning,” a senior government official said, “and the desert they’ve made out of the Third World. Thank you, it’s not for us.”

Similarly, Havel did not go to the United States to ask for money, or loans, or credits. He told the U.S. Congress, “to put it metaphorically, the millions you give to the East today will soon return to you in the form of billions in savings,” indicating that cooperation amongst equals is the issue, not foreign aid to a “poor relative.”

But the U.S. government, which has gambled its all on Gorbachov’s survival, is doing little to help. The Jackson-Vanik Amendment, which canceled most-favored nation status for Comecon members, will be lifted, the Export-Import Bank will back U.S. company operations, and, a poisonous gift—Washington will “help” Czechoslovakia re-join the IMF and the World Bank. When U.S. Secretary of State James Baker met President Havel in February in Prague, “the meeting did not end very cordially.” When Havel quoted Abraham Lincoln in his speech to Congress, he knew he was not pleasing Bush.

The motto of the Prague government’s economic and general policy is: “Return to Europe.” The national tradition, which built a highly successful economy before World War II, included social protection for workers, high wages, and emphasis on high technology—as demonstrated by the genius industrialist Bata, the pioneering shoemaker, whose solutions to the depression of the early 1920s makes him a great figure in industrial capitalism—precisely the school of Friedrich List rejected by Smith and Marx alike.

Bush colluding with World Bank genocide?

by Kathleen Klenetsky

Is President Bush colluding with the World Bank to circumvent legal restrictions, adopted under the Reagan administration, banning U.S. financial assistance to the United Nations Fund for Population Activities (UNFPA), one of the world's premier population control institutions and a financier of Communist China's forced-abortion program?

Sources in Washington's zero-growth lobby report that Bush has given his imprimatur to a new World Bank campaign to slash Third World population growth. The Bank's initiative was unveiled by Bank president Barber Conable in a speech to the International Planned Parenthood Federation in Ottawa, Canada last November. Conable announced that the Bank will increase spending for population-control activities, and will allocate an average of \$266 million per year over the next three years to "family planning" programs—a dramatic increase over the \$100 million per year average over the past five years. Conable said that the Bank intends to see to it that birth control is "accepted by at least half of all Third World couples by the year 2000."

According to these sources, President Bush was "very relieved and very thankful" for Conable's announcement, since it meant that the World Bank would be filling the void in population-control funding left by the Reagan administration's decision to deny funding to UNFPA as long as it supported forced abortion.

"Bush was always in the vanguard of efforts to curb population growth, at least until he started running for President," observed an official of a leading neo-malthusian group. "I don't think he's been very happy with the fact that political expediency, by which I mean his fear of a backlash from the right-to-life groups, has forced him to do things like veto the bill that would have reversed the Reagan prohibition on U.S. funds to UNFPA.

"I think it's quite possible," he continued, "that there's an understanding between Bush and Conable, and that Conable decided to up the World Bank budget on population programs to compensate for the loss of direct U.S. funds."

This report is credible because Bush, despite his alleged conversion to the anti-abortion side during his 1980 presidential bid, was a leading advocate for the neo-malthusian lobby and functioned as one of its chief spokesmen during his stint in the U.S. Congress during the late 1960s. Conable and Bush are also close personal and political allies; they served together on the Trilateral Commission, and in 1980, Conable acted

as national finance chairman of Bush's presidential campaign.

Conable the barbarian

In his address to the IPPF, Conable made it clear that his top priority is to reduce the number of human beings in the Third World. "We must come firmly to grips with the population issue," he exhorted his audience. Acknowledging that the malthusian claim that agricultural production can never keep pace with population growth, has been discredited, Conable came up with a new justification—ecology—for the Bank's genocidal rampage. "My sense of urgency," he said, "derives from concern about the serious strains that more billions of people will impose on the Earth's environment."

Since taking over the Bank's presidency, Conable has placed a major emphasis on environmental issues, and has introduced stringent environmental requirements on all project funding. This means that any large-scale, high-tech infrastructure project (nuclear power plants, large dams, and so forth) that would allow for an increase in economic activity and the production of goods necessary to support a growing population, has been blacklisted.

Bush's alleged collusion with Conable also puts him squarely behind the P.R.C.'s hideous methods of population reduction, including the practice of coercive abortions.

These practices are still going on—and the Bush team knows it. During the congressional debate last year over whether to lift the restrictions on U.S. contributions to UNFPA, Sen. Gordon J.

administration has found compelling evidence that the population program of the P.R.C. is still pervaded by coercion and has refused to fund it." Although China has reportedly made "exceptions" in policy to allow a second child for couples whose first was a girl, third children are strictly banned. According to Humphrey, Central Committee Directive #7 of 1983—of "mandatory IUD insertion after one child, mandatory sterilization after two, and mandatory abortion of any child conceived outside the quota system"—continues in force.

Humphrey also read eyewitness testimony cited by international human rights activist Dr. Blake Kerr, on the activities of the P.R.C.'s "mobile teams" of population control agents in annexed Tibet since 1982. Buddhist monks reported that one team set up a tent in Amdo and forced all pregnant woman in the village to have abortions, followed by sterilization. "Women nine months pregnant had their babies taken out." Every woman of childbearing age was sterilized. "We saw the growing pile of fetuses build up outside the tent, which smelled horrible. Since 1987 there has been a tremendous increase in the number and frequency of the teams that move from town to town."

Nevertheless, Conable announced on Feb. 26 that, with the explicit support of the Bush administration, the World Bank had approved a \$40 million loan to China, the first of seven put on hold after the Tiananmen Square massacre.

'Consensus' will not contain the crisis

by Cynthia R. Rush

Policymakers in Washington and Buenos Aires are frantically seeking some alternative option for governing Argentina, that may include replacing President Carlos Menem, but not overturn the monetarist economic policy which his government has imposed. Judging from the number of articles which have appeared in the U.S. press during the week of Feb. 26, there is a sense of terror among establishment circles, however, that they may not be able to prevent Argentina's nationalist forces from influencing economic policy direction, or even controlling it.

The situation in the country is deteriorating daily. In response to soaring inflation which has made basic staples unattainable—February's rate may top 100%—slumdweller in the cities of Rosario, Tucumán, and Mendoza raided food stores on Feb. 28. One week earlier, similar looting raids occurred in Rosario and Córdoba, requiring the sending of troops from the national police and national Gendarmerie to restore order.

In more recent looting incidents, most of the attackers were women and children. Police have also been stationed in front of large supermarkets in Buenos Aires, to guard against robbery attempts by the hungry.

Carlos Menem continues to insist that "we are on the right track. . . . We are conducting surgery, and all surgery causes pain, but we will emerge from the situation." But almost no one agrees that Menem's government can emerge intact from this crisis.

One option under consideration during mid-February was the plan to have Córdoba governor Eduardo Angeloz join the government, along with representatives of various other political parties, to set up an emergency government of "national salvation." Menem formally extended the invitation to Angeloz, a leader of the Radical Civic Union (UCR), who was Menem's opponent in the 1989 presidential elections, and has been a leading supporter of the Peronist govern-

ment's free market economic policies.

According to Angeloz's advisers, the plan, said to have the blessing of the U.S. embassy in Buenos Aires, would have been based on the creation of a "great political accord" among representatives of labor, business and Catholic Church circles "with the backing of the Armed Forces." Among other things, Angeloz maintains close ties to top military leaders, and in the process of discussing his possible entry into the government, met with Army Chief of Staff Gen. Isidro Cáceres. Finally, however, the Córdoba governor declined Menem's invitation, apparently preferring to save himself for future political opportunities.

The situation has advanced to the point where numerous press and political analysts are suggesting that the only option now available is for Menem to resign. The Feb. 22 edition of the daily *La Nación* editorialized that there were only two possible alternatives to consider: either Menem resigns, or joins forces with Angeloz and other opposition parties in some form of coalition "consensus" government.

Other sources have told *EIR* that since the U.S. doesn't see a classic military coup as a workable solution for Argentina, it would prefer to back some form of "constitutional" means for removing Menem, or forcing his resignation, and bringing in someone like Angeloz as his replacement. In this scenario, while the Armed Forces would not rule, they would be a major force backing the government and enforcing policy. Such a government would presumably be based on a continuation and intensification of the Thatcherite economic policies to which Angeloz is committed.

Fear of nationalists

Monetarist circles in the U.S. and Argentina aren't certain that this could be done easily, however. Given the magnitude of the crisis, they fear that both the population and elements of the business and trade union leadership will look to nationalist factions of the Armed Forces and other political groupings for leadership in opposing the International Monetary Fund's usurious policies.

Few have been inspired by Menem's Feb. 27 claim that he is following the same economic policies used by Gen. Augusto Pinochet to put Chile's economy "in order." Financial and policymaking elites know that the Argentines had enough of economist Milton Friedman's monetarist quackery during the 1976-83 military junta and the successor government of Raúl Alfonsín.

These circles are increasingly alarmed by proposals such as those made by businessman Daniel Carbonetto (see below), that Argentina must turn to the policies of American System economists Friedrich List and Alexander Hamilton to pull out of this crisis; and they are aware of the fact that the programmatic proposals of U.S. economist Lyndon H. LaRouche, who is the one leading North America to associate himself with the List-Hamilton tradition, have also circulated widely among Argentina's labor, business, and political

groupings.

Monetarists are especially nervous about the activities of nationalist Col. Mohamed Alf Seineldín, a hero of the 1982 Malvinas War, who is widely respected within the army. He has recently criticized the government's monetarist approach, and its impact on the poor, and has toured several northern provinces, meeting with representatives of labor, business, the Armed Forces and the clergy discussing the need for a "great national project."

In panic, U.S. press outlets have, in a coordinated fashion, begun to retail Henry Kissinger's line that Seineldín represents a coup threat in Argentina. The Feb. 27 issue of the *Wall Street Journal* reported that "business leaders, and even some Peronist union leaders are moving closer to the military, particularly to the extremist group known as the Carapintadas," a reference to Seineldín's faction. While falsely depicting Seineldín as part of the "anti-democratic" faction of the army, the *Journal* expresses alarm over ties between army nationalists and big business and labor.

Similarly, *Buenos Aires Herald* columnist Eric Ehrmann wrote in an editorial page commentary published in the Feb. 2 *Christian Science Monitor* that the real problem in Argentina is that "ultra-nationalist military factions [have] teamed with state industries . . . to oppose many of Mr. Menem's reforms." Ehrmann repeated the worn lie that Argentina's underdevelopment is due to the legacy of Gen. Juan Perón, and the "corporatist economic system imported from the mother countries of Italy and Spain in the 1930s." If Argentina is to resolve its problems, Ehrmann said, Menem must ally with the opposition Radical party, and rid the government of any supporters of nationalist Army officers like Seineldín.

Former President Alfonsín, an asset of the U.S. based "secret government" which operates under the rubric of *Project Democracy*, is also involved in the effort to smear Argentina's nationalists, while attempting to garner support for some form of coalition government. In Washington, D.C. to attend a conference at Johns Hopkins University, Alfonsín stated that only a "national political pact" could save Argentina, and added that the government's primary responsibility is "to defend the citizenry from the attacks of a small band of lunatics who are working against Argentina." The former President later elaborated what he meant by "lunatics," when he warned the conference attendees that Colonel Seineldín represented a "grave danger" to all of Ibero-America.

During his term in office, Alfonsín dedicated himself to dismantling the institution of the Armed Forces, under the guise of "modernizing" it. He was backed in this by agencies such as the Democratic Party's National Democratic Institute for International Affairs (NDI), whose leftist director Martin Edwin Andersen, formerly a *Newsweek* correspondent, shares Henry Kissinger's view that Colonel Seineldín is a "Nazi." As one of Project Democracy's international arms, NDI is committed to eliminating any independent political, religious, or military institution in Ibero-America which

poses potential opposition to the Washington-Moscow condominium arrangements.

Carbonetto on the American System

EIR has translated here excerpts of the interview with Argentine businessman Daniel Carbonetto in the Buenos Aires daily *El Cronista Comercial* of Feb. 18. Carbonetto is a former adviser to Peruvian President Alan García:

What is your opinion about what is happening right now in Argentina? "I think the Argentine economy is in an extremely grave situation, which places at risk the survival of a vast sector—in fact the majority, of the local business world. I also think that, in the name of an old and sectarian liberalism, local private enterprise is being destroyed. It looks as though many economists have forgotten that the first and basic stimulant of that initiative is sustaining an internal market which expands progressively, together with a persistent promotion of exports.

"We will achieve little by reducing further the salary's purchasing power and public expenditures if, as a counterpart to that, we destroy the sales of companies, and explosively increase their fixed and financial costs, and hand our businessmen and workers over to desperation. It is urgent to rebuild the purchasing power of consumers, fully reactivate industry and confront inflation with more work and more productivity per man and unit of capital."

Do you think that the dollar should continue to float freely? "Concretely, I think that Argentina needs a capitalist revolution at the service of the entire nation. Enough of adjustment, of shrinkage and financial speculation. We must increase internal consumption, company sales and production. This will permit profits to find productive opportunities of investment. It is that reinvestment of profits which will stabilize the dollar. Without reactivation, with recession and industrial paralysis, it is impossible to stabilize the dollar. . . ."

You're accused of being a fascist, a leftist, what are you? "I didn't, nor do I believe in distinctions between left and right in underdeveloped countries. I am a dyed-in-the-wool nationalist. That's why I believe that Peronism represented the best effort at national construction in Argentine history. But there is no room now for distorted nationalism. Argentina cannot isolate itself from the world. We need foreign investment in strategic sectors which generate foreign exchange—oil, gas, petrochemicals, etc."

"But we also need an intelligent defense of our own development potentials. We can't permit a holocaust of our industrial assets, of our level of employment, in the name of a chaotic reinsertion of the country in a scarcely receptive world market. What would the United States have been if Washington, Hamilton, List and many others had proceeded in this fashion. Those who look for foreign economic models should seek them in the American Revolution, in the thinking of the economists of that era."

Nepal's economic crisis feeds unrest

by Ramtanu Maitra

One major motivation for the unrest Nepal's King Birendra and the royal coterie face today, is the devastated economy. There is an array of lies in circulation to cover this up, typified by the *New York Times* report of April 11, 1989, "Nepal's Economy Is Gasping As India, a Huge Neighbor, Squeezes It Hard." The *Times* blamed India's move to close 19 of 21 transit points with Nepal, following the expiry of a trade and transit treaty in 1989, for Nepal's economic hardship. But, as was reflected in a recent report by the World Bank, the fact is that looting and corruption at the highest level has pauperized the Nepalis. A pro-democracy movement is gaining grassroots support because of the absolute corruption that has become a part of absolute monarchy.

Nepal, a landlocked nation sandwiched between India and Tibet, has remained for decades one of the most impoverished nations in the world—just a little less poor than Ethiopia. But, while Ethiopia has been torn apart by incessant civil strife, Nepal has remained peaceful for more than two decades. The "partyless democracy," a concoction invented in 1967 to perpetuate the royal family's tyrannical control, has presided throughout this period without a single interruption.

Backwardness and corruption

Nepal is an agricultural nation where more than 90% of the population depends on agriculture for a livelihood. The country is today producing about the same amount of cereal per hectare as it did almost 30 years ago. It is evident that making Nepal's agriculture productive is the only way to lay the foundation for an industrial economy, yet almost nothing has been done to raise productivity.

The much-ballyhooed five-year plans notwithstanding (the plans are a formality, mostly intended to solicit foreign aid), what has happened to the agricultural sector is an abomination. In 1961-62, almost a half-decade before the advent of the Green Revolution in the subcontinent, Nepal's population was 10 million, and per hectare yield of paddy was 1.94 tons, wheat was 1.23 tons, and corn 1.85 tons—comparable to or better than India's productivity at that time. In 1987-88,

Nepal's per hectare yield of paddy showed 1.96 tons, wheat 1.27 tons, and corn 1.38 tons.

Nepal is mountainous, its arable land area strictly limited. As the population has doubled during this period of three decades, Nepal has turned from a food-surplus nation to a food-shortage nation—just the opposite of what has happened elsewhere on the subcontinent. The percentage of people who depend on agriculture has remained practically unchanged for three decades, at 90%-plus. There is a rampant inflation varying from 20% to 40% annually. As a consequence, there is a large section of the population who have no purchasing power, and therefore no access to food other than what they produce and what they are paid in kind for their labor.

Nepal has practically no industry worth mentioning. Since the country depends on export of such traditional items as jute and jute products, cardamom, and carpets—for which export demand has reached a ceiling—Nepal's trade imbalances are getting larger and foreign exchange reserves dangerously smaller. Every basic essential item—such as petroleum products, fertilizers, water pumps, electrical and other machinery and parts, cement, aircraft, telecommunications equipment—has to be imported. But non-essential items such as consumer goods and the like eat up fully 50% of Nepal's import budget! The trade imbalance is now close to four times Nepal's total exports. Foreign aid from donor countries—of which the United States, India and the United Kingdom are the major ones—are now channeled to cover the trade imbalances.

Hydro power goldmine

The failure of the government to develop the basic infrastructural network nationwide is an even more direct indication of the royal house's unwillingness to build the nation. Nepal sits on a hydroelectric gold mine, with the potential to provide 45,000 MW of electrical power at peak supply—and yet, today the country has an installed capacity of merely 166 MW, all of which has come from hydroelectric projects financially aided and physically assisted by India, the World Bank, and other foreign donors. Similarly, while the People's Republic of China, India, and the World Bank have helped Nepal to build 4,000 kilometers of all-weather roads—most of the villages in the country are still isolated from market centers. This isolation, particularly at a time of agitational politics, will work in favor of the king and his coterie.

This abysmal situation is not due to any lack of planning by the government. Nepal has already exhausted seven five-year plans; all of them failed to meet the physical targets, but ate up much more money than they had budgeted. The principal utility of the five-year plans, it is clear, is to justify the large-scale collection of foreign aid and grants that makes up 70% of the development expenditure.

The abundance of foreign aid flowing into the country is

mainly evident in the capital city of Kathmandu. While the per capita Gross National Product for the nation is stagnating at \$160—an annual growth rate of 0.5% over 22 years—the per capita GNP in Kathmandu is close to \$670, according to one estimate. Kathmandu has long been known as a drug haven for unwashed Western hippies, and has an advanced telecommunications system and fancy hotels to cater to the tourists, fun-lovers, and assorted spooks, who also maintain lookouts from the strategic mountain heights.

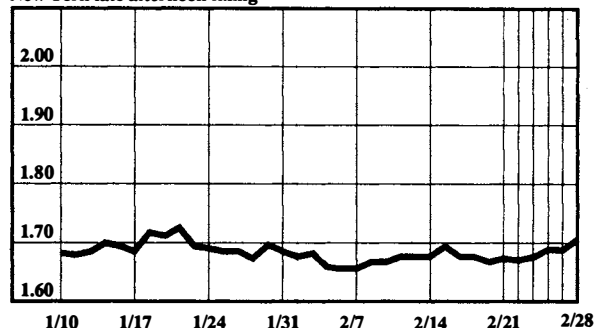
This aspect of the economic distortion of the country gives credence to the growing allegations that the royal household, under the thumb of Queen Aishwarya and a handful of Harvard graduates, is planning to emulate the economies of Hong Kong and Singapore. The aim is to set up Kathmandu as the center for tourism, including drugs, casinos, prostitution, and smuggling, to earn foreign exchange to sustain the conspicuous consumption of a few. In this context, the Chinese and Israeli presence in Kathmandu cannot but be noticed.

The rotten underside of the royal scheme is well documented. As the World Bank points out, the average income of a Nepali (in cash or in kind) is only about 38¢ per day. One-fifth of all Nepali children die before the age of five, and for those who live, malnutrition, chronic illnesses, and disability are the continuing facts of life.

Currency Rates

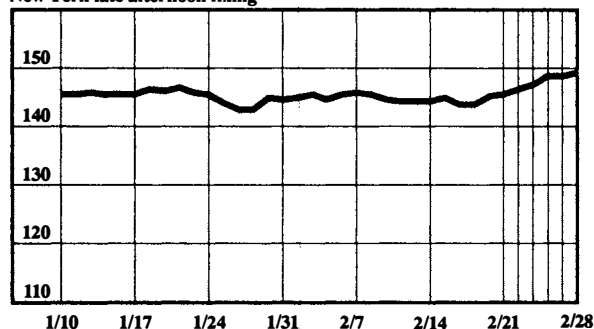
The dollar in deutschmarks

New York late afternoon fixing



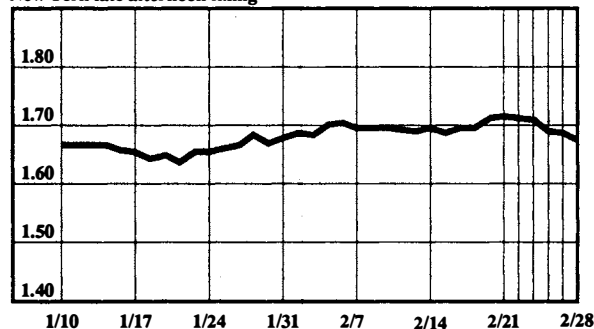
The dollar in yen

New York late afternoon fixing



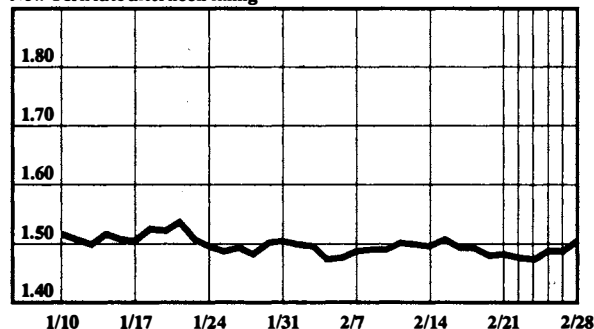
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

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Pakistan in futile bid for investment?

by Susan Maitra

Islamabad is playing up its recent success in attracting foreign investment as a measure to reduce the bloated foreign debt. "We have reached a stage where there is a lot of interest in investing in Pakistan," V. A. Jafarey, Prime Minister Benazir Bhutto's finance czar and a super-technocrat from the days of Zia ul-Haq, said recently. According to Mohibullah Shah, secretary of Pakistan's Board of Investment (BOI), most of the investment sanctions given in the last year—amounting to about \$2.2 billion—were for establishing manufacturing facilities in the fields of chemicals, pharmaceuticals, power generation, and oil drilling.

A concerted effort was made by the administration to come up with a new investment policy, whereby foreign investors would be free of all controls for investments up to \$500,000. Foreign investors still need licenses to enter into such sectors as banking, and are barred from a handful of sectors such as real estate. But most areas are largely unrestricted, and foreign firms can own up to 100% equity of their Pakistan subsidiaries.

In spite of the promise of foreign investment reducing the foreign debt with the incoming foreign exchange, many question the viability of such investments in the longer term. As Mohibullah Shah himself pointed out, the International Monetary Fund is making it impossible to finance development needs and local projects. With power, transport, communication, and manpower development efforts still inadequate, critics point out, the spurt of foreign investment can only be a temporary phenomenon; it will peter out as soon as the investors discover that the full potential of their investment cannot be exploited.

Playing up the success with foreign investors is also diverting attention from the growing trade imbalances and precipitous drop in foreign exchange reserves. On Jan. 21, it was reported that Pakistan contracted foreign loans and credits amounting to about \$2.55 billion in 1988-89—a 34.1% jump over the previous year's figure of \$1.9 billion. On Dec. 7, it was announced that foreign exchange reserves had fallen by 69% in 1988-89, to \$119.3 million, or less than seven days' worth of imports.

During the same period, Pakistan's gold reserves also fell sharply—by more than \$128 million, from \$727.4 million to \$599 million as of Nov. 16, 1989.

IMF has a stranglehold

Pakistan's \$11 billion foreign debt, with debt service amounting to almost 30% of export receipts, is causing serious concern. But even more worrisome to many is the internal economic situation, exacerbated by IMF conditionalities. In an article in the Karachi-based English daily *The Dawn*, M. B. Naqvi pointed out recently that every foreign investment has two components: the foreign exchange part and the Pakistani rupees required to set up and run the undertakings. The Pakistan government has done well to lure a significant amount of foreign exchange through investments, says Naqvi, but the IMF diktat is strangling government spending, credit, and monetary expansion and is going to sabotage these efforts.

"Where would the rupees come from? On the macro basis, if the IMF would not let monetary assets increase in the year 1990-91 by more than 4% or so over the previous one, what happens?" Naqvi asked. "Even more throttling would be the behavior of the banks, both commercial and investment, and that in two ways: commercial banks would normally be supposed to provide, as a minimum, working capital for the new ventures. Can they, with the present kind of stringent credit controls in force? Then, the investment banks are expected to underwrite the capital issue." With IMF control over money creation, that, too, is a "tall order," Naqvi points out.

Also significant are Pakistan's infrastructural weaknesses. Pakistan's existing power-generating capacity of 7,000 MW falls far short of present requirements. With the exception of Pakistan's commercial center Karachi, the entire country experiences an 8-hour power cut daily. Most industries cannot maintain a full shift of 10 hours because of power cuts. In order to make the new foreign investments function, the administration will inevitably be forced to further cannibalize existing facilities, leading to a significant drop in productivity and general chaos. Load-shedding last year, according to one estimate, alone accounted for a 2% reduction in Pakistan's GDP. Moreover, four of every five barrels of oil are imported, at a cost of 25% of Pakistan's total export earnings.

The transport sector is also in trouble. Pakistan Railways has gone bankrupt and there is a proposal to privatize the railroads. The 1989-90 losses of Pakistan Railways are estimated at about \$145 million—twice that of the previous year. The present state of roads and bridges does not allow any further traffic; the transportation of capital goods and raw materials associated with the new investments alone could bring the transport sector to a halt.

Unless the IMF diktat is removed, Pakistan has very little leeway left. As Naqvi put it, the right hand of the government (sanctioning the new investments) is acting apparently without the knowledge of, or coordination with, the left hand (being held rigidly by the IMF "friends"). Unless this constriction is removed, "a time will come when the whole system will collapse," in the blunt judgment of Mr. Karamat Ali, secretary of the Pakistan Institute of Labor, Education, and Research.

Diplomatic offensive in Asia

French President Mitterrand defied U.S. policy insanity, to promise Pakistan a nuclear power plant.

It took almost a dozen years for the nuclear cooperation contract between France and Pakistan to be finally ratified. Pakistan will get its nuclear power plant. This is not a question of prestige, but of economic necessity and survival; Pakistan's current energy production takes care of only 40% of the country's actual needs. This means primitive electrification for the big cities, blackouts which endanger industrial production, a risky dependency on imported oil, and most of the country without electricity.

It was the father of the present prime minister, Zulfikar Ali Bhutto, who had negotiated the accord with then French President Giscard d'Estaing. Barely begun, the project was ferociously attacked by the U.S. government of Jimmy Carter. For the author of the *Global 2000 Report*, a Third World country's access to nuclear energy, and hence to modern industrialization, was not only unthinkable, but anathema. Carter ruled, but it was Richard Nixon's old Secretary of State, Henry Kissinger, who threatened Bhutto if the project was not stopped, with the famous phrase, "We will make a terrible example of you." Bhutto was overthrown by Zia ul-Haq in July 1977, and later hanged. Zia responded to his masters' wishes by annulling the contract with France.

No French diplomat, and certainly not the President, should have been surprised therefore by Washington's spiteful reaction, after more than a decade of manipulations against the alleged "Islamic bomb." Mitterrand simply replied, "We have decided to trust Pakistan."

But there is more to it. Mitterrand's decision, taken with Pakistani Prime Minister Benazir Bhutto, is a political one. The details, including important ones, remain to be worked out by experts. It will take several more months before the technical and scientific ratification of the contract, without even taking into consideration the financial aspects. There was no need for Washington, therefore, to go off half-cocked.

Washington is therefore not opposed to the nuclear plant, but to the political concept reflected in the French President's action. The U.S. government is likewise unenthusiastic about the massive flood control and water management project the French have launched in Bangladesh, but can hardly foam at the mouth over the threat of "Asiatic water" without revealing its real concerns, which are basically twofold:

- The U.S. policy toward countries like Pakistan and Bangladesh, not to mention Africa, remains malthusian. With the pretext that there is a population explosion, these countries have been denied the technical and industrial means to being anything but raw materials producers and debt payers.

- Secondly, there is the question of Asia as such. For the last two decades the United States has seen the region from the Indian Ocean to the Pacific as its privileged turf. In the past there were accords with England concerning the Commonwealth members. Now, there are accords with China and the U.S.S.R. The French presence in Asia has always been the

subject of overt or covert attacks by the Americans. Lately, the U.S. intelligence services have been mucking around in the former French colony New Caledonia.

The reopening of contacts between France and Vietnam, Paris's role in a political solution for Cambodia, its role as a headquarters for the opposition to the Chinese rulers (Bush's friends), and its economic penetration in Southeast Asia in Singapore and Thailand are a thorn in the U.S. side.

Further showing France's independent course, on Feb. 23, Mitterrand said in Dakka, the capital of Bangladesh, "Our solidarity with the nations of Eastern Europe does not replace the solidarity we owe you." He went on to stress, as the Paris daily *Le Monde* described his statements, that "the regeneration of the Eastern European economies would be in the medium term an element of progress for the countries of the South."

The presence of the French President in Pakistan at a moment of great Indo-Pakistani tension was hardly by chance. It was a political gesture to strengthen the credibility of the country internationally, and especially to build up Benazir Bhutto. Her presence as the first democratically elected woman premier in a Muslim country has caused gnashing of teeth among the hardcore fundamentalists of Islam, and especially within Pakistan, where the old barons of the Zia regime, who built their fortunes on arms and drugs traffic, profiting from the Afghan war, do not hide their desire to see her end up like her father.

Despite the evident sabotage of the old colonial power, Britain, Mitterrand made an important trip to the Indian subcontinent last year, which may have given Paris additional means to play a mediating role between Islamabad and New Delhi.

U.S. monetary war on Germany

Public relations don't tell the real story about the Bush-Kohl meeting at Camp David.

The media side of the talks President Bush and Chancellor Kohl had Feb. 24-25 on the German question at Camp David, was contradictory: The German media gave the impression that the two leaders found full agreement on the key issues, while the U.S. and British media spoke of discrepancies and deeper controversy.

Background leads on what was discussed at and around Camp David indicate U.S. media comments were more to the point than the German ones. Nobody should be fooled by the atmosphere of friendship and closeness Kohl and Bush performed at their joint press conference Feb. 25, at the conclusion of their talks. None of the central aspects of deeper controversy between the current U.S. administration and the West German government has been removed by the Camp David talks.

The Bush-Baker administration opposes, as before, the perspective of rapid German reunification on grounds that it would 1) create a multi-billion-dollar market for capital goods investments, 2) lead to an unstoppable outflow of German and European capital from the U.S., 3) cause a capital shortage and a banking crisis in the United States, and 4) trigger a collapse of the American economy. In the eyes of the monetarist Wall Street interests that Bush and Baker represent, Kohl's plan for a reunification of Germany means a declaration of war against the existing monetary system.

In terms of monetary outlooks, there is a fundamental policy difference between the Bush-Baker administration and Chancellor Kohl's West German government. Wall Street and

the current White House administration want to keep stability for a system that is highly volatile; Kohl wants to create a new system of stable monetary relations.

The Wall Street interests Bush and Baker stand for, know perfectly well that German unity and reconstruction of the East German economy means the shift of several hundred billion dollars from speculative short-term investment on high-interest markets, into sound long-term industry-infrastructure investments. They oppose this. They know, though, that unity cannot be opposed openly if the great majority of the Germans in East and West want reunification. After all, the United States signed its commitment to pursue German unity in all postwar treaties with the West Germans.

Bush and Baker will try to sabotage it indirectly, by slowing down the entire process of diplomatic talks on the German issue, playing it back and forth between the conference tables of the Four Allied Powers, the six-power (four Allied, two German governments) consultations, the 35-nation talks at the Conference on Security and Cooperation in Europe level, and so on. One of the weapons the U.S. is deploying against Germany, is active counterorganizing against the deutchemark among the international banking community.

A report in the London *Daily Telegraph* the day before Kohl arrived at Camp David, shed light on what is on the minds of the Bush-Baker cabal. Manuel Johnson, number two at the U.S. Federal Reserve, had addressed a select group of London financiers a week earlier, warning against an al-

leged "inflationary shock which could follow German monetary union." At this event at the Institute for Economic Affairs, Johnson said that the European Monetary System was at great risk of blowing up, because a "huge international demand for German goods has already translated into a rise in the German inflation rate from zero to over 3%."

This trend, Johnson said, would be exported from Germany into all of Western Europe, through the dominant role the mark has in the EMS. It was, he declared, high time to look for an alternative of decoupling from the mark: "Countries should have flexibility to insulate themselves from irresponsible policies pursued elsewhere as from external shocks."

Then on Friday night, a few hours before Kohl departed to Camp David, Bush sent Treasury Secretary Nicholas Brady to Frankfurt, to meet with Bonn Finance Minister Theodor Waigel and extract the promise from him that West Germany would keep up its considerable export of capital to Wall Street. Waigel, and one day later, also Kohl directly, declared that capital flows abroad could not really be influenced by the government, but that Bonn would at least see to it that "no disruptions occur that could threaten the stability of monetary relations between the U.S. and the Federal Republic."

The Kohl-Waigel promise was for the short-term perspective only. In the long run, sources in Bonn say, there will be an ordered disengagement of German capital from the United States that could hardly be stopped. "This will come as inevitably as German unity," an adviser to Kohl told *EIR*. Given that perspective, the Camp David meeting of Kohl and Bush was no German-American honeymoon, but just the start of a new phase of protracted trade war.

Will Mexico follow the China model?

The Bush administration is forcing President Salinas to adopt the genocidal birth control methods of Communist China.

On Feb. 4, President Carlos Salinas de Gortari signed a foreign debt renegotiation pact under the Brady Plan, an event attended by World Bank president Barber Conable, International Monetary Fund (IMF) managing director Michel Camdessus, and United States Treasury Secretary Nicholas Brady.

Two days later, in presenting the National Population Program for 1989-94, President Salinas fulfilled an unwritten condition of the debt pact, in declaring that "the level of demographic growth continues very high" in Mexico, and that "therefore it is fundamental to achieve a population growth rate of only 1% by the year 2000."

To achieve such a barbaric result will require "a good dose of coercion, as has occurred in China," charged journalist Moises G. Barbosa in the daily *Unomásuno* Feb. 11.

President Salinas' statements surprised many, above all in light of the upcoming May visit to Mexico of Pope John Paul II, and because the Catholic Church is a fierce opponent of sterilization and other artificial methods of birth control.

But increasingly, commentators are suggesting that the emphasis on such a population goal is the result of pressures from the World Bank and IMF, backed by the U.S. government.

On Feb. 9, columnist José E. Pérez wrote in the daily *Excelsior* that "within days of having concluded the foreign debt renegotiation process, the meeting of the National Population Council awakened the idea among var-

ious circles that multinational credit agencies are pressuring for the imposition of population control policies here. In the circles where this rumor was spreading, the old strategy followed by the World Bank under [Robert Strange] McNamara, through which population control was imposed as a condition for economic aid to the developing nations, was cited."

This World Bank strategy, of course, continues in force today. On Nov. 7, 1989, bank president Conable declared in Ottawa, Canada that the bank would nearly triple its expenses on population reduction activities. Conable, who spoke before the International Planned Parenthood Federation, added that the World Bank will be working with private groups to make "family planning" an accepted practice by "at least one-half of all Third World couples."

According to the Washington, D.C. correspondent of the Mexican daily *El Financiero*, "sources maintain that the 'happy conclusion' of the refinancing package between Mexico and the creditor banks is implicitly tied to a reduction of Mexico's population growth to 1% by the year 2000. The conditions stipulated by the International Monetary Fund rarely contain explicit reference to demographic policy, but it appears 'between the lines' of the negotiation process, the sources noted."

It is thus clear that one of the renegotiation conditions was the drastic reduction of population growth. But it is also clear that achieving this will require application of the methods of

Communist China, a task which required the oversight of the Red Army in that unhappy country.

In his Feb. 11 article in *Unomásuno*, Moises G. Barbosa wrote, "To achieve a rate of 1% by the year 2000, one need only avoid a little more than 5 million births by that year," meaning that of the nearly "2.5 million births that occurred in 1988, we must reach approximately 2 million births a year in 1994, avoiding thus the first 2.5 million. From then on, the efforts will be 'redoubled' even more, so that the number of yearly births would continue to fall, reaching approximately 1.6 million in the year 2000, thereby achieving the proposed reduction. The problem emerges when one observes that the existing children and youth, proportionally higher than the adult population, will shortly be entering the group of fertile-age women, and from the 21.1 million that existed in 1988, that number will reach 25.6 million in 1994 and 29.5 million in 2000, independent of the hypothesis we are dealing with, since this corresponds to an already existing population which as can be seen . . . cannot easily be made to disappear."

Barbosa concluded: "One can only hope that the proposed goal, which is only achievable with a good dose of coercion, as happened in China, is not translated into an abrupt rise in the number of sterilizations or in the proliferation of phrases such as those used by many doctors following administration of abortions: 'Little mother, we put in a little thing so you won't be having any more children.'"

The warning is not far-fetched. The clinics of the Mexican Institute of Social Security and the State Workers' Social Security Institute have been sterilizing mothers for years, without consulting them first—that is, following in the fascist footsteps of Communist China.

The coming oil 'shokku'

For more than a decade the world has ignored the infrastructure of its most important primary energy.

Most people still recall the collapse of world oil prices in 1986, which drove Texas and Oklahoma into deep depression. This has lulled many into illusions that the world won't see any new shocks, or as the Japanese called it during the turbulent 1970s, "Oil Shokku," for the foreseeable future.

This is a dangerous folly.

According to confidential industry estimates circulating in the North Sea petroleum sector, within the next three to five years, the price of North Sea Brent oil, the most widely traded "benchmark" oil, will rise steadily to the range of \$35 a barrel. This is an increase of 75% in the cost of the world's most important primary energy source, sharply increasing costs in every area of economic life—transportation, electricity, fertilizer. How have we gone from feast to famine so rapidly?

In the matter of a few short years, the United States, the world's largest oil consuming economy, has let itself become import-dependent on foreign oil. January was the first month since 1977 that U.S. oil imports went over 9 million barrels. More alarming, imports are running at 50% of total oil use. Add a dramatic fall in domestic oil production and we have part of the recipe for a new "Oil Shokku." Since the end of 1985 domestic U.S. oil production has plunged by more than 1.3 million barrels per day, most from elimination of a large share of domestic medium-sized independent producers. Washington under George "Big Oil" Bush has let the multis grab "market share" at the expense of do-

mestic interests and national energy security.

So, U.S. oil imports have soared from 3.2 million barrels per day (bpd) in 1985 to 9 million this January. The two major sources are Saudi Arabia and Iraq, together some 1.75 million bpd. Since the Tax Reform Act of 1986, traditional oil drilling tax incentives have been slashed, further cutting new exploration and investment. According to the American Petroleum Institute, U.S. domestic oil output last year suffered its biggest one-year decline ever, and produced the lowest volume in 26 years!

The world's other largest oil producer, the Soviet Union, is in the throes of devastating economic troubles which have spilled over into its vital oil and gas industry. Exact data is hard to obtain; best Western estimates are that already in 1989, Soviet crude oil output slipped markedly, the first time since the oil investment boom of the 1970s. Soviet oil exports are dropping. According to estimates of London oil analyst Mehdi Varzi, this January the Soviets were forced to cut hard currency-earning oil exports to the West by 250,000 bpd. The overall cuts were larger, but pushed onto East European economies where Moscow gets goods instead of hard currency. There cuts ran some 500,000. Since Poland, Czechoslovakia, and the other economies need energy to survive, this Soviet surprise cut has forced them onto the world market, scrambling for OPEC oil.

The Soviets' 750,000 bpd shortfall intersects U.S. production cuts. After the price collapse in the mid-

1980s, worldwide investment in costly exploration for large new fields has severely dropped. Last year, North Sea oil production was down sharply, if temporarily. Output for the U.K. sector in 1989 was 30% below the peak 1985 year, to 1.8 million barrels a day.

Now, in this situation, we have the world's largest known concentration of cheap, readily accessible petroleum reserves, the Arabian Gulf. The region is just climbing out of the ashes of one of the most senseless wars in recent history. Oil infrastructure in Iran and Iraq has been ruined. The economies of the other large producers, notably Saudi Arabia, are only beginning to recover from the 1986-88 revenue collapse. This translates into lack of significant investment in new oil production and refining capacity.

A recent estimate by the Paris *Petrostrategies* shows that, whereas OPEC cartel producers got a total "petrodollar" income of \$290 billion in the peak year 1980, by 1989 that had fallen to only \$111 billion, a drop of 62%. And that amount bought far less new equipment, owing to inflation. Last month, OPEC Secretary General Subroto warned that a growing worldwide energy crisis by the mid-1990s could be averted only if some \$60 billion in investment into expanding OPEC production and refining infrastructure were made. He said the sum was far beyond OPEC's internal capacities. In short, OPEC is now running some 23 million bpd, which is more or less the limits of its present capacities.

All in all, the world energy picture is becoming tighter than that proverbial tick on the hound dog's back. It is an ominous setting where someone might be tempted to try to trigger a new oil shock. Keep a close eye on Anglo-Saxon antics.

Business Briefs

Defense

U.S. needs outside help to deploy SDI

"Without help from the outside, the United States couldn't deploy the Strategic Defense Initiative," a senior aerospace industry official said in response to the recent Mikhail Aleksandrov article in *Soviet Military Affairs* and the commentary by Lyndon LaRouche.

"The U.S. will need active involvement by Japan and the Europeans to successfully deploy a defense system. This represents a golden opportunity for the Russians as well to get in on the SDI," he said.

The source, who once was responsible for a \$180 million per year R&D program, warned that there is such a tremendous drain on the pool of competent American engineers and scientists that, within one to two years, the United States will cease to function as a technologically literate nation. He emphasized, however, that a large pool of mostly retired industrial engineers and research scientists who could be called upon. "But one or two years from now, many of these people will either be dead or too old to really contribute. If we wait too long, we are finished."

Science

Galaxy discovery portends paradigm shift

A "great wall" of galaxies discovered by Margaret Geller and John Huchra of the Harvard-Smithsonian Center for Astrophysics, and reported last November, has major implications for cosmology and scientific theory. One of the investigators, whose views were reported in the March *Harvard Magazine*, elaborated in an interview with bi-monthly journal *21st Century Science & Technology* on Feb. 27.

The discovery is of a "great wall" of galaxies only 15 million light-years thick, but more than 150 million light-years wide, and at least 500 million light-years long. Its full extent is still not known. The discovery resulted from mapping all of the galaxies in only two slices

of a sphere around Earth with a radius of 450 million light-years.

According to prevailing theory, the universe is supposed to be increasingly homogeneous as one moves to larger and larger scales. The findings of Geller and Huchra show that instead, it gets "lumpier and lumpier." Instead of being uniformly distributed, galaxies appear to be concentrated in "cell walls," with the cells themselves being empty, like the wax in an emptied honeycomb. Geller thinks the great wall may be a portion of several intersecting surfaces of adjoining cells.

Geller said there is no known force that could have created such a large structure in the time since the alleged Big Bang. "Something is missing from our model that is very important," she said. It may take more than a decade, but Geller said she believes "there will be a paradigm shift that may render obsolete prevailing models of the formation of large structures in the universe."

Euthanasia

Mercy killing causes 30% of deaths in Holland

There is a "startling incidence" of mercy killings in Holland the *Financial Times* of London reports on Feb. 23 in an article headlined, "Dutch euthanasia on the increase."

"Euthanasia may account for as many as one in three deaths in the Netherlands," the article reports. "Between 10,000 and 40,000 deaths a year result from euthanasia. . . . About 54% of the deaths are due to passive euthanasia, where medical treatment is stopped, and 46% to active euthanasia, where a poisonous drug is given."

The *Financial Times* mentions that one of the architects of euthanasia legalization is Jakob Kohnstamm, a parliamentarian from the Democratic 66 party. Kohnstamm's father Max Kohnstamm co-founded the Trilateral Commission with David Rockefeller in 1972-73.

Ironically, the piece appears at a time when the new Dutch Development Minister Jan Pronk, who is tied to the Socialist International and the Club of Rome, is threatening to orga-

nize an aid cut-off to Indonesia because of its recent execution of four men charged with terrorism during uprisings in the 1960s, claiming "human rights" abuses.

Nuclear Safety

NRC redefines risk to reflect reality

The Nuclear Regulatory Commission has decided to change its policy on risk to conform to the actual risk.

Speaking to a meeting of health physicists and nuclear engineers, NRC chairman Kenneth Carr said that the NRC would soon come out with a new policy that defines some low-level nuclear wastes as "below regulatory concern" and therefore not in need of regulation.

This new category, known as BRC, will give the NRC more time and money to deal with real problems, Carr said. "We have to focus on real, not perceived threats," he said, stressing the importance of science education. Carr ridiculed the "risk eliminators" who want to eradicate all risk, no matter what the cost, but who think nothing of such risky activities as driving a car, or taking an airplane ride.

Poverty

Communist China's poor are getting poorer

Poverty among poor in the People's Republic of China is becoming worse, according to figures published in Beijing, the British *Guardian* reported Feb. 21.

Nearly 36% of families in 19 cities suffered a fall in income last year, the Chinese State Statistical Bureau reported, and the real earnings of "a number of farmers" fell.

China is so desperately poor that average per capita income is only about \$200 per year. GNP only grew 3.9% last year, after rising 11% in 1988. The Chinese are making ludicrous efforts to conceal the huge unemployment rate, which they put at only 2.7%. The

tens of millions of rural workers laid off when some 3 million rural industries were closed last year, are not counted as unemployed because they are deemed to have jobs waiting for them on their family farms. Such jobs, of course, do not exist.

The "floating population" of migrant workers is now officially estimated at 60-80 million, but observers estimate the actual figure is probably double that. Millions are also partially unemployed because most factories can only operate 3-4 days a week due to energy shortages.

Transportation

Trucking had worst year of the decade in 1989

The "Quarterly Survey Of General Freight Carrier Operating Results" for the third quarter of 1989, issued in mid-February by the Regular Common Carrier Conference, stated that 1989 has been the worst year of the 1980s for the trucking industry. The report also makes clear there is an ongoing depression in the physical economy in the U.S.

Between the third quarter of 1988 and the third quarter of 1989, "expenses increased nearly twice as fast as revenue," the report said. "Consistent with the slowdown in our economy, tonnage dropped 3%. After tax net income plummeted 42.5%."

The report stated that after initial review of the fourth quarter, "preliminary data reveals worsening conditions, which will result in 1989 being the worse year of the decade."

Development

Joxe: fight drugs and underdevelopment as one

Drugs and economic underdevelopment must be fought simultaneously, French Interior Minister Pierre Joxe told the United Nations special session on drugs on Feb. 23.

"The constant concern of countries must

be to integrate the anti-drug fight with a global fight against underdevelopment," Joxe said. All fronts must be covered at the same time: prevention, rehabilitation, law enforcement, shutting down money laundering, and reconversion to crops in producer countries, he said.

Joxe indirectly attacked the Bush administration for refusing to give real economic aid to Ibero-American nations, as French President François Mitterrand had done during his trip to Colombia last October. Joxe also met with several U.S. anti-drug experts and pointed out the obvious contradiction that the U.S. is the world's largest producer of marijuana. According to the French daily *France Soir*, when the U.S. took over this market, Colombia went into cocaine production.

Joxe strongly warned against the decriminalization of drugs. "Most studies show that the easier the access to drugs, the more they are consumed. The more they are consumed, the more they cause addiction. Some people maintain that only so-called 'softdrugs' should be tolerated. But they forget the fact that tolerating a soft-drug network means tolerating a network which has every economic reason to sell hard drugs as well."

Patents

Percentage issued to U.S. inventors falling

Inventors in the United States received only 52% of all patents granted in 1988, down from 62% in 1978. During the same period, the Japanese share of U.S. patents rose from 10.5% to 20.7%, paralleling the increase in their research and development funding which was twice as fast as that of the U.S.

The second worst field was in motor vehicles, where Americans received only 43% of new patents in 1988, compared to 26% for Japan, 13% to West Germany, with the remainder going to France, Canada, Britain, and a few other countries.

The fourth worst area for Americans was the field of computer memory; the fifth worst was photography; the sixth was internal combustion engines. The worst area was "fishing, trapping, and vermin destroying."

Briefly

● **AN ARIANE 44-L** rocket, carrying two Japanese communication satellites, exploded two minutes after launch on Feb. 22. The explosion will ground the French launch system until the problem and a solution are found.

● **MACHINE TOOL** orders were down 14% in the U.S. in January and 4.2% in December compared to a year earlier, according to the Association for Manufacturing Technology. "Orders are extremely slow," Neil Coughlin, vice president of Kingsbury Machine Tool Corp., told the Feb. 26 *Wall Street Journal*.

● **POLAND** is being devastated by International Monetary Fund policies as inflation hit 67% in January, 22% higher than expected; real income fell far below the promised 20% drop; unemployment went from zero to 55,000 in one month; and coal prices jumped, the Feb. 22 *Wall Street Journal* reported. Unemployment is expected to reach between 400,000 and 4 million out of 39 million people.

● **SELA**, the Latin American Economic System, released figures showing that Latin America has paid \$250 billion in debt service between 1982 and 1989, during which time total indebtedness increased to a total of \$434 billion.

● **ONE NUCLEAR PLANT** saved 4.5 billion gallons of oil, according to the Jan. 2 Oswego, N.Y. *Palladium Times*. The FitzPatrick nuclear power plant near Oswego produced 6.06 billion kilowatt-hours of electricity in 1989, while operating 90% of the time. This is the energy equivalent of 4.5 billion gallons of oil—4,100 times the amount spilled by the Exxon Valdez off Alaska.

● **THE GALILEO** spacecraft succeeded in taking all 64 scheduled Venus images despite computer software problems at the start of the Venus encounter, according to NASA officials. The data will be sent back to Earth when Galileo swings around Earth in the fall.

N.Y. emergency rooms a needless nightmare

by Ernie Schapiro, M.D.

Conditions in the emergency room at the Kings County Hospital in Brooklyn, New York have become so intolerable that on Feb. 8, the staff threatened to resign, and were only persuaded to remain after negotiations with the city officials netted promise of more staff, more beds, and higher pay for attending physicians.

EIR interviewed New York physicians Barry Liebowitz and Kildare Clarke about the crisis conditions on Feb. 15.

In the interviews, published here below, the doctors show how New York City maintains a two-level health care system in which the poor and the uninsured have only a very limited access to medical attention. This situation is institutionalized in what is called the "affiliation relationship," in which the medical schools are associated with private hospitals—where those with money or insurance can receive relatively good care—and also provide attending physicians to the city hospitals, for which the medical schools are vastly overpaid and the patients are short-changed.

The "affiliation system" thereby denies funds to the city hospitals to purchase expensive equipment or competitively attract highly paid specialists.

It is the responsibility of an attending physician to oversee the treatment of patients on his or her ward, to make rounds, and to supervise the interns and residents.

New York City's Health and Hospitals Corp. (HHC), which figures prominently in this system, acts as the overall management agency for the city's public and private hospitals. It was set up during the 1970s "fiscal crisis."

In January 1989, during a series by the *New York Post* on the city's hospital crisis, Dr. Clarke caused an uproar by saying that emergency room doctors were being forced to violate their Hippocratic Oath under the austerity conditions imposed by then-Mayor Ed Koch.

The author was given a tour of the emergency room by Dr. Clarke, where I saw the conditions that led to the near-mass resignation. Several of the rooms have been converted into hospital wards where acutely ill patients stay for days, closely packed together. Some of them had had heart attacks and belonged in an intensive care unit.

A week prior to my visit, the *New York Post* reported that crowding was so severe in the waiting area of the Kings County Hospital Emergency Room that one exhausted man suffering from hepatitis and suspected kidney failure had to stand for two hours because there were no available chairs.

Dr. Liebowitz reports, "We've also exposed the flies in the operating room. There were flies landing on the brains of neurosurgical patients! One brave doctor exposed this. He sent his patients to other hospitals and the hospital tried to fire him, but we protected him."

Dr. Clarke described graphically how there are "four kinds of medicine" for whites, blacks, rich, and poor, and went on to tell the story of the chief executive of one leading hospital who had sent out a memo saying who the hospital should not accept as a patient. "He was seriously injured in an accident, but, when he was brought to his own hospital, they turned him away. He was sent away and died here."

'We are the Rosa Parks of medicine'

Dr. Barry Liebowitz is president of the Doctors Council which represents 3,000 New York City physicians.

EIR: I understand that conditions at Kings County Emergency Room have gotten so unfavorable for health care that the staff threatened to resign.

Dr. Liebowitz: As of Feb. 8 the staff were ready to resign. That Tuesday Feb. 6 they met with officials of the HHC [Health and Hospitals Corp.] who created a debacle. Their behavior was totally inappropriate. But the next day there was a meeting which included big guns of the city, such as Deputy Mayor Steisel. After this five-hour meeting, the city agreed to provide 18 more beds for people being boarded in the emergency room, additional staff were to be hired, and a salary of \$97,000 was to be paid to attending physicians.

EIR: What are the conditions like in the emergency room?

Dr. Liebowitz: Patients are being made to wait in the emergency room for days. My father had to wait three days in the emergency room at Lenox Hill Hospital in Manhattan before being admitted for a myocardial infarction. This sort of thing never used to happen.

EIR: So you feel that a victory has been won?

Dr. Liebowitz: Doctors are not starting to leave. We opened the political channels we know so well. If the doctors in the emergency room had resigned, the hospital would have been closed down. This is the first time this has ever happened. We were the Rosa Parks of medicine. The doctors just said, "No! Either make it better, or take the job!" Now other hospitals are starting to look.

A lot of the resolution of the situation is simple. These doctors found hospital beds elsewhere in the hospital. For example, the surgical service there consistently has empty beds and these beds are all staffed. All the emergency room doctors wanted was to relieve the stress in the emergency room by filling these staffed and vacant beds. However, they ran into the fiefdoms of the medical and surgical departments. As a result of our confrontation, the city intervened and overruled them.

The second area that needs to be addressed is the financial relationship of the city hospitals and the affiliates, i.e. the medical schools. Two and a half billion dollars has been given to the affiliated hospitals to staff the city hospitals, with only

a scandalous return. With the present crisis, the city will be forced to return to the old system; \$2.5 billion would solve the city and state hospital crisis right now. These affiliates use the city hospitals as a colony to reap and exploit the money. They were never involved in the care of the patients, they did not protest the outrageous conditions, they never uttered a word. The medical schools have created a generation of passive doctors and students. We have a somewhat crippled generation of doctors. I await the day of reckoning for these people. I teach medical students, so I see their passivity.

EIR: What did you really win?

Dr. Liebowitz: We showed what could be done in only 48 hours. This has given hope to others. These emergency room doctors have been batting their heads against walls for three years. People are dying, getting hurt. This nucleus of doctors said: "No more!" What this showed other groups is that something can be done. Now a dialogue has begun. Someone went through the sound barrier. I tell people, "Don't walk out immediately. Go through channels first, follow the *pro forma*."

EIR: Were there sympathetic responses in the nursing staff?

Dr. Liebowitz: Yes, if these doctors had walked, there would have been a show of support from doctors and nurses throughout the hospital. There would have been a short sympathy walkout in other facilities as well as here. What about the non-professional staff? Other workers would have acted, too. The Taylor law makes it illegal for city employees to strike. However, those who walked out in sympathy would have lost pay, but not their jobs. The city very astutely responded, more rapidly than any bureaucracy I've ever seen thus far. They came not to blame, but to resolve. If [New York Mayor David] Dinkins continues this way, it will be wonderful. We haven't had this in ten years.

EIR: What are the aggravating factors?

Dr. Liebowitz: 1) The affiliations grabbing \$2.5 billion in a decade. 2) Underfunding health care while the patients' requirements increased; these include AIDS, poverty, and factors which we still don't even see.

EIR: If you were the mayor, what would you do?

Dr. Liebowitz: The most important thing is to get good administration. We want a HHC president who knows the business and has a philosophy. Ray Baxter, the acting president of HHC, is quite good. This is the first time since I've been there that we've had a real professional. The mayor must make his own executive directors at these institutions responsible to the center itself. He should raise the salaries of the executive directors. I think they should get about \$200,000. I would restore fiscal soundness by getting the money back from the affiliates.

We—i.e., labor and management—must develop a collaborative spirit. We can no longer afford to be adversaries.

If I were mayor, I would bring labor and management into a room, without press, and say, "Stop the crap." Each has responsibility. We can't have responsibility on one side and authority on the other. You need a head to be a peacemaker. We went through many years of the former mayor [Ed Koch, who failed to win the Democratic nomination to run for a fourth term in last year's primaries—ed.] without any cooperation. I know Dinkins. The first step is to trust each other, help each other. Then we'll delineate the money, what is essential and what can wait. We have to triage our system. There are old plants and facilities. What can we do about them? There may be money in bonds allocated for rebuilding but these are things which will take years. What can we do now? It requires a philosophy of how we do business. New York represents the politics of failure.

EIR: Suppose you could really do the things you wanted and had billions of dollars at your disposal?

Dr. Liebowitz: The most adequate kind of health care requires continuity of care. Take Cuba. They have assigned 1,000 patients to every internist, 2,000 to every pediatrician. You staff it as you would a regular facility. You thereby unburden the emergency rooms. Instead of ships passing in the night, you do what you do in private practice. Then people don't run to an emergency room. Your office is downstairs in the hospital. You see the patient there and you can admit him directly to the hospital. That's how it was at Kaiser in California.

Also we should reopen our nursing schools. Why are we going to the Philippines, Indonesia, and India when we have schools summarily closed? I don't understand this. Then we can build a career ladder. There are lots of people out there not working. Teach them. Start with emptying a bedpan. Some may ultimately want to go to medical school. They don't have to smoke crack. Some will leave, some will stay. From them we can start a pool of workers. That way we add to the community.

I'd like to rebuild some hospitals. Kings County Hospital has two towers, each of which has only two elevators. There is no direct way to get from the new tower to the other, and these elevators don't work. There are dead-end corridors. What if you're stuck in a fire? We've also exposed the flies in the operating room. There were flies landing on the brains of neurosurgical patients! One brave doctor exposed this. He sent his patients to other hospitals and a great furor arose. The hospital tried to fire him, but we protected him. We got screens installed to keep out the flies and a promise to rebuild the operating rooms at a cost of \$1 million.

That also spawned an incident whereby we demanded a bill to license hospital administrators. The bill is supported by 1.2 million state workers. We want the administrators to be subject to responsibility and accountability. For example if you sue me, I'm responsible. When flies light on a surgical patient's brains, that should open up a suit against the person

who is responsible.

More than anything, what's missing is an appropriate dialogue between administrators and institutions and the people who deliver the health care, and even a dialogue with the patients. We must establish a new way to do business so that each one feels responsible and involved and everyone has authority. No one consults patients. Maybe they want clinics

We've also exposed the flies in the operating room. There were flies landing on the brains of neurosurgical patients! One brave doctor exposed this. He sent his patients to other hospitals and the hospital tried to fire him, but we protected him.

at night, in certain areas of the city.

By restoring the continuity of health care you get the neighborhood doctor. Presently there is tremendous alienation in our institutions between doctors, staff, and administration. War between us results in a wasting of resources. We can't afford to let that happen.

EIR: What has been the impact of the present crisis on clinical research?

Dr. Liebowitz: Most doctors who do research continue to do it. They get their requests for pharyngeal swabs carried out. But if you're burdened, patients are screaming and yelling, the last thing on your mind is someone's research project.

So, obviously research will falter on the basis of time and resources limits. Doctors are putting patients on gurneys and wheelchairs. They personally deliver blood samples to the lab. They are responsible for a diagnosis and a treatment plan. They can, therefore, no longer be responsible for the quality of the treatment.

We need 1,000 Sister Therasas to give care on the street, in front of the hospital. The emergency is now the principal intake process, because the other channels for health care are blocked. We may need to go to India to get the Sister Therasas. People discuss this, but then they run from the problem. They go to Kings County Hospital, and that includes the media, but they don't come back. It's too painful to look at.

EIR: How is the crisis affecting the recruitment of staff?

Dr. Liebowitz: Getting residents and attendings? It's getting worse and worse. The prestigious hospitals are not filling

their positions in internal medicine. I expect the same thing to follow in my department, pediatrics. Ostensibly it's because of the crowded conditions. AIDS is a factor. Doctors say, "I want to see other diseases." They migrate out of New York into other areas where they'll get a better job under other conditions.

EIR: What do you see as the future of health care in New York?

Dr. Liebowitz: Up the pipe? You decrease house staff, look at the burden on the attendings. You give them no nurses and do away with outpatient facilities. Our profession is unable to deal with this. Our medical societies deal with standards. They can't mount an offensive by making a cry in the night to their constituencies. We consider ourselves the activists, confrontationists. We'll fight with our own profession to wake up. This is due to the passivity of our profession. This began around 1950. You can't assign committees when the situation is so destructive. You have to get out in the street and organize. It's a crazy time in medicine. The stories which come out are going to be incredible. More and more will be coming.

Do you know about the Peer Review Organization Point System? If you get 25 points of infractions on your medical chart your license comes up for review by the state. You can easily pick up 25 points in one day's work in the emergency room. What would happen if you practiced medicine by the book? The more I cut corners, the more I make myself vulnerable under this system. But on the other hand they tell me to practice medicine in a closet, from the rafters. We have put out this little booklet to advise house staff what they can do to protect themselves.

[Reads from booklet:] "This brochure was prepared by Doctors Council to assist its members in coping with the complexities of burgeoning state and federal bureaucracies charged with the task of passing judgment on the quality of care provided to patients. . . . The peer review programs are intended to contain health care costs. That goal can often collide with the physician's concern to provide medically appropriate and humane treatment. Doctors may be denied reimbursement based on guidelines which cannot possibly be applied appropriately in every case. But more importantly, your license may be on the line if a patient's chart does not support in every detail your medical decisions. Physicians' professional reputations, and their licenses, are at the mercy of a small pool of registered nurses, doctors hired by the hour, and a contracted organization with little or no experience in managing the bewildering array of codes and regulations established by the Health Care Financing Administration, a federal agency, and the New York State Department of Health."

EIR: Does the public understand what the doctors are going through?

Dr. Liebowitz: No, because there is an image of invincibility, of doctors being upper-class. It is seen as a sign of weak-

ness [to have problems]. My function is to destroy that myth. If you can tell me the hospitals in New York are functioning, let's go down together and see whose eyes we're looking through.

EIR: What are the medical societies doing?

Dr. Liebowitz: Nothing. I haven't heard a word from them. Will things change? No. Look at their age—its average is 65-70. These are the spokesmen for the medical societies. They lived through the golden age of medicine. It's up to the next generation to take on the roles. How many people are in the medical societies? They're obstructionist. When I brought them our bill to license medical administrators, I got no response. We should at least have a dialogue. We have a confrontational approach. I have no patience with people who take two decades.

You walk into any of the New York hospitals and you'll get quite an education. We have prisoners in shackles sitting in the emergency room. They're clanking their chains next to the elderly. So the doctors at Kings County demanded a prison van to hold them. You haven't seen the press on this.

On the first day, when the city showed up, they got the van. And they got concessions on EMS [Emergency Medical Service] diversion—the right to say, we can't take any more [new emergency patients, who are then diverted to a less-burdened emergency room—ed.].

And in psychiatry it's a much worse situation, which no one talks about. They had a 40-person ward in the emergency room, with patients getting their thorazine [anti-psychotic medication] for four days. They had no place to go. There are no beds on the psychiatric ward.

They've cut the beds of both psychiatry and medicine. We're seeing the spinoff of what we didn't want to happen, the cutting of 5,000 beds beginning five years ago. When we ask for the beds, we are told there are no personnel to staff them. Solving this will be up to the leadership. I can't just scream that there's a health care crisis, I need someone from the government. The *Washington Post* ran an article, "New York City Health Care Crisis, Flashpoint for the Entire Nation." The *New York Times* didn't carry it, they missed the entire story.

EIR: So if you had your way, i.e. enough funds, you would restore 5,000 medical, surgical, and psychiatric beds?

Dr. Liebowitz: Yes. Everybody's against it, but maybe we need a separate AIDS facility. It would help us to develop all the expertise we can and alleviate the real and acute stress on our hospital system. We did it for TB when we had the sanatoriums. If we could get all the people with AIDS together, maybe we could do good for both sides.

I want the money back from the private sector. They exploited the public sector. They ran it irresponsibly. They sullied the name of doctors. They did it in the name of their own research.

'South Africa is right here in New York'

Dr. Kildare Clarke is Associate Director of the Emergency Room at Kings County Hospital in Brooklyn, New York.

EIR: Is there serious harm to patient care because patients have to wait many hours to be seen?

Dr. Clarke: We try to deal with that by putting an experienced emergency physician to screen all of the patients when they first arrive. For example, we saw a patient complaining of lower abdominal pain. It turned out that the patient had had a myocardial infarction [heart attack]. We have a rule that any patient who is over 40 and has any abdominal pain is to be seen at once. Sometimes the patient who complains relatively little is the most seriously ill.

EIR: Why aren't there enough beds to take in your patients upstairs?

Dr. Clarke: It's a crazy thing. Between medicine and surgery, there are 488 beds. The Department of Medicine has reduced its number of beds over the past two years. The chairman said there were not enough medical residents [physicians training in their specialty] to staff them. (The department was not able to secure enough residents through the matching program in which this and other programs participate and compete for residents.) At the same time, his position is that after his beds are filled, he can't admit. His census is indeed close to 100%.

Now with the chairman of surgery it's a different problem. He says, "I won't take medical patients onto the surgical service." Why? "1) It will decrease the number of residents on my service, since this number is based on the number of surgical beds I have. 2) I can't bring in elective patients who provide residents with a sufficient number of operations to qualify for their Surgery Boards if these beds are taken by non-surgical patients." But although residency training is, indeed, important, it is being allowed to take precedence over patient care.

With a patient in a hospital bed, i.e. with optimal care, the patient will recover and go home sooner. Therefore the current system is short-sighted and creates havoc in the emergency room. For instance, today we have 14 patients admit-

ted to medicine, but stationed here [in the emergency room], while there are 33 unused surgical beds—i.e., in terms of patient care, no one should tell me there's shortage of staff, because there are nurses on the floor, all ready to care of them. We can extrapolate that, if there were surgical patients there to fill these beds, they would get care.

EIR: What are the illnesses of the 14 medical patients whom you are caring for?

Dr. Clarke: They include coronaries, hypertensive encephalopathy, tuberculosis, pneumonia, and AIDS.

The other down side, though not a major issue, is that for every patient who stays in the emergency room—whether it's for one day or for ten days, for example, a tuberculosis patient who has been here for seven days—the total bill is for one visit to the emergency room, i.e. \$105, instead of 7 times \$850 per day [for a hospital bed].

It's a fight between department chairmen. Our executive director is undermined by the chairmen who sit at Downstate in [the Departments of] Medicine and Surgery. [Downstate Medical Center Hospital is the private hospital which is affiliated with Kings County Hospital—ed.] They make major decisions affecting the welfare of the patients in our emergency room. I've been fighting this for ten years. These chairmen are more interested in their ego and power base than in the care of the patient. Because these patients don't put money in their pockets, there's no need for them to hold the hand of the family or of their patients in order to get paid. This shows why socialized health care is an absolute. The clear-cut interests of individual people is getting precedence over the public at large.

EIR: Whom can you appeal to?

Dr. Clarke: Due to Koch's legacy in the HHC [Health and Hospitals Corp.], they're more interested in their affiliation than in patient care. Look at the affiliation situation and the affiliation contract. Back when the city hospitals were under the Department of Hospitals, they were basically staffed by foreign medical graduates, in those days, Indians and blacks. The medical schools said, "You don't provide enough good care for the poor. Give us the money and we'll provide your patients with better care." Over the ensuing years, these contracts became lucrative. The hospital gives money to the private physicians to "run the hospital." The school will say, "I need 20-30% off the top as my overhead." Using the remaining 70%, it will provide staff for the hospital. But this staff is employed by the medical school and reports to them, not to the head of HHC.

Translated into different terms, the same doctors whom HHC, if independent of the affiliation contract, could have gone out and gotten for \$100,000 per year by hiring directly, the medical schools will pay \$140,000 per year via the affiliation, and these doctors will have no allegiance to HHC, but instead to the private medical school. We can extrapolate



Rescue workers unload an accident victim for treatment. In this situation, everyone should get the same level of care—but not everyone does.

HHC gets only 30% of its total money, which it pays out as actual services performed.

EIR: You mean that these doctors serve only part-time and yet they get paid as full-time?

Dr. Clarke: That's right. The private institutions clamor to have it set up so that the procedures are rewarding which are highly technical. They get to be done at the private hospital and not the city hospital. For example, Kings County Hospital, which is one of the biggest municipal hospital centers, has an unusual adult emergency room with a total of 400 to 600 per day. Yet our cardiac catheterization laboratory has been dismantled, and all catheterizations are done at Downstate. The people who mostly need these procedures aren't getting it. These poor have such eating habits and social situations as to render them more prone to the disease processes [that cause coronary disease]. You must pay for [catheterization] to get it, unless you are an especially interesting case.

The cardio-thoracic surgery department, which was part of the Kings County Hospital when I came up through my residency, is now at Downstate Medical Center. So if you come in here with a gunshot wound to the chest, then, although the trauma surgeons here are very well trained, one would expect in so large an institution there would be a cardio-thoracic surgeon available to you, yet it's not so. They're all at Downstate, although Downstate really doesn't need them as much.

Although we don't have a full affiliation with Downstate, except in psychiatry and radiology, we have a loose arrangement. The director of a department at Downstate is really a department director at Kings County Hospital.

Take radiology. For each x-ray taken at the Kings County Hospital facility, the Department of Radiology Corp. at Downstate Medical Center gets paid. This is HHC's money

allotted for x-rays.

EIR: So they get the money, because their radiologists read the x-rays?

Dr. Clarke: Yes. The city is in budget shortfall. It is my contention, and I can prove it, that even if we deal with the affiliation as it currently exists, if we would use the beds in the [HHC] corporation, in a more productive way, we could double the quality of care at no more cost to the corporation and, at the same time, have money left over to put in the program and help the mayor to balance his budget. If I were head of HHC, I'd tell the mayor I could give him back \$250 million of the \$2.5 billion and run the corporation better and improve the care 100%, if I didn't have to give contracts to the medical schools without accountability. Why should I pay you when I train your residents for you? You use our patients, who you take care of for your research material. We are giving you the privilege to learn on our patients.

If there were socialized medicine, greed would not be such a factor, with patients being pawns.

EIR: Well, what happens if a patient comes to your emergency room with a cardio-thoracic emergency?

Dr. Clarke: At best you'll get a cardio-thoracic fellow to operate, not an attending [physician]. This is why I'm so outraged. We can't play with people's lives in that fashion. Last year I wrote to Koch about this. Despite all my outcry, their solution was, I should quit if I felt that I was being forced to violate my Hippocratic Oath. I, in turn, suggested he quit.

EIR: Does the city provide you with the technology you need?

Dr. Clarke: I must give credit where it's due. After I went public on it, the administration acted very well. They gave me almost every piece of equipment I wanted within reason. Yes, I'd like to have a three-dimensional echocardiographic machine, but, to be realistic, when a fellow in cardiology can bring such a machine down to the emergency room, you can't expect everything. A patient shouldn't be in an emergency room to have every bit of diagnostic work. They've been as helpful and receptive as they can. It's just one crisis after another.

EIR: Do you have a loyal staff here?

Dr. Clarke: Yes, we have a loyal staff. Some emergency doctors have been here for eight years. But a subgroup is transitory. They're between residency and a new fellowship or work in practice in another state. A substantial fraction are "Board prepared" in emergency medicine, mostly through length of practice here. They include surgeons, psychiatrists, rehabilitation medicine physicians, radiation, and oncology medicine specialists. What's so great about our emergency room, is that there are so many specialties.

EIR: Do you have enough staff here?

Dr. Clarke: If we don't have to keep patients here for two to three days, then we don't have a shortage. Emergency medicine as a specialty is a study where you put two pieces of a puzzle together: The essence is recognition, identification, stabilization, and admission or discharge. It's not to carry out long-term treatment. You need not overstaff, just have a pool of staff to be ready for an emergency like Avianca. [Dr. Clarke is referring to the large number of casualties in the recent crash of a Colombian passenger jet on Long Island—ed.]

The average emergency room physician is a type of person who likes to get things done. He will draw blood while he starts an intravenous infusion. Therefore you don't need a separate phlebotomist.

EIR: What do you feel you gained by the threat to resign en masse?

Dr. Clarke: The public and the mayor's staff and the HHC recognize that there is a health care crisis where lives are in danger. You should be better off going to a hospital than staying home. But we still see admitted patients staying in the emergency room for days. That's not a victory won.

The medical board of the hospital consists of its departmental chairmen. They're the executive committee. Who will you complain to when an acting chief of staff is a chairman at Downstate? We ask for a medical director who is loyal to Kings County Hospital and not to Downstate, and we ask for a chief of service to be employed by Kings County Hospital and not by Downstate. It is not that we're anti-intellectual. We are clinicians. Our mission is to deliver health care, not to do research. The researchers belong to the university. I took on the issue a long time ago for patient care. The other doctors picked up on it. Patient care is my only issue.

EIR: What is the cause of the increased patient load in the emergency room? Is crack a major factor?

Dr. Clarke: I haven't seen crack abuse as causing a great problem here. The acute crack cases come in here and clear up in eight hours. I used to see a lot more drug overdose cases. The overdose cases I see now are mostly caused by physicians prescribing tranquilizers.

Crack, however, is indirectly the cause of a great deal of surgical trauma when people get shot over crack.

EIR: What about AIDS?

Dr. Clarke: Yes, AIDS has caused an increase but no more than tuberculosis.

EIR: Isn't that also due to AIDS?

Dr. Clarke: Not just because of AIDS. The causes also include poor nutrition and homelessness. I treat tuberculosis here. For example, if a person complains of cough lasting

more than two weeks and even if their x-ray is negative, I'll treat them for TB. Do I have proof? No. The skin test may be negative. I give rifampin and INH, not triple therapy [using three medications simultaneously—ed]. These people do well.

EIR: Why do you have to treat them? Can't they be followed up elsewhere?

Dr. Clarke: They will have a six-month wait in the outpatient department.

EIR: What about a city program for TB?

Dr. Clarke: I have them come back to me, because too many people get lost in the shuffle. It's not just the older population. We've relaxed our standards with TB, we've made a mistake thinking it's gone.

EIR: What about pelvic inflammatory disease in women [a major cause of sterility and ectopic pregnancies]?

Dr. Clarke: All of the sexually transmitted diseases have increased tremendously. There you can absolutely talk about crack. Though I can't prove it, I think crack is aphrodisiac. Also, they may be having a lot of sex to pay for drugs. People talk of STD as syphilis and gonorrhea, but chlamydia is also a major cause. We have seen a reasonable increase in secondary syphilis [the second stage of the disease, which is characterized by a rash—ed]. Doctors must know how to tell chicken pox from secondary syphilis. This area is a melting pot. People from the Caribbean who haven't had chicken pox quickly pick it up in New York, so it's easy to overlook secondary syphilis in these people.

EIR: Why can't this diagnosis be made by a doctor in the community?

Dr. Clarke: There are very few doctors the poor can go to. If you're a doctor practicing in a poor neighborhood, you have to consider the safety factor, because you deal with belligerent patients. Can you afford the office? Your patients, even if they are working, lack health insurance. Medicare doesn't reimburse you enough or soon enough.

Also, you don't have private doctors because they lack hospital privileges. The medical schools can withhold privileges from doctors. With litigation costs so high, the doctors are fearful to practice in a community where they don't have the backup [of a hospital where they can admit patients.] As a result you have the flight syndrome among doctors in the community. So there are not enough doctors in the community.

Let's say you're a surgeon. You've trained but didn't pass your Boards. The chairman of Downstate Department of Surgery will not let you in. Similarly if you're an internist, but the chairman doesn't like you because you disagreed with him. He controls hospitals. You can't take on this establishment without tons of money. Even if you win, you ask your-

self, "is it worth it?" unless you're a fighter. Because who will be benefited? It's for the benefit of your patients. You won't benefit, they'll make your life difficult. Have you heard of the Peer Review Organization point system? So I get these patients here, because the department chairmen keep the local doctors from practicing out there, because they can't get hospital privileges. I ask HHC not to let them make life difficult for our doctors and patients. Affiliation leads to the degradation of patients.

Our nation is making a terrible mistake leading to catastrophe. Without adequate health care, no country can survive. We see our health eroding rapidly because we don't see that the wealth of a country depends on the health of its inhabitants.

EIR: Recently there was an article in the *New England Journal of Medicine* showing a life expectancy of 51 among black



In New York's notoriously depressed South Bronx, this onetime emergency room was replaced by a small "community clinic." Says Dr. Clarke, "We see our health eroding rapidly because we don't see that the wealth of a country depends on the health of its inhabitants."

males in Harlem. In such a case, you hardly get any social return from the cost of a person's upbringing and education. **Dr. Clarke:** Take five people out of Harlem, send them to medical school, investing thousands of dollars, what's your return? Virtually zero. We, as a country, use every degrading adjective to describe our own situation when it is seen in a Third World country. One of the best articles on this is in today's [Feb. 15] *Newsday*. This article says that the conditions of the poor in New York are just like the poor in Johannesburg. South Africa is right here in New York. Soweto is just like our poor communities.

We have four kinds of medicine here: 1) whites, 2) blacks, 3) rich, 4) poor. Don't see this as a racist statement. With the poor there are the sub-categories, black and white. Poor white treatment is very different from poor black. Rich blacks do not get the same treatment as rich white, theirs is also much inferior. The most ironic thing happened here once. The CEO of Maimonides Hospital had just sent a memorandum on who not to accept as a patient at the hospital. He was seriously injured in an accident, but, when he was brought to his own hospital, they turned him away. He was sent away and died here.

The only way we'll get a foothold on health care will be if everyone is given the same level of care. We must go to socialized medicine. This doesn't exclude a private medical sector. If you want a free facelift, that's okay if you have the money.

EIR: Do all of the medical schools have private hospitals at the same time they are affiliated to city hospitals?

Dr. Clarke: Here are some examples: Einstein Medical School and Jacobi Hospital; Mount Sinai Medical School and Elmhurst General Hospital; New York Medical College and Metropolitan Hospital; Columbia University Medical School and Harlem Hospital; New York University Medical School and Bellevue Hospital.

Here is a case in point of how the system works. New York University is affiliated with Bellevue. A prisoner [being treated] at Bellevue needed radiation treatment for cancer, which is available at NYU, but not at Bellevue. NYU said they would not treat him, so he was sent here. This exemplifies also how they get money from the HHC.

Montefiore, a private hospital, cares for Rikers Island prisoners under a contract. Montefiore insisted on the city having the medical facility at Rikers rebuilt. The city paid Montefiore doctors to work there, but they never complained about the squalid conditions at Rikers. None of these patients end up being cared for at Montefiore. They don't want any handcuffed patients at such a pristine place. So they end up at Kings County Hospital! Yet it's a \$36 million contract. Even if we paid \$10 million in salaries for the Montefiore doctors, it's still \$26 million we save the city by treating them at Kings County Hospital. Why pay another hospital for this?

South Africa: a powerhouse for regional development

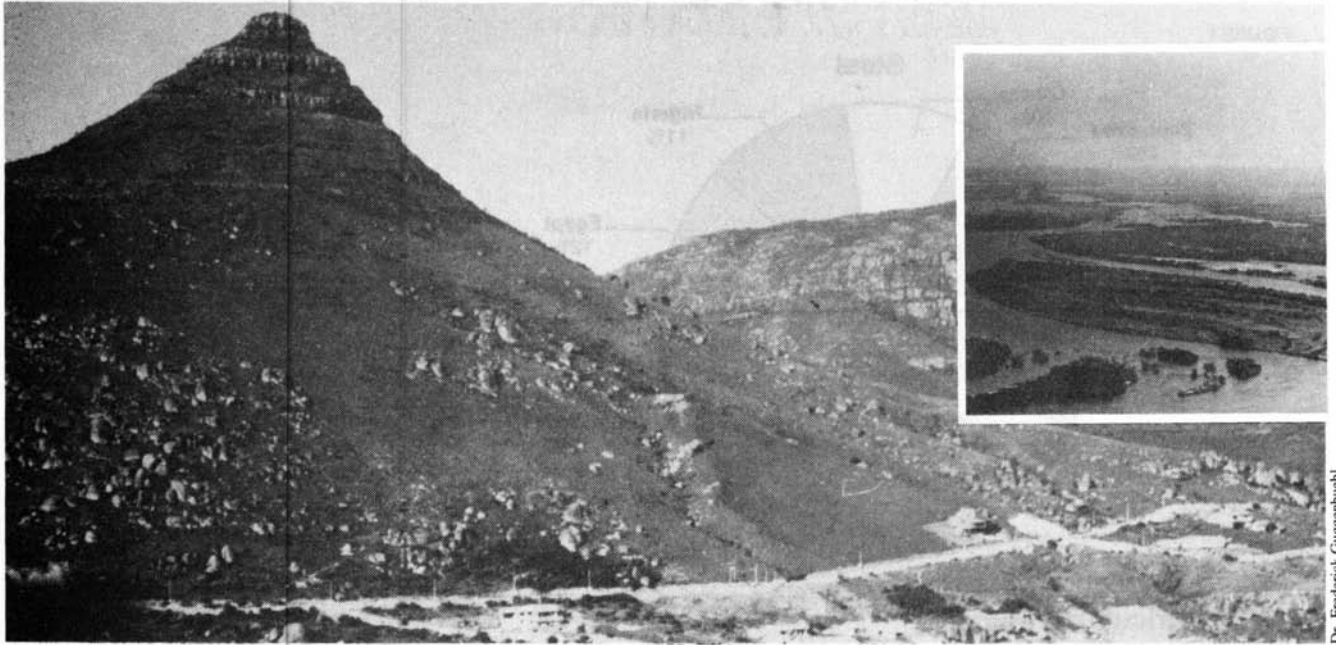
by Roger Moore

The recent dramatic developments in the Republic of South Africa, with the legalization of the African National Congress and the freeing of Nelson Mandela, have brought that nation to the point that, if its leaders act wisely and with vision, South Africa can not only resolve its racial and tribal conflicts, but can become a powerhouse for the economic development of southern Africa as a whole.

As Lyndon LaRouche commented upon hearing of Mandela's release (*EIR*, Feb. 23, 1990), "The problem is developing a high-technology structure, to build up the basic economic infrastructure and the social, that is, educational and medical infrastructure, required to elevate the entirety of the population of the region, beginning with South Africa itself, to a level of cultural potential and economic potential for proliferation of small, relatively high-technology firms, and including the development of an independent flourishing African agriculture to match the quality of the Afrikaaner farms in that region." Unless this is done, LaRouche warned, a "Dionysiac explosion" will be the result.

The role of South Africa's industry and scientific agriculture in uplifting the surrounding nations, must complement the project to build a Paris-Berlin-Vienna triangle of high-technology development in Europe, as LaRouche has specified. From this European center, spokes will radiate outward into the nations of the Third World. One key example of how this will work is nuclear energy: German nuclear technology can provide the necessary input for rapid development of southern Africa. This was the kind of vision that was blocked by the murder of Dresdner Bank's Jürgen Ponto and industrialist Hanns-Martin Schleyer in 1977.

The material on South Africa's economic potential which we present below was developed by *EIR*'s bureau in Wiesbaden, West Germany, in 1987, as part of a campaign to prevent the imposition of international economic sanctions on South Africa. Such sanctions, we argued—as did moderate black leaders such as KwaZulu Chief Mangosuthu Buthelezi—would hurt blacks the most, and would do nothing to eliminate apartheid. Now, with the freeing of Mandela, the sanctions



Dr. Frederick Guggenbuehl

Water projects are the key to the development of southern Africa. On the left are the arid hills along Capetown Road in South Africa; inset is the Zambezi River, flowing through Zimbabwe. South Africa has energy, industry, and technology—but little water; its neighbors have plenty of undeveloped water resources, but lack energy resources and know-how. It's a natural basis for a community of principle for economic development.

must be lifted immediately, and South Africa given the international support required to implement a comprehensive development program.

Can Africa be saved?

EIR has one overriding criterion for analyzing South Africa, its internal dilemma, and its relations with its neighbors: Can this economic powerhouse become the cornerstone for saving Africa? Africa is dying. The future of southern Africa depends on the further industrial development of something the world unfortunately knows little about, the Pretoria/Witwatersrand/Vereeniging region (PWV). Being the location of the major gold reefs, large coal reserves, and the minerals of the bushveld igneous complex, the area had a head start in the generating of wealth. But this is only secondary to the fact that the surplus from this wealth was reinvested into the creation of the biggest industrial economy on the African continent. It was the political battles of republican-oriented elements which ensured that the profits from the raw materials were rechanneled within the country for the creation of infrastructure, industrial jobs, and new wealth production.

From Zaire to Mozambique, the fate of black African nations depends on the unleashing of further wealth production in the industrial regions of South Africa, their natural ally in building and financing the essential infrastructure projects denied them by the International Monetary Fund (IMF) and World Bank. South Africa itself needs a new sense of nationhood, uniting all groups in the great task of bringing prosperi-

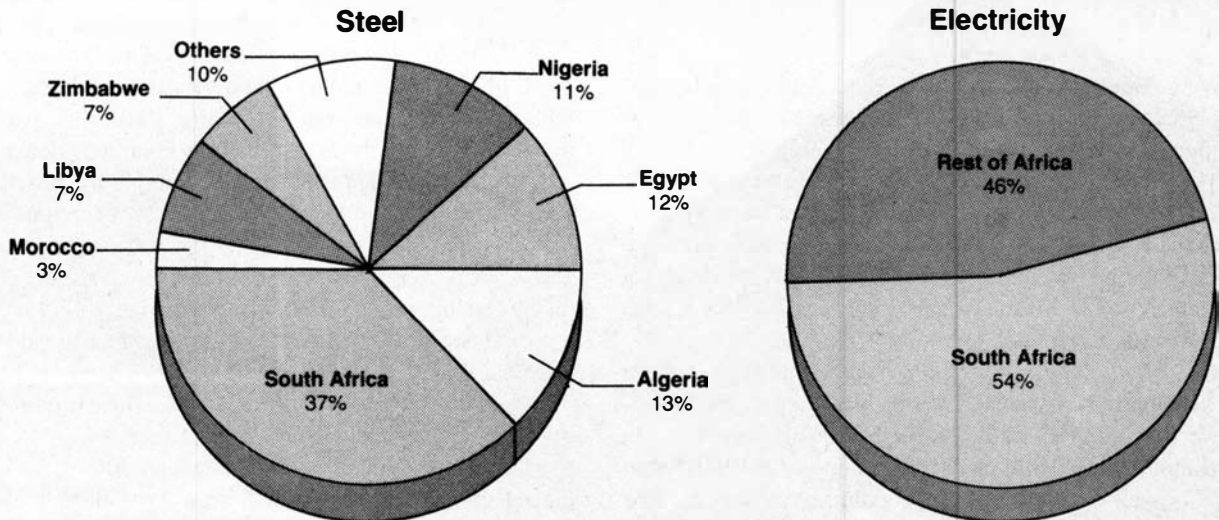
ty to sub-Saharan Africa.

Figure 1 shows how the South African economy dwarfs that of neighboring nations. The energy production figure is one of the most revealing. Throughout the postwar period, South Africa's Electricity Supply Commission (ESCOM) pursued a policy of rapidly expanding energy production as one of the key infrastructural prerequisites for the creation of an urbanized industrial workforce. Electricity supplies are increasing at the rate of 6% per year. Throughout black Africa, though, the word from the IMF and World Bank, is that Africa should not engage in large capital projects. Per capita and per hectare energy consumption figures are disastrously below levels required for modern agricultural and industry sectors, thus condemning most of the population to "appropriate technology" subsistence agriculture.

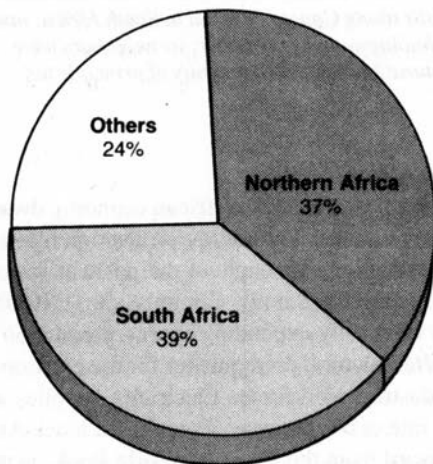
The steel production figure reflects the commitment, since 1928, to pull South Africa's economy out of the grip of being a colonial dependency on the British Empire. In a manner similar to the Hamiltonian economic policy of the young United States, leading strata implemented their right to develop domestic manufactures. The 1928 founding of the state steel company, ISCOR, was the first phase. Tariffs and protectionism were used for a systematic policy of import substitution.

The tractor figure is a useful measure of energy and capital intensity in agriculture, of the move away from subsistence agriculture. In the land mass between the Sahara Desert and the borders of South Africa there were only 113,000

FIGURE 1



Agricultural tractors



	Steel (000 metric tons)	Electricity (million kWh)	Tractors (000s)
Africa	17,445	201	471
South Africa	6,467	109	182
Algeria	2,291	7	45
Egypt	2,064	18	40
Ghana	—	5	—
Libya	1,155	6	16
Morocco	594	6	25
Nigeria	1,930	8	9
Tanzania	—	—	19
Tunisia	—	—	36
Sudan	—	—	12
Zambia	—	11	—
Zaire	—	4	—
Zimbabwe	806	4	21

Figures are for 1982.
Sources: U.N., FAO

tractors as of 1982.

Agriculture: no to Malthus

The World Bank, the IMF, the Club of Rome, the U.N. Food and Agriculture Organization, the International Institute for Applied Systems Analysis, and the U.S. State Department's AID all promote the dogma that the cause of collapsing per capita food production in Africa is overpopulation. The malthusians of these institutions dream of a permanently rural, idyllic Africa, whose population is held in balance by famine, disease, and war. As Prince Philip of the World Wildlife Fund stated in 1986, "The human population

needs to be culled." In this sense, real apartheid means maintaining people in their primitive, "self-subsistence" state, the situation imposed on colonial and post-independence Africa by international financial institutions.

Africa needs modern agriculture, simultaneous with infrastructure and urban industry. South Africa is proof positive that modern agriculture is possible on the African continent. Its low and unreliable rainfall means that only 12% of the country is suitable for dry land crop production (suitable soil with a slope under 15%, and sufficient, reliable rain that the soil can store and release for the crop). It would seem to be a most unlikely candidate to be self-sufficient in food

production—but today, it almost is. Seventy thousand farming units employing 1 million rural inhabitants virtually feed the country of over 30 million.

South Africa tackles the problem of feeding its rapidly growing population by using modern technology and irrigation. South Africa is a world leader in the use of surface water resources for irrigation—78% in 1972, compared to 46% in the United States. On lands irrigated with state water, 70% is surface distributed, 29% by sprinkler, and 1% by drip. Since the very beginning of European settlement in the Cape in the 1650s, the question of capturing water for agricultural and other uses has been a central concern. Of the 52,000 million cubic meters of water flowing in South Africa's rivers, potentially only 31,000 million cubic meters per annum can be captured with dams for urban, irrigation, and hydroelectric use. Ground water (through drilling of wells) can yield another 1,100 million cubic per annum. In 1980, South Africa's well-developed and expanding water capture and dam system was already capturing and distributing 40%—over 13,000 million cubic meters—of this potential for all purposes, of which 9,600 million cubic meters per annum was for irrigation. In order to remain self-sufficient in food production, by the year 2020 South Africa intends to double the volume of water available for irrigation. If extremely dry South Africa can feed its population, than almost anybody can—with technology and skills.

Industry and apartheid

Compared to its neighbors, South Africa is characterized by a high percentage of labor employed in industry—29% in 1980, compared to 15% in Zimbabwe and 16% in Angola. By 1980, manufacturing and construction combined provided more employment than either mining or agriculture. It is this creation of an urbanized, increasingly skilled, industrial work force, backed up by an expanding infrastructure, that makes South Africa the hope of the entire region.

The single most important factor creating the conditions for the end of apartheid has been the postwar infrastructure and industrial boom. It has been the increasing demand for more and increasingly skilled labor in the industrial centers of the PWV region, Durban, and the Eastern Cape, that brought blacks out of the rural, subsistence agricultural existence, typical for most of Africa. Almost 80% of Africa's population is non-urban, whereas for South Africa, the figure is 50%, with 39% of blacks urbanized. With the end of the apartheid system's Pass Laws, South Africa began to plan major investments into urban infrastructure, housing, and education, for the expected increase in black urbanization. For this reason, most industry and trade associations in South Africa realized early on that apartheid was becoming an economic irrationality, slowing down economic growth. The architects of this industrial growth became the political lobby for many of the reforms that are being implemented.

The approach of these circles is very similar to the ap-

proach of the U.S. Republican Party toward slavery, after the party's founding in 1854. The most important architect of the policy was party co-founder and later economic adviser to the Lincoln administration Henry C. Carey. Carey was a protectionist and founder of the Iron and Steel Association, who developed a program for ending slavery by extending industry deep into the South, thereby creating a demand for industrial labor which could only be filled by the progressive end of the mono-crop chattel slave economy of cotton. Manufactures were to be promoted into the South, using the coal and water power of the region. The policy was not one of a dictate ending slavery, but of holding the Union together with industrial development, in a way which would itself wipe out the blight of slavery. It was only the joint parallel deployment of radical Abolitionists and British Empire backing for the slaveocracy which forced the civil war.

The composition of South Africa's labor force is without precedent in Africa. The growth from 1945-65 and 1965-75 represents the postwar takeoff. In 1948, with the coming to power of the National Party, new import controls were implemented to create import substitution industries. Thus, at the same time that the National Party began perfecting the bureaucratic apparatus of apartheid, they also created the demand for black labor that created the leverage for ending apartheid.

Imports as a percentage of total production declined from 62.5% in 1945 to 40.3% in 1955 and 33.8% in 1965. Domestic industries for the production of consumer goods accounted for much of the industrial growth, but the expansion of heavy industry and machinery was also taking place in parallel. Employment in production of metal products grew from 54,100 in 1951 to 135,500 in 1982—a 250% increase.

The growing importance of industry is also reflected by the fact that since the beginning of the 1980s, it has consumed more electricity than mining.

The year 1975 represented for South Africa and southern Africa a breaking point in the postwar industrialization of the region. Three factors converged to slow down the rate of growth: 1) The early 1970s shift globally to the idea of a "post-industrial society," with the proliferation of the zero growth movement, malthusian institutions like the Club of Rome, and the brutal imposition of such policies on the Third World via institutions such as the IMF and World Bank. The result of this shift we see most viciously in Africa today, with starvation, the AIDS plague, and the locust infestation. 2) The conscious decision by Western policymakers of the stripe of Henry Kissinger to permit the Soviets and Cubans to implant themselves in the region, in Angola, as a permanent counterweight to South Africa's economic and military power. 3) The effect of apartheid on suppressing the rate of development of black skilled labor.

Table 1 documents this turning point. In 1975, some 1,308,000 were employed in manufacturing and 484,000 in construction. In 1984, nine years later, 1.4 million were

TABLE 1

Labor employment by sector

	Year	Mining*	Manufacturing	Construction	Electricity	S.A. Transport Services	Commerce, finance	Services
	1945	473,000	353,000	34,000	10,500	150,000	—	—
	1955	540,000	632,000	107,500	18,000	210,500	—	—
Postwar takeoff	1960	—	—	—	—	—	642,500	1,137,000
	1965	634,000	913,500	193,500	17,300	227,000	—	—
	1970	—	—	—	—	—	898,000	1,596,000
	1975	639,500	1,308,000	483,500	33,000	250,000	—	—
Stagnation	1980	—	—	—	—	—	1,294,000	1,986,000
	1984	711,500	1,399,000	415,000	63,600	240,000	—	—

*Does not include foreign migrant labor.

employed in manufacturing and 415,000 in construction—complete stagnation. By 1976, the steel company ISCOR had completed its last major expansion, with its Greenfield plant in Newcastle, Natal. The plant was to be the core of a vast industrialization scheme in Natal's Tugela basin. Metal industries using ISCOR's steel were supposed to be developed, but the plans were never realized, and expansion plans for the steel complex also never went into effect. The growth of large squatter slums surrounding Durban are a direct consequence of this.

Probably the most serious, long-term damage of apartheid has been its impact on education and black labor skills. In the original apartheid planning, blacks were to live in homelands under a largely subsistence economic mode, with limited numbers of them being permitted under an "influx control" and a pass system to function within the "white" economy, when necessary. Dormitory systems for mining are a product of this, as well the semi-dormitory status that prevailed in many townships.

In the words of apartheid architect former Prime Minister Verwoerd, blacks should be educated for their "place" in society.

Forty percent of the black population aged 20 years and older in 1980 had no formal schooling. Skilled labor demand in the 1950s and 1960s was originally met by immigration from Europe and by raising the skill levels of whites. In the 1960s, one-half of the skilled labor requirement was met by immigration from abroad, sustaining 9% per annum rates of growth in industrial production.

While one could acknowledge that per capita education expenditures for blacks in South Africa are above most African figures, they were way short of what was required to build an increasingly skilled labor force. Table 2 makes clear that between 1965 and 1983, there has been no substantial shift in the skill levels of employed blacks.

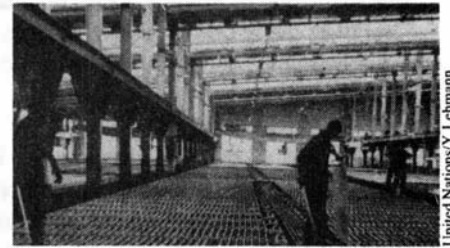
By the mid- to late 1970s, the South African economy had built up a physical infrastructure capable of sustaining a significant lunge forward in industrial capacity. Even if regional cooperation had been in place, the underinvestment in the "market basket" of consumption for blacks had created a mammoth skill deficit. As J.A. Lombard of the Development Bank of Southern Africa stated in 1981, "Because the South African production function will, to a far greater extent than ever before, have to rely on the supply of skills from the domestic black population, and because this means a costly and time-consuming process of industrial culturalization and urbanization of the available economically active population, the rate of increase of final output during the 1980s cannot for the time being reach the high levels of the 1960s." Because of the early recognition of this crisis, the architects of South Africa's industrialization began the process of reforms designed to make available to blacks the necessary access to modern industrial culture and its concomitant political rights.

Even with key aspects of the world economy in the hands of malthusian institutions, South Africa's dirigist commitment to bringing industrial culture to Africa could have made progress in the region, much the same way Japan has been able to be the motor for industrialization in the Asian Pacific Rim. By the beginning of the 1970s, plans were already being implemented for extending infrastructure north into the continent. Exploiting the fact that colonial Portugal had to seriously confront the question of developing its colonies, if it wanted to maintain any influence at all, South Africa negotiated the construction of the Ruacana Falls hydroelectric project in southern Angola and participated in the Cahora Bassa project in Mozambique. Built in part by South Africa companies, the projects were conceived as permitting the colonies (and later, countries) to develop their water resources by exploiting the economies of scale inherent in the

TABLE 2

Skill levels of employed blacks in South Africa

	1965		1975		1983	
High	51,062	3.0%	139,305	5.0%	159,679	5.0%
Middle	92,236	5.0%	201,923	7.0%	339,876	11.0%
Low	1,715,365	92.0%	2,467,541	88.0%	2,531,015	84.0%

*Copper refinery in Ndola, Zambia.*

Ulrich Nations Y. Lehmann

electricity demand of South Africa. Dependable electrical power and water use supplies would be available in those countries for economic development. Both projects exist now, but largely underutilized.

In 1974-75, in the context of seeking a negotiated settlement to the Rhodesia crisis, South African Prime Minister Vorster and his representatives were discussing détente and co-prosperity schemes with Kenneth Kaunda of Zambia. But by the mid-1980s, Kaunda was calling for economic sanctions against South Africa. The difference was the Soviet-Cuban takeover in Angola, a permanent destabilizing factor in the region.

The postwar development of the southern Africa region, centered on South Africa's increasing industrialization and urbanization, created a very favorable and necessary interdependency among the nations of the region. It is the basis upon which a community of principle could be constructed.

In the discussion below, we outline some of the principal features of this relationship today, which provide the basis for rapid expansion.

Rail and ports

Because of the pattern of railroad development at the end of the 1800s and the beginning of the 1900s, and the concentration of minerals in the Zairean (Shaba Province), Zambian, and South African mineral belts, southern Africa developed a fairly integrated, dense railroad grid, unlike the rest of sub-Saharan Africa. By World War I, most of the grid was in place. By 1922, with the incorporation of South West Africa's grid inherited from the former German colony, the South African Transport Services (SATS) became—and remains to this day—the anchor of the entire southern African rail grid and port system, also managed by SATS (see Table 3). With 24,500 kilometers of track under its management, SATS supervises 25% of all Africa's rail mileage. The present track density in Europe is 700 kilometers of track for every 1 million inhabitants; for Africa, without South Africa and Namibia, it is 150 km; but in South Africa-Namibia it is 766 km.

Before the 1975 takeover of pro-Soviet governments in Angola and Mozambique, this regional system functioned without any serious disruptions. The post-independence de-

TABLE 3

Imports and exports via South African Transport Services

%

	Imports	Exports
Zaire	57	45 (copper) 60 (lead and tin) 40 (cobalt)
Zambia	70	40
Malawi	60	50
Zimbabwe	68	65

cline of many sections of this grid outside of SATS was in part due to the outflux of Europeans and in part to the emerging financial squeeze under IMF policy. With the 1975 civil war in Angola, the Benguela line into Shaba Province of Zaire was closed. Otherwise, most sections of this grid have been functioning, with Zambia, Zimbabwe, Botswana, Lesotho, Swaziland, and Mozambique all having normal rail agreements with SATS. Civil war conditions in Mozambique, and poor quality of rail, harbor, and administration of the Tazara 1,800-kilometer rail link built in the 1960s by Communist China from Kapiri Mposhi in Zambia to Dar es Salaam, Tanzania, have created a situation where much of regional freight for export out of southern Africa ends up running over SATS rail and harbor facilities. In 1979, Zambia shipped 452,000 tons by the Tazara line, compared to 637,000 tons over the South African route.

Zambia is currently trying to diversify more of its freight traffic to non-South African rail lines. This has led to strong protests from Zambian companies dependent on imports, since when their exports are shipped out over non-South Africa routes, it can take 5-10 times longer, thus delaying the inflow of foreign exchange needed to procure replacement parts.

South Africa and Mozambique work closely together in maintaining the rail line from the Pretoria-Witwatersrand

area to the port of Maputo. Up to one-third of Mozambique's foreign exchange earnings derive from the shipping of Witwatersrand freight overseas via Maputo.

Power and water

The use of the financial surplus from South Africa's mines, the result of the region's labor and South Africa's mining skill and technology, is the legitimate object of negotiations for the region. The "Great Projects" for southern Africa that ought to be financed, center on power and water. South Africa has plenty of the former—primarily coal-generated—and a scarcity of the latter. South Africa's neighbors need energy, but have plenty of undeveloped water resources. South Africa's need for water is a vital strategic matter. If it cannot negotiate access to its neighbors' water, it will have a large shortage in 20 years and will have to begin implementing zero economic and population growth policies.

In the accompanying article by South African water engineer Desmond Midgley, we present one plan for aggressive regional development of water and hydropower resources. The buoyant optimism of his opening paragraphs should be contrasted with the malthusian pessimism of the IMF and World Bank on such matters.

There are currently two hydro-electric facilities in the region, aided by South Africa, that are largely unused due to political instability. Cahora Bassa, on the Zambezi River in northern Mozambique, is a 1,425 MW dam that is only intermittently in use because of Renamo guerrilla sabotage activities against the two transmission lines. Mozambique is committed by treaty to the delivery of 1,350 MW to South Africa.

In southern Angola, the Ruacana Falls project on the Cunene River, on the border with Namibia, is a 240 MW unit which is not producing much power, because the Angolans will not permit the regulating dam at Calueque to be completed. Both problems derive from the Soviet entry into the region with the collapse of the Portuguese colonies in 1974-75.

Internal regional trade

Due to the fact that South Africa is surrounded by nations that for the most part are still dominated by typical colonial economy structures—raw material exports and subsistence agriculture—the volume of trade within the region is correspondingly constrained.

The only significant exception is the nation of Zimbabwe. During the Rhodesia crisis and after the country's Unilateral Declaration of Independence from the British, the industrial sector was built up in a dirigist manner, because of international sanctions. In 1964, a preferential trade agreement was signed with South Africa, such that 18.1% (in 1983) of total exports and 40% of its manufactured exports go to South Africa.

Water and electric power to develop southern Africa

by D.C. Midgley

The article excerpted here, by South African water engineer Desmond Midgley, which first appeared in Africa Insight (Vol. 14, No. 4, 1984), presents one possible plan for rapidly expanding the economic potential of southern Africa as a whole, through regional cooperation in the development of water and electric power resources. Professor Midgley was formerly a professor in the Faculty of Engineering at the University of the Witwatersrand.

... It is by no means in South Africa's interests to be surrounded by less-developed impoverished neighbors, many of whom naturally resent their dependence on South Africa. Some make no secret of their steps to sever links and form an independent bloc. There are elements, too, who would aid and abet the undisguised Russian efforts to gain control of the South African economy. . . .

The southern subcontinent has enormous natural resources and South Africa has the technical know-how with which, provided there is cooperation, to bring southern Africa to a level of development comparable with that of the United States within a couple of decades. . . .

Secondary industry, both agricultural and manufacturing, must be expanded along with the necessary training facilities. Plants must be erected to beneficiate locally the raw materials in which these countries are so rich—rather than that they should continue merely to export and thus remain for too long reliant on primary industry, in some cases based on mining of a single ore—for example Zambia's copper.

Few countries are as well placed as South Africa to help expand the infrastructure and with it the prosperity of the southern subcontinent. The incentive to do so lies chiefly in the advantages to be gained from cooperation in the development of water and electric power resources.

Resources and demands

South Africa's Electricity and Supply Commission (ESCOM) provides 80% of the country's electricity needs and much of the demand of several neighbor states. ESCOM's present installed capacity (1984) is about 20,000 MW and, if past growth rates persist, will by the year 2020 have to exceed 200,000 MW to meet an energy demand exceeding

TABLE 1

Demand/resource scenarios 1980 to 2020

Year	1980	1990	2000	2010	2020
Water demands:	(values in millions m ³)				
Domestic and industrial	2,706	4,349	6,719	10,657	17,376
Afforestation	1,352	1,726	2,097	3,232	4,364
Irrigation	9,640	10,275	12,445	15,075	18,295
Totals	13,698	16,340	21,261	28,964	40,035
Exploitable resources:	29,528	29,528	29,528	29,528	29,528
Deficits	—	—	—	—	10,507

Source: *Africa Insight*

1 million GWh. . . .

On the question of water, the fact that South Africa's resources are meagre is already widely known. What is appreciated less is the fact that about three-quarters of the surface water-resources occur in rivers that either rise in or flow through neighboring sovereign, national, or self-governing states. It can therefore be misleading to compare, on a global basis, the exploitable water resources of the country (*viz* about 34,000 million cubic meters per annum) with South Africa's projected total water demands (say 32,000 million cubic meters per annum by the year 2020) and to decide from this that there is enough water to meet future needs for the next generation or so! In the first place, neighbor countries have legitimate claims to much of the same water, and secondly, there are regional constraints to the transfer of water from some of the areas of surplus to the identifiable areas of shortage. . . .

Dr. Van der Riet [of the Hydrological Research Unit of the University of Witwatersrand, author of report HRU 5/80, "Cooperative Water Resources Development in Southern Africa"] projected South Africa's demands under various categories on a regional basis in such a way that they could be compared with the regional exploitable water resources. He based his estimates of the irrigation water demand on the assumption that South Africa would have to aim for self-sufficiency in food production, and accordingly, that irrigation development would have to expand at the rate of at least 2% per annum. . . .

Dr. Van der Riet carefully went into future requirements of water for power station cooling (allowing for the introduction of dry-cooling), water for expansion of oil-from-coal production, and the effects on river runoff of expanding afforestation to meet the country's timber and pulp and paper needs. The demand/resource scenarios studied are summarized in **Table 1**.

As may be seen, the deficit rises rapidly during the second decade of the next century. About 80% of the deficit would be associated with the core region surrounding the PWV

complex [Pretoria/Witwatersrand/Vereeniging] and can largely be made good by transferring water from the upper Orange and Tugela river systems, but there would still be a shortfall of about 3,000 million cubic meters. . . .

The question arises: what options are open for handling the projected shortfall in the core region?

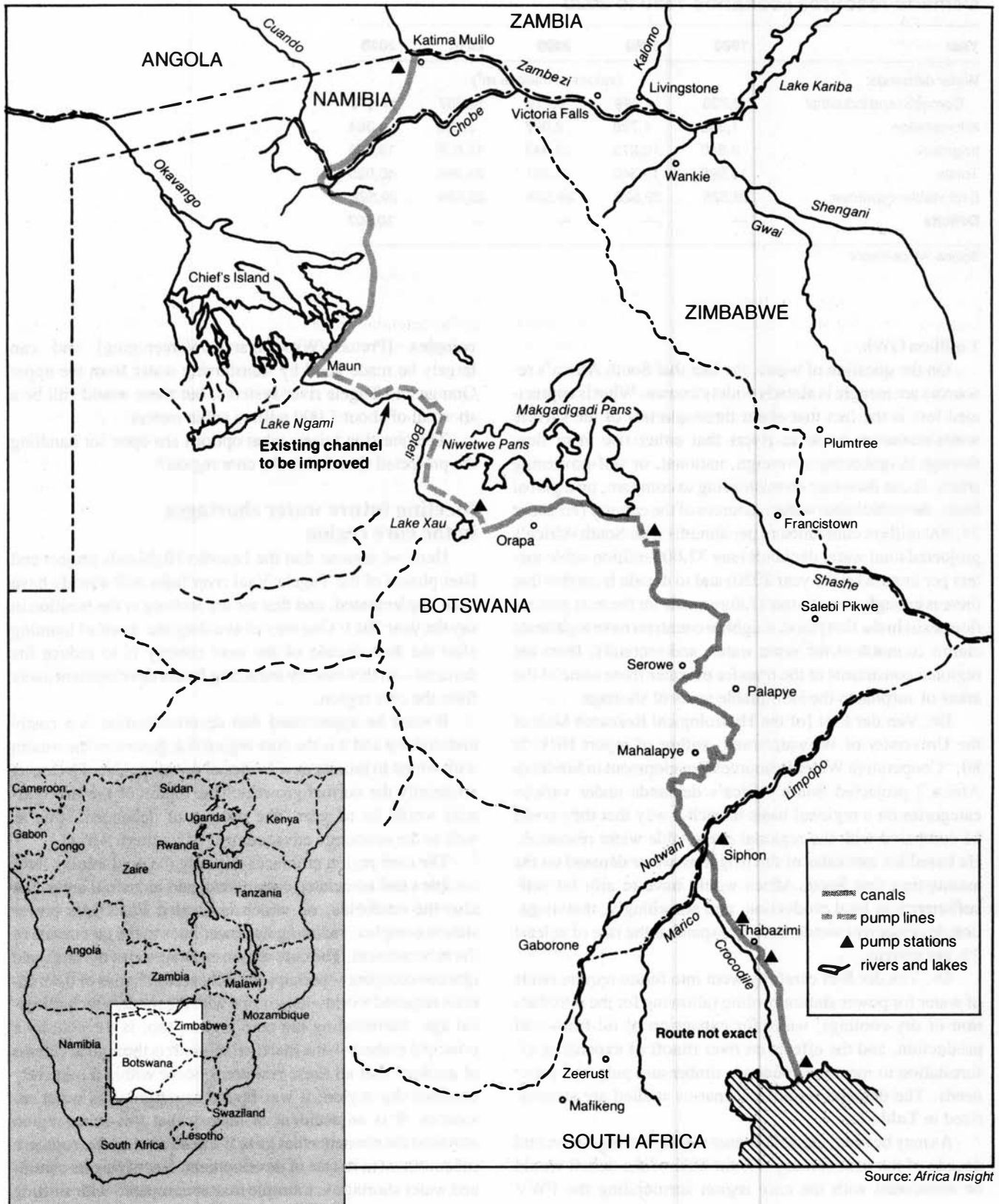
Meeting future water shortages in the core region

Here we assume that the Lesotho Highlands project and later phases of the Tugela-Vaal river links will already have been implemented, and that we are looking at the position in say the year 2011. One way of avoiding the shortfall looming after the first decade of the next century is to reduce the demand—in this case by attracting future development away from the core region. . . .

It must be appreciated that deconcentration is a costly undertaking and it is the core region that generates the wealth with which to initiate new modes of development. To restrict artificially the normal growth of the region of the subcontinent would be to retard the process of deconcentration as well as the economic advancement of southern Africa.

The core region embraces not only the gold mining Reef complex and associated commercial and industrial areas, but also the coalfields, on which is located ESCOM's power station complex, radiating its power lines to the far corners of the subcontinent. The core region embraces also the bushveld igneous complex—perhaps the richest storehouse of the minerals required worldwide to cope with the modern technological age. Surrounding the core region, too, is the country's principal granary—the maize triangle. It is through accidents of geology that all these resources occur within a relatively confined dry region; it was bound to outgrow its water resources. It is an accident of history that this same region acquired the elements that gave it a head start on the southern subcontinent in its rate of development. Rectifying its continued water shortage is a simple matter compared with shifting

Proposed Okavango and Zambezi water transfer projects



the center of gravity of growth.

Overcoming the water shortage by importation from neighboring countries, in preference to pumping desalinated seawater to the interior, has many advantages. As long as the huge market for water in the core region continues to grow, the prospects for cooperative water supply schemes remain rosy. . . .

As the map shows, water could be abstracted from the Zambezi on the border between Zambia and Namibia, at Katimo Mulilo, from where the water carrier would traverse the Caprivi Strip, the Chobe Valley and the Chobe-Okavango watershed and, skirting the Okavango delta, discharge into the Boteti River near Maun. From Maun to Mopipi the aqueduct would be the natural channel of the Boteti suitably modified to minimize losses. Near Mopipi there would be a pump station to boost the flow into a canal leading to the southern extremity of the Makgadigadi Pans where the water would have to be lifted about 200 meters to the Limpopo watershed. From here a gravity canal would lead the flow southward, past Serowe, through the water-short ranching areas of eastern Botswana. There would be a tunnel south of Mahalapye and the main aqueduct would cross the Notwani and Limpopo rivers by siphon to proceed up the Crocodile valley through a series of pump stations as far as Hartbeespoort Dam.

Branch lines could be taken off to Gaborone, the capital of Botswana, and to other growth points, such as Selibi Pikwe in Botswana and Thabazimbi, Mafikeng, and other towns in Bophuthatswana. . . .

Desk studies of schemes to import water from the Zambezi and/or the Okavango system at rates of up to about 3,000 million cubic meters per annum were made some time ago. With its 1,340 kilometers of canals and 80 kilometers of tunnels, pipelines and siphons, the Zambezi-Transvaal link would constitute one of the world's largest water transfer projects. At 1980 prices the capital cost was estimated at close to 3,000 million rands [South African currency], which is comparable with that of one of ESCOM's modern power stations. Operating cost would run to 262 million rands for delivery of roughly 100 cubic meters per second (over 3,000 million cubic meters per annum). Desalination of sea water and pumping to the Reef would involve seven times the capital outlay and six times the operating costs!

There is another way of helping to forestall the predicted water shortage and that is by importing electric power. Even with the introduction of dry cooling, the water requirements of the power complex are substantial. Imported, in place of locally generated, electricity holds attractive mutual advantages similar to those associated with the importation of water from neighboring states.

A subcontinental electricity grid

The hydro-electric resources of the African continent amount to more than 16% of the world total. Zaire, Angola,

and Mozambique alone account for 63% of the African total. In sharp contrast to the position in the developed part of the world, where future hydro expansion is likely to be constrained by social, economic, and environmental factors, most of the potential in Africa is likely to lie untapped for generations unless cooperative schemes to take advantage of the huge South African market can materialize.

As indicated earlier, the South African energy demand is likely to exceed 300,000 GWh per annum by the close of the century and to pass the 1 million GWh mark within the following two decades. If these demands are to be met entirely from local sources, most of the country's non-renewable energy resources may be fully committed, unless nuclear breeder stations will have become viable by that time. On the other hand, Zaire, Angola, and Mozambique will still have about 700,000 GWh per annum of surplus hydro potential. In fact the largest concentration of potential hydropower in the world is to be found at the Inga site on the Zaire River, where a 120-meter-high dam could be equipped with up to 35,000 MW to generate 300,000 GWh per annum of firm power. The whole output could be absorbed in the South African grid within a period of about 11 years. The distance from Inga to the nearest connection to the ESCOM grid is much the same as that from Cabora Bassa Dam to Irene. In 1980 the unit cost of energy from Inga was estimated at 0.98 cents per kWh compared with coal-fired energy at 1.55 cents per kWh. The net annual benefit of establishing an energy supply from Inga would be sufficient to provide the capital to build a cooperative water supply from the Zambezi.

The potential for large-scale base load hydro-energy export is not confined to Inga. In both Angola and Mozambique there are many large rivers on which substantial hydro-stations could be built and linked into the expanding network. The installed capacity at Cabora Bassa could be doubled by building the north bank power plant and additional stations on the Zambezi could increase the total capacity to 9,000 MW. . . .

Conclusion

The relatively developed, dry south of the southern subcontinent of Africa contrasts markedly with the less developed but well-watered north.

It is the common interest that economic advancement and living standards should be raised to equivalent levels throughout southern Africa. Substantial steps in this direction can be achieved by implementing cooperative schemes for the transfer of water and water-generated electrical energy from areas of surplus to the centers of demand. . . .

The present worth of cooperative schemes to bring water and electrical energy into South Africa from neighboring states amounts to thousands of millions of rands. There is not one state in the southern subcontinent that would not benefit from one or other of the potential water or power schemes.

Nicaraguans vote against communism, IMF austerity

by Mark Sonnenblick

The Nicaraguan people surprised the world Feb. 25 by voting against tyranny, satanism, pornography, and International Monetary Fund-style austerity. United Nicaraguan Opposition (UNO) candidate, Mrs. Violeta Chamorro, defeated incumbent Sandinista Daniel Ortega by a landslide of 55% to 41%.

In the course of the campaign, the Sandinistas abandoned the ideals they had once professed—for public orgies. In the past, concepts such as social justice, land-for-the-tiller, and defense of the fatherland had been capable of persuading many Nicaraguans to forgo freedom and endure great sacrifices in the hope of a better future. That image of moral purpose was thrown out in favor of maudlin dancing in the streets and glossy posters showing two pairs of naked thighs pressed together, jeans, and a rose crumpled on the floor. The poster reads: “The first time is beautiful when you do it with love; vote for the Sandinistas.”

Bush thought Ortega would win

When this degradation was rejected by Nicaraguan voters, U.S. President George Bush was among those shocked by the outcome. Bush’s public posture, of course, was to back opposition candidate Violeta Chamorro. But, secretly, the Bush administration anticipated the Sandinistas would win a free election. A Bush adviser confirmed that the administration has been holding backroom meetings over the past few months with the Sandinistas, to map out future relations. The adviser, from the “conservative” Heritage Foundation, said Bush had been “totally” surprised by the defeat of Sandinista President Daniel Ortega. “Now, they have to start from ground zero,” he moaned. Exactly what deals were hatched between the Sandinistas and the Bushmen have not yet been made public.

Bush himself, on election day, said he wanted “improved relations” with the flamboyant jive dictator after Ortega’s reelection. George Bush, after all, has gotten along famously with the Chinese Communist butchers and with Soviet dictator Mikhail Gorbachov. And, the professionally orchestrated, banal, pornographic circus with which Ortega conducted the final weeks of his campaign reminded observers of the fantasy-ridden clown-shows at the U.S. Republican and Democratic Party conventions.

Two thousand five hundred “international observers” overran every nook and cranny of the Central American country during the campaign and the elections. Jimmy Carter served—flanked by blue-blood Eastern Establishment hatchet-man Elliot Richardson—as the Great White Father of the motley crew of “observers” from United Nations, the Organization of American States, the U.S. government, and a dozen groups responsible to nobody. Carter is undeniably an expert on vote-fraud, having been elected President of the United States in 1976 by a process which his running mate, Walter Mondale, exalted as “Vote early; vote often.”

The Kissinger-Soviet ‘bargains’

Such an outrageous violation of sovereignty sets a dangerous precedent of one-world government running national elections. It could not have taken place except with the connivance of the Soviet Union. “The Soviet Union played a constructive role in encouraging the Sandinista government to hold these elections,” a senior State Department official briefed reporters on Feb. 28. The official brazenly confirmed that the two superpowers have made “bargains” in which they jointly decide the fate of nation-states in their respective empires. He declared, “I think in an unprecedented way, both sides have been keeping their side of the bargain . . .

to use our respective influence with our respective friends in the world to try to press the Central American peace process forward.”

He spoke just after Bush had given Gorbachov a 40-minute phone call on their hot-line. Bush said the two had had “a very good talk . . . on matters relating to Nicaragua and Central America but also on matters relating to changes in Europe.”

The condominium between two world empires long envisioned by Henry Kissinger is taking shape. In April 1983, Soviet KGB boss and supreme dictator Andropov proposed, in an interview with the West German *Der Spiegel* magazine, a bargain under which the United States would let the Russians perform whatever butchery they pleased in their part of the world, while the Russians would let the United States do as it pleased in the Americas. He specifically equated Afghanistan and Nicaragua.

The Soviets told their assets in the Americas not to respond when the United States invaded Panama in December. A few days later, U.S. Secretary of State James Baker III openly authorized the Red Army to invade Romania. The Soviets did not need to do that, but it served as yet another signal the Bush administration would tolerate the Evil Empire using barbarism to keep itself intact.

The Soviets, at least for the moment, do seem to be keeping their part of the condominium deal. They have reacted with cool equanimity to the defeat of their puppet dictator. Their Foreign Ministry issued a statement on Feb. 27 saying, “Regardless of who won, the Nicaraguans made their choice. . . . They voted for peace, freedom, democracy, national reconciliation and consent, and the country’s revival and social progress.” The Soviets pointedly reminded their Sandinista assets that the bargain was that they would turn over power if they lost. A State Department official explained, “The Soviets made clear publicly that they support the outcome and believe that transfer of power should take place.”

Can Nicaragua rebuild?

Despite the condominium partners’ perverse geopolitical strategies, the Nicaraguan people followed their brethren in Eastern Europe in voting to free themselves of Communist tyranny. That victory can now be concretized—or it can be squandered.

One challenge Mrs. Chamorro faces comes from the hard-liners tied to Cuban dictator Fidel Castro, in the mammoth military and police apparatus which justified its existence by the existence of the 12,000 Contras and the permanent threat of a U.S. invasion. Mrs. Chamorro, on Feb. 28, called for the liquidation of the Contras and insisted that her nation needs only one army and “It will be me who gives the orders.”

But Interior Minister Tomás Borge, one of the Cuban assets, and other military leaders have always seen outgoing President Danny Ortega as a self-inflated showman, capable

of serving many masters. Any promises he makes are not likely to bind them. And Cuban Vice-President Carlos Rafael Rodríguez made a comment on the electoral outcome on Feb. 27 that amounted to a threat: “Thousands who should have supported Sandinism thought they would find in peace the solution to their problems. Life will teach them a bitter lesson.”

Mrs. Chamorro wisely calls for “national reconciliation.” That is a difficult challenge in a small country in which 30,000 friends and relatives have just died in a brutal civil war. A few false steps and the country will fall back into war. One such false step would be the installation of “U.S. advisers” to run a purge of Sandinistas from the Sandinista Army, as demanded by the Feb. 28 *Washington Times*. This would be used by the pro-Cuban faction to justify its refusal to hand over anything.

The biggest trap is the “free enterprise” economics package the United States is determined to impose on the new democratic government. The Sandinistas drove their own supporters into the opposition with a year of sharp economic austerity very similar to what Washington is forcing on all U.S. allies in the Third World. Official Sandinista data show that private consumption has now been cut 70% from what it was when they took power in 1979. Nicaragua now has the dubious honor of passing even Haiti in the race to become the poorest country in the continent.

No big bucks

The political initiative swung to Mrs. Chamorro in the final days of the race, when \$9 million in U.S. government funding belatedly poured in to help her win. It wasn’t that Latin Americans love U.S. intervention, as former Assistant Secretary of State and maniacal Contra supporter Elliott Abrams claimed in the *Los Angeles Times* Feb. 27. Rather, many voters “appeared to believe that a UNO victory offered the best prospect of securing U.S. funds to end the country’s economic misery,” as the *Financial Times* noted.

The Sandinista labor unions are giving Mrs. Chamorro 100 days to meet expectations of higher living standards. But her economic advisers call for savage IMF austerity, including firing tens of thousands of state employees. That, plus the demobilization of Sandinista and Contra soldiers, will create explosive conditions, unless foreign capital funds a rapid reconstruction of the country.

U.S. Senate Minority Leader Robert Dole (R-Kan.) has urged “big bucks” for Nicaragua. But a senior administration official was quoted in the *Wall Street Journal* Feb. 27, “Panama wants \$2 billion. Colombia wants \$2 billion, everyone in Eastern Europe wants \$2 billion. We can’t do it.” Apparently, there were billions of U.S. dollars available to slaughter Panamanians in the illegal military invasion carried out by the United States last Dec. 20—but none to spend saving lives and fostering freedom, now that Nicaraguans have voiced their desire for a better life.

Kaifu II—but still no government

by Uwe Parpart

Following the Liberal Democratic Party's surprisingly large margin of victory in the Feb. 18 lower house elections, Prime Minister and LDP president Toshiki Kaifu, on Feb. 27, was reelected to his office by 286 out of a possible 512 lower house votes, reflecting the LDP's somewhat reduced, but still comfortable absolute majority.

In the general election, the Japan Socialist Party (JSP) of Takako Doi had increased its strength from 85 to 136 seats, but principally at the expense of the smaller Komei, Democratic Socialist, and Communist parties, which between them lost a total of 33 seats. Clearly, in spite of money and sex scandals embroiling leading LDP members through much of last year, Japanese voters opted for continuity rather than Socialist Party experiments.

Still, despite his hard-fought and hard-bought (over \$300 million) election victory, Mr. Kaifu is widely regarded as only a transitional prime minister. He belongs to the LDP's smallest (Komoto) faction, represents no particular domestic or international policy direction, and will likely be replaced by one of the party's "old guard" leaders this coming autumn—or earlier, if he encounters serious difficulties in domestic budgetary questions or upcoming trade and security relations negotiations with the United States.

Waiting in the wings is former Foreign Minister Shintaro Abe, whose LDP faction made significant gains in the Feb. 18 elections, increasing its numbers to 62 lower house members and moving up from fourth to second place in factional rank. The Nakasone faction, now under the new leadership of Michio Watanabe, dropped from second to fourth place, the group of former finance minister Kiichi Miyazawa is third, and ex-Premier Noboru Takeshita's faction (the old Tanaka faction) stays in the lead. Last summer, after the LDP suffered an embarrassing defeat in upper house elections, Mr. Takeshita promoted Mr. Kaifu as a "Mr. Clean," charged with rebuilding the LDP's tarnished image; that job is done now, and, unless a rumored serious illness keeps Mr. Abe on the sidelines, he will accede to the premiership in the course of this year.

The Kaifu II cabinet, presented to the public on Feb. 28, while including 10 newcomers among 18 cabinet ministers, nonetheless also underlines the transitional nature of the undertaking: Retained from Kaifu I were Foreign Minister Taro

Nakayama, an international economics expert, and Finance Minister Ryutaro Hashimoto of the Takeshita faction. Flanked by the new Ministry of International Trade and Industry (MITI) appointee, Mr. Kabun Muto, whose international business experience will be called upon in trade negotiations, they make a team, which has the task of seeing the government budget through parliament and concluding the Structural Impediments Initiative (SII) talks with the U.S. before the early summer G-7 Economic Summit. Mr. Kaifu will represent Japan at that summit, and the end of the summit may well mark the end of his tenure as prime minister.

At the time of this writing, on March 3, Mr. Kaifu is beginning his discussions in Palm Springs, California with President George Bush, with SII and the United States's \$50 billion trade deficit with Japan on top of the agenda. According to Mr. Linn Williams, Deputy U.S. Trade Representative and head of the U.S. SII delegation, "The major reason for a meeting on such an abbreviated schedule is the trade issue, and the sense of a lack of movement, based in some part on a lack of political guidance. That is a primary reason why President Bush wanted the meeting now instead of two months from now."

U.S. seeks to exploit weakness

It appears that the Bush administration has spotted a "window of opportunity": A weak Japanese prime minister is being called on the carpet and will be asked for concessions. Aside from rectification of trade imbalances, which largely reflect the decrepit state of U.S. industry, Mr. Kaifu will, of course, also be called upon to assure the continued flow of Japanese capital into the United States and refrain from the temptation of redirecting these capital flows into Europe, a possibility Mr. Kaifu explored during his early January trip to the EEC nations as well as to Poland and Hungary.

It is well understood in Washington that under the leadership of a strategically more astute and potential near-future Prime Minister Abe, easy bailout deals with Japan for the U.S. economy may be more difficult to come by. Just in case the Japanese government might not fully understand the Bush administration's desires, U.S. Secretary of Defense Richard Cheney during his recent Tokyo visit surprised his hosts with the announcement that "I cannot overemphasize the importance of success of the SII." No misspelling involved—he meant SII, not SDI.

The most worrisome aspect of Kaifu II to many Japanese observers is that after 18 months of scandals and inaction, it will be at least another six to nine months before Japan will have a government capable of decisive international action. Fast-moving events in Eastern Europe and a widely expected renewed and relatively near-term world financial crisis make this intolerable. As one analyst put it, "at an historic juncture, we have no government, no foreign policy—by default, our foreign and economic affairs are being conducted by our trading companies and stocks and bonds salesmen."

Gordievsky on the LaRouche SDI plan

by Jeffrey Steinberg

In a series of interviews in the British and American press, Soviet KGB defector Oleg Gordievsky has claimed that the Kremlin panicked over the American strategic ballistic missile defense plan during the closing days of the Brezhnev era in early 1982. According to the former KGB London station chief, who escaped to the West in 1985 after being exposed as a longtime British double agent, the Soviet leadership was convinced that the United States intended to launch a preemptive nuclear assault on the Soviet Union as soon as the SBMD system was in place.

Gordievsky's pinpointing of the Soviet paranoia to 1982, prior to the death of Leonid Brezhnev on Nov. 10 of that year, is an unmistakable reference to the campaign waged by Lyndon H. LaRouche, Jr. beginning in February 1982, to have the Reagan administration adopt the strategic defense doctrine.

Between February 1982 and April 1983, LaRouche was not only a public advocate of what came to be known as the Strategic Defense Initiative. He functioned as a back channel between the Reagan White House and the Kremlin for exploratory discussions on a possible jointly developed and deployed SDI program. By no later than February 1982, Moscow was keenly aware of LaRouche's proposals and the implicit backing he enjoyed from some circles within the Reagan administration for his plan. By the summer of 1982, many longtime advocates of SBMD in the American scientific and military communities had also joined in the effort to convince President Reagan to make strategic defense a cornerstone of his approach to the Soviets.

A crucial deception

Back in the fall of 1983, while still functioning as a British "mole" inside the KGB, Gordievsky passed out warnings that Moscow was on the verge of going to war with the West over the SDI and the deployment of Pershing and cruise missiles on West German soil. This message, which many believe was a calculated piece of Soviet (or Anglo-Soviet) disinformation, helped fuel a firestorm of opposition to the SDI. According to one former senior White House official, the Gordievsky reports were instrumental in convincing President Reagan to adopt the disastrous arms control policy of his final years in office and to slow down the SDI program.

The resurfacing of the Gordievsky line in recent weeks

is a sure signal that the SDI issue is once again being hotly debated.

In the March 5 issue of *Time* magazine, Gordievsky described his "greatest coup as a Western spy" as "when I reported to the West that the Brezhnev leadership, in its profound misconceptions, ignorance and prejudices, had become acutely fearful of a surprise preemptive nuclear strike on learning that the U.S. was developing the Strategic Defense Initiative. The Brezhnev leadership reckoned that if the U.S. was to possess strategic superiority, it would certainly stage a surprise nuclear attack on the Soviet Union. This information helped the West to realize the depth and danger of Moscow's paranoia."

Several Western news outlets, including the *International Herald Tribune*, jumped on Gordievsky's reference to the Brezhnev era as an "inconsistency," since Reagan did not announce the SDI until four months after Brezhnev's death. But in his articles for the British press, Gordievsky made clear that he was referring to the period prior to Reagan's formal announcement. This was a period in which only LaRouche was a public advocate of the policy.

In the first of a three-part series in the *Times* of London, Gordievsky wrote on Feb. 27: "In the face of Pershing, which could reach Moscow in six minutes from West German bases, and reports received from its intelligence service of an essentially new type of weapon being developed in America which would be able to render the Soviet deterrent useless (the future Strategic Defense Initiative—Star Wars) the Kremlin panicked. In so far as I was able to interpret them, its reactions—after the mirror image principle—were as follows: 'If we had a nuclear potential like the U.S.A. and a system which would eliminate their nuclear deterrent, would we deliver a pre-emptive nuclear strike against our sworn adversary? In all probability, yes. In that case we must begin to prepare immediately for an American attack.'"

Gordievsky, following a "great escape" from KGB captivity and certain execution in 1985, became one of the early backers of Mikhail Gorbachov as a "great reformer" with whom the West could "do business." Gordievsky was a key figure in turning British Prime Minister Margaret Thatcher into one of the first Western proponents of "Gorbymania." And President and Mrs. Reagan were apparently not far behind.

Although Gordievsky's exaggerated warnings of a paranoid Kremlin nervously fingering the nuclear button undoubtedly contributed to the Reagan administration's hedging on its SDI commitment, the ex-KGB London station chief's locating of 1982 as the crucial time frame in which Moscow assessed the danger of an American SDI-driven technology breakout is a crucial piece of accurate reporting.

And it underscores the Soviet view, often repeated publicly following President Reagan's March 23, 1983 SDI speech, that Lyndon LaRouche is the most formidable policy adversary to have confronted Moscow in a long time.

American civil rights leader joins East German revolution

by Volker Hassmann

For the first time ever, the American civil rights movement joined the East German revolution at the traditional Monday demonstration in Leipzig on Feb. 19. Reverend James Cokley of New York City addressed the crowd of 50,000 on the invitation of the opposition party Demokratischer Aufbruch (Democratic Revolution) and with the consensus of all other opposition groups, although this right is usually granted to citizens of Leipzig only.

When the organizers of the demonstration announced "a guest from the American civil rights movement," and Reverend Cokley stepped into the spotlights of the TV cameras on the balcony of the old Opera House, he was greeted with frenetic applause. "To be or not to be, that is the question," he introduced his speech, in which he invoked the memory of Dr. Martin Luther King and the struggle of his movement for civil rights. He thanked the people, because their revolution "has given new hope to the generations that follow us," and urged them to help "make this planet a better place for living." He concluded: "Work all together, be peaceful, and you will overcome. We shall overcome!"

When the reverend joined into the singing of the German national anthem with his beautiful tenor voice, many citizens were moved to tears, and when he joined the traditional march afterwards, he was warmly embraced by many. A videotape of his intervention will soon be made widely available in the United States through the Schiller Institute.

Cokley's Leipzig speech opened up a four-day tour through East Germany, where he addressed churches and public meetings amid numerous private discussions in the cities of Gera, Halle, Zwickau, and Chemnitz. "A house divided against itself cannot stand," he underlined the necessity of German unity now. In Zwickau he was invited to deliver the Sunday sermon in the Lutheran church, while in Halle he addressed the local youth club.

The visit by Cokley had been sponsored by the Schiller Institute and the Patriots for Germany, who have gained enormous credibility in East Germany with the massive circulation of Lyndon LaRouche's proposal for a "Paris-Berlin-Vienna productive triangle" as a locomotive to revive the ailing world economy.

Cokley's reception in East Germany is explained by the fact that the American civil rights movement has been a beacon of hope for many opponents of the communist regime there during the 40 dark years of tyranny. This was expressed

by many resistance fighters whom he met. In the long years of oppression, they had had similar experiences to the black Americans in their fight for freedom. In Leipzig, the peace prayers in the Nikolai Church had started already 12 years ago, and again and again citizens were arrested, jailed, and tortured, because they had expressed their resistance against the Red dictatorship by lighting candles.

Western politicians move in

The hope and joy that he brought to the East German people was a most needed message at a critical turning point of the revolution. After the initial uprising against the hated communist regime and its "Stasi" secret police apparatus, which had prompted the mass demonstrations in the streets for German unity, a certain demoralization was induced by the current "second stage" of the revolution: a massive invasion of the newly developed political opposition structure by the professional campaign mafia of the big West German parties, the Christian Democratic Union/Christian Social Union (CDU/CSU) and liberal Free Democrats (FDP), who



The Leipzig rallies abound with original expressions of political ferment. On Jan. 29, one demonstrator carried this sign: "At 17, anyone who is not interested in Marx's theories, has no heart; at 40, anyone who still believes in them, has no brains."

Birgit Vitt



Patriots for Germany spokesman Volker Hassmann addressing a candlelight rally of 30,000 in Chemnitz, East Germany. Inset: New York pastor Rev. James Cokley, who spoke to a Monday Night demonstration in Leipzig, the heart of the East German revolution.

make up the ruling coalition in Bonn, and the Social Democrats (SPD), who are the chief opposition party. Sometimes against the will of the rank and file of some new parties, they have imposed their party management, finances, and “proven” methods of political organizing upon these groups.

The statewide headquarters in East Berlin of the Eastern SPD, CDU, and the liberal LDPD and FDP, are now in the hands of the “political professionals” from Bonn, while in many regional offices campaign workers from West Germany are commanding the various campaigns. The result is a bad replica of the typical West German election campaigns, with all their empty slogans, shallow posters, and stereotyped campaign speeches. Before the new parties have a chance to develop their own cadre and intellectual leadership, they risk being absorbed.

While the population at large is concerned with the economic and social future, and is desperately looking for programmatic leadership, all they get is vague promises. A rare exception was the enthusiastic response of 150,000 in the Thuringian city of Erfurt to the first campaign rally of Chancellor Helmut Kohl in East Germany, which had been organized by the CDU-supported Alliance for Germany, an electoral front of the Eastern Christian Democrats, the *Demokratischer Aufbruch*, and the Munich CSU-linked German Social Union against the Socialist International’s Eastern Social Democratic SPD. Chants like “Germany—United Fatherland” welcomed a visibly moved Chancellor, who was the first politician from Bonn to introduce the practical economic

perspective along the lines of LaRouche’s concept of a 430-million-person market in continental Europe.

Meanwhile, the Social Democrats are campaigning for a “better socialism,” and they have a hard time distancing themselves from the “Party of Democratic Socialism” (the new name for the old communist Socialist Unity Party). Numerous reports have been published concerning the massive infiltration of former communist party members into the new SPD. While there is a huge media promotion in the West in favor of the SPD, which is portrayed as the probable winner of the March 18 elections, the mood in East Germany is slowly moving back against the SPD. All polls agree that 50% of all East German voters have not decided whom they will vote for, and the initial good results of the SPD are now shrinking down to 25-30%.

Ironically, one of the main stumbling blocks of the Social Democrats could be the campaigning of Western SPD figure head Oskar Lafontaine, a radical opponent of German unity, who had won the recent state elections in the West German state of Saarland with a Mussolini-style demagogic hate campaign against East Germans who have come to settle in West Germany. With his rabid tirades against Chancellor Kohl and an early economic and currency union between the two parts of Germany, which he delivered during an address to the Eastern SPD in Leipzig, Lafontaine, who is known for his longstanding ties to the former communist leadership around Honecker and Krenz, could well backfire and actually cost the SPD crucial votes.

Yugoslav republics yearn for freedom, face war as communists disintegrate

by Aglaja Beyes and Rachel Douglas

The bloody conflict over Kosovo Province, the part of Serbia that is a Serb national shrine but has a majority Albanian ethnic population, has embroiled all Yugoslavia. On Feb. 20, the eight-member Presidency of the Socialist Federative Republic of Yugoslavia announced its decision "to engage units of the Yugoslav Army in Kosovo, to protect constitutional order and prevent violence." Fierce fighting followed the arrival of new Army forces, as Albanian demonstrators defied a curfew and the Serbian republic leadership branched a plan to ship 100,000 Serbs and Montenegrins back into the province.

Not only "constitutional order," but the very existence of Yugoslavia as a political entity are threatened in the intractable Kosovo dispute. On top of that, an intense political storm is sweeping the northwestern parts of Yugoslavia, the republics of Slovenia and Croatia, in another direction altogether.

For growing numbers of people in Slovenia and Croatia, the most urgent political question of the day is, "Is Yugoslavia located in Europe?" People there have been inspired by the revolutionary events throughout Eastern Europe, across Yugoslavia's borders to the north, and many yearn to replicate them.

Slovenian split

In January, the League of Communists of Slovenia delegation walked out of the extraordinary 14th Congress of the League of Communists of Yugoslavia (LCY). On Feb. 4, the Slovene Communists formalized their break, and declared themselves to be the LCS Democratic Renewal Party, no longer answerable to LCY central authority. They proclaimed, "The LCY as it was no longer exists. . . . Slovene Communists' individual membership in the LCY also ceases to exist. The Slovenia LC acts as an independent political organization with its own membership, program, and statute."

On April 8, Slovenia will hold elections, which observers have called "the first free and democratic elections" in Yugoslavia. These were set last year, when Slovenia became the first republic to permit the registration of multiple parties. Croatia followed suit.

Half a dozen political parties have been legalized in Slo-

venia. At the beginning of this year, five of them drew up a united opposition platform, under the name "Demos." Its composition reflects the West European political spectrum, and also bespeaks the inevitable: Every West European political tendency, including the Social Democracy and the radical environmentalists, wants to make political capital out of the changes in Slovenia, as elsewhere in Eastern Europe. The presidium of Demos consists of two people from each of the following parties: Democrats, Social Democrats, Christian Democrats, Slovene Peasant Union, and Greens. The "operative leader," according to the Yugoslav press agency Tanjug, is a Social Democrat, Dr. Joze Pucnik, who just recently returned to Yugoslavia after years in exile in West Germany.

In a Jan. 20 interview with the West German daily *Die Welt*, the vice-president of Pucnik's Slovenian Social Democratic Party, Katja Boh, said that her party advocated "the tradition of European enlightenment," and believed that a transformation of Yugoslavia from federation to confederation would be an interim arrangement, before its "disintegration into separate states."

It was under pressure of the growth of the movement around Demos, that the Slovene Communists split with the LCY. Their behavior resembled that of the Lithuanian Communist Party, in that Baltic captive nation within the Soviet Union, which likewise made a "Damascus Road" conversion to champion of sovereignty and independence, from Moscow—in the face of a powerful, growing nationalist movement around Sajudis, the Lithuanian Popular Front. Slovene Communist leader Ciril Ribicic commented that the 14th LCY Congress, "with the changes in the Soviet Union, Hungary, Poland, Czechoslovakia, Romania, and Bulgaria, [this was] the last chance for Yugoslav Communists to make a fundamental watershed toward multi-party pluralism."

The Slovene oppositionists were stunned by the Communists' shift. "They took up all our demands," exclaimed one puzzled opposition spokesman. At their December party conference, the Slovenian LC abandoned all Communist symbols. Their banner was blue with a yellow star, and the conference motto was "Europe Now." The delegates viewed a videotape praising the advantages of a united Western Europe, and listened to Beethoven's "Ode to Joy," the theme

song of the anti-Bolshevik resistance from Beijing to Berlin.

Two weeks after the elections in Slovenia, elections in Croatia are to follow. Given that this republic is twice as large in size and population as Slovenia, these elections gain even greater significance. But Croatia's path to democracy is stony, since it was very thoroughly purged of open-minded opposition by 45 years of Communist rule. Political reform in Croatia is still blocked by the existence of a powerful secret service, a parliament dominated by Communists, laws forbidding the import of critical foreign press, etc.

Nevertheless, on Feb. 10 all the opposition parties of Croatia presented themselves for the first time publicly, in a roundtable before thousands of potential voters. Most of them had been legalized only one week before. This roundtable did not occur in Croatia's capital Zagreb, but in the West German city of Stuttgart; one-third of all Croats emigrated due to the destructive economic policies of the LCY, and Germany is one of the centers of the Croatian emigration. The forum was held in Stuttgart not only for this reason, but to avoid the organizational structure of the League of Communists, which until very recently was the umbrella for all public political meetings. Another aim was to pressure for the right of emigré Yugoslavs to vote, something which has been "forgotten" by the Communist administration, as the Communist representative in Stuttgart admitted to the several thousand boisterous Croats in the hall.

The largest opposition grouping in Croatia is the Croatian Democratic Community, headed by the former partisan general and dissident Franjo Tudjman. The CDC tallies 300,000 members, twice as many as the Communists.

In Slovenia, observers expect a coalition government by April, after a good electoral showing by the opposition. In Croatia, predictions are more difficult, but it is possible that the results will further transform all discussions about the future of Yugoslavia. On the agenda for this summer is the drafting of a new constitution, but nobody can predict just what Yugoslavia will look like by then, or if the nation will still exist in its present form.

Economic peril

What is certain, is that Yugoslavia's economic crisis and the ever more fanatical campaigns by the Serbian leaders around party chief Slobodan Milosevic, imperil every fragile hope that a political turn toward Europe might promise a better life for Yugoslavia or its constituent republics. Indeed, Soviet and other forces opposed to the anti-communist revolution in Eastern Europe—and still more to the prospect of its leading to a rebirth of national sovereignty based on industrial development—may design to exploit civil war in Yugoslavia and continuing clashes in neighboring Romania, in order to destabilize the revolution on its southern flank.

Ante Markovic, Yugoslavia's prime minister, has taken a road to economic "Westernization" that guarantees nothing but disaster. Yugoslavia is the next most indebted East Euro-

pean country, after Poland. It has been paying interest and principal on a debt of approximately \$20 billion for over a decade, and still has a hard currency debt of approximately \$20 billion to be serviced. At the end of 1989, the Markovic government unveiled a brutal austerity program, worked out in coordination with the International Monetary Fund. Like Poland, Yugoslavia hired austerity specialist Jeffrey Sachs as a "special adviser" on the introduction of "free-market" mechanisms, and Markovic recently said that World Bank and IMF experts "would be called in to consolidate Yugoslav banks," according to Tanjug.

There were 1,900 strikes in Yugoslavia last year, and the government's scorecard acknowledged that the "greatest concentration of dissatisfaction was in the days when the government's new program was expected. . . . The reasons for dissatisfaction were basically similar—low personal incomes, the collectives' bad financial state, and disagreement with economic policy measures." In Serbia, 113 of the 631 strikes in 1989 took place during the last ten days of December, after the IMF-approved program was presented. In January, railroad engineers striking over wage demands "threatened to cause a total breakdown of all railway traffic in Yugoslavia," Tanjug said.

Bloodshed in Kosovo

Last Dec. 1, Slovene authorities banned a march on Ljubljana, the capital of Slovenia, by Serbs and Montenegrins who intended to protest alleged Slovenian support for Albanian separatists in Kosovo. In retaliation for the prohibition of this demonstration, Serbian officials launched a boycott of goods from Slovenia. While this fueled the ferment that led to the Slovenian Communists' break, economically weak Serbia has hurt itself the most, by deprivation of Slovenian goods.

The latest decisions of Milosevic's group in Serbia betray an increasing irrationality. In an outburst of chauvinistic propaganda, the Serbian leadership announced that it will "reestablish" the Serb character of Kosovo Province, which is today 90% inhabited by Albanians. The Central Committee of the Serbian LC demanded in mid-February, that 300,000 Albanian "refugees" (actually, the resident population) be expelled from Kosovo. In their place, 100,000 Serbs and Montenegrins, who left Kosovo during the past decade of strife, are supposed to go back. On Feb. 3, Milosevic conferred with 50 businessmen and intellectuals, Serbs and Montenegrins who emigrated from Kosovo to Belgrade, Serbia. These 50 gentlemen, according to Radio Belgrade, "In the name of over 100,000 exiled Serbs and Montenegrins who live in the capital, informed him that they have decided to return to Kosovo."

The project is a charade, since Serbs who fled the life-threatening violence of Kosovo are hardly going to pack their bags and return *en masse* to Yugoslavia's poorest region, and into a totally Albanian environment. But to finance the

supposed relocation of population, every Serbian worker should pay 1% of his income into a special fund to build 30 factories in Kosovo—for Serbs only!

While the demagogue Milosevic paraded his Kosovo scheme, Serbian media publicized an even more radical chauvinist organization. On Jan. 6, Radio Belgrade reported that a group called the Sava Society had decided to transform itself into a party, Serbian National Renewal. Its program calls for restoration of the Kingdom of Serbia within borders “as they were when the Kingdom of Serbia joined Yugoslavia”—at the close of World War I—“of course, including Montenegro and Macedonia,” two of the six republics of Yugoslavia.

One week later, the Sava Society was banned in five districts, on grounds of its “negation of the existence of the Macedonian state, Montenegrin and Muslim nations, advocacy of a Serbia geographically defined by the ethnic distribution of Serbs, and inciting national hatred,” according to Tanjug. But on January 16, the Belgrade daily *Borba* reprinted another periodical’s interviews with Tudjman, Puksic, and the leader of the Serbian National Renewal, Vuk Draskovic. The paper editorially criticized “the resurrection of these parties, controversies, intrigues, and blood-drenching calls for rallies,” but then allowed Draskovic access to *Borba*’s wide readership, to say: “Everything we had in 1918 . . . will again be ours. In the West, we will capture the territories in which the Serbs were in the majority” before World War II. Draskovic listed regions within Croatia and other republics, which he said should become autonomous, Serb-administrated provinces.

Meanwhile, sporadic fighting in Kosovo flared into major unrest again in late February, and the Army and Air Force moved in. Former Kosovo LC chairman Azem Vlasi, an ethnic Albanian, is still on trial for high treason because he supported a strike. The 200,000-strong Democratic Alliance of Kosovo, the largest, still illegal opposition group in the province, is demanding an immediate end to martial law, release of all political prisoners, resignation of the Serbian-installed Kosovo leadership, and free elections.

Daily demonstrations against the Serbian leadership in Kosovo took place in early February, but were low-key, so as to avoid provoking the Serbs. In January, Serbian special police units had killed at least 17 mostly youthful demonstrators with shots at the back of the head at close range, and more victims were to follow in the coming weeks. When the Croatian paper *Vjesnik* reported this atrocity on the front page on Feb. 4, it created such an uproar that Slovenia publicly announced the withdrawal of all its policemen from Kosovo, while Croatia followed suit, but with no publicity.

Prime Minister Markovic has personally taken leadership of a commission to find a compromise in Kosovo. But the leadership of Serbia is reiterating almost daily, that they will “never give up Kosovo”—culminating in the abovementioned insane call for mass expulsions.

Iran-Contra gang targets E. Europe

by Kathleen Klenetsky

The National Endowment for Democracy, the quasi-governmental, U.S.-financed organization which played an integral role in the Iran-Contra scam and helped to engineer the coup against Philippines President Ferdinand Marcos, has adopted a new focus for its so-called Project Democracy: Eastern Europe.

In recent months, the NED apparatus has significantly increased its operations in Eastern Europe, and is now laying plans for pouring even more money and manpower into the region. According to spokesman for several key NED branches—the National Democratic Institute for International Affairs (NDI), and its Republican counterpart, NRI—IA—the NED has reoriented the bulk of its programs from Asia and Ibero-America, to Eastern Europe.

The NED apparatus has a host of projects under way in various Eastern European states, centered on Czechoslovakia, Hungary, and East Germany, but also extending to Romania, Bulgaria, and the Soviet Union.

Czechoslovakia is a chief NED target. The NED’s new organ, the *Journal of Democracy*, has managed to recruit President Vaclav Havel to its international advisory committee. Last month, the NDI’s vice-chairman Madeleine Albright—who helped draft the pro-Soviet platforms of former Democratic presidential candidates Walter Mondale and Michael Dukakis—traveled to Prague, where she and other NDI experts gave advice to Havel’s government on how to run Czechoslovakia’s upcoming elections. An NDI team was to return to Prague at the end of February to finalize what other assistance it will provide.

The NDI is also sending a “survey mission” to East Germany shortly, to “explore the prospects” for developing its “democracy-building” programs there. The group’s chairman, Brian Atwood, was in Bonn in January for consultations with the three major party institutes, and planned to fly to East Germany in late February to meet with the heads of the principal parties, including SED party leader Gysi.

The NRI has also diverted over half of its resources from Ibero-America and the Caribbean to Eastern Europe over the past few months. According to its director, Keith Scheutte, the NRI financed a conference in Vienna two months ago, grandly entitled the First All-European Round Table, which brought together representatives of various Eastern European and Soviet opposition groups and Western conservative parties.

The NRIIA is working with groups in Romania, Czechoslovakia, Hungary, and Bulgaria on “democracy-building projects,” leading up to the spring round of elections in these countries. Scheutte said that his organization “will play a role” in East Germany.

Meddling with the constitution

One area into which the NED apparatus dearly wants to insinuate itself is the constitution-drafting process now under way in several Eastern European nations. That is hardly surprising, given that a country’s constitution forms its fundamental philosophical and juridical outlook.

According to an NDIIA spokesman, his organization is conducting discussions with the Havel government on the prospect of assisting its constitution-writing effort.

Any NED advice on shaping a constitution is bound to be bad. Even worse, though, is the fact that one of the most notorious opponents of the U.S. Constitution—perhaps the most perfect of all national constitutions to be crafted in history—is involved in this particularly odious project. We refer to Lloyd Cutler, former counsel to President Jimmy Carter, and founder of the Committee on the Constitutional System, who claims that the U.S. Constitution should be thrown out, because it is too constituency-oriented to allow for the imposition of austerity measures during times of economic crisis.

Cutler, along with American University law professor Herman Schwartz, visited Czechoslovakia in early February for talks with Havel’s advisers on what the new Czech constitution should look like. Before leaving the U.S., Schwartz told *USA Today*, “We have the oldest but not necessarily the most useful constitution in the world.”

The two men head a committee on Czech affairs, sponsored by the Salzburg seminar, which has already submitted a list of recommendations to the Havel government for use by the Constitutional Commission, which is expected to be set up in March. The Cutler-Schwartz group will then meet with members of the Czech commission at the Salzburg seminar in April for further discussions. According to one participant in the process, it is “very possible” that the Cutler-Schwartz team will propose that some kind of “environmental protection” provision be written into the new constitution.

The fundamental issue: growth vs. austerity

That points directly to the fundamental issue at stake: economic growth, conducive to true human dignity, versus austerity and despair. The NED’s move into Eastern Europe stems from the Bush administration’s conviction that the revolutions sweeping the region represent a threat to the “stability” of the present global monetary and strategic arrangements, and therefore must be carefully controlled and directed.

The Bush team, along with its British co-thinkers, harbor a profound fear that developments in Eastern Europe will

catalyze a more generalized revolt against the monetarist, anti-productive economic policies which characterize the Anglo-American Establishment’s outlook—a revolt which will destroy Establishment power.

Thus, despite its claims, the NED’s real mission in Eastern Europe is to spread the immoral “free market” ideology of Adam Smith, in hopes of subverting the adoption of a high-technology vectored economic strategy embodied in Lyndon LaRouche’s “development triangle” proposal. If the NED succeeds in foisting its Bukharinite policies on Eastern Europe’s intelligentsia, the economic consequences will be so devastating that Soviet-backed counterrevolutions, or equally destructive forms of strife, will become all but inevitable.

The hypocrisy of the NED comes across quite clearly in an article by former Polish dissident Leszek Kolakowski, published in the premier issue of *Journal of Democracy*. Kolakowski, who divides his time between Oxford’s All Souls College and the University of Chicago, starts from the false premise that there are limits to growth, and argues that this will require democratic governments to adopt undemocratic measures to impose the requisite levels of austerity.

“The rapid pace of economic growth during the postwar decades has produced—both in the rich and in the poor countries—a mentality of endless expectations,” Kolakowski writes. “Somehow we have gotten used to the hope that each of us is going to have more and more of everything in the indefinite future and to the firm belief that this is what each of us deserves. But these hopes are bound to end up in bitter disappointment, at least for the overwhelming majority of the world’s people.

“Overpopulation, shrinking resources of agricultural land and of water, and ecological catastrophes will certainly compel mankind in the near future to devote more and more effort and money to repairing the damages already inflicted on our environment and to warding off further calamities,” he continues. “This will not only lead to growing restrictions imposed on our freedom of movement and property rights. It will result, above all, in a dampening of our hopes for ‘more and more’ and, indeed, in the demand that we recognize that we have enough, or even that we must manage with less, limit our wants, and accept a more modest life. The amount of frustration, irrational rage, and aggressiveness that these imperatives are going to cause will be enormous, and will affect the poor and the rich alike. . . . It is hard to predict what ideological expression or other channels this frustration might find, *but in order to tame it and to prevent society from plunging into chaos or falling prey to a lawless tyranny, it is likely that many undemocratic restrictions will be needed*” [emphasis added].

If this sounds strikingly similar to the “ungovernability of democracy” thesis which Samuel Huntington penned for the Trilateral Commission back in 1975, it should—Huntington just happens to be on the *Journal of Democracy*’s editorial board.

Czechoslovakia's new President

by Gabriele Liebig

Who is this man who was chosen as President of Czechoslovakia on Dec. 29, although he would have preferred to have remained a writer, a man whose candidacy had the motto, "Truth and love instead of lies and hatred"?

What is best known about him is that he sat for years in prison as the spokesman and co-author of "Charter 77." Two weeks after release of the charter in January 1977, Havel was arrested for the first time, and subsequently given a suspended sentence of 14 months in jail in 1978. Until recently, he lived under house arrest and was prohibited from writing.

All attempts by the regime to break him politically failed. He suffered much as the result of slander campaigns, but survived them all. After mature reflection, he declined an exit visa to the United States, which was given to him following his second imprisonment. He also refused to sign an offer of pardon that came after almost four years in prison because it was clearly intended to be a gesture of "genuflection."

Vaclav Havel, born Oct. 5, 1936, grew up as a middle-class child. His father built up a large hotel-restaurant business in Prague. Prevented from continuing his studies, he became a chemistry laboratory assistant. During this time, he wrote a pamphlet on the structure of atoms, and constructed a new spatial model of the periodic system of the elements. As a child, he had written poems and, at age 13, a philosophical treatise. He was in the military from 1957 to 1959, when his youthful work *Life Is Before Us* was written and produced. Finally, he was allowed to take a correspondence course in playwriting, from which he learned very little. He learned far more during his time at the Prague Theater am Geländer, where he began as a stagehand and ended as resident author.

In the interview book, *Distant Interrogation* (1985-86), Havel depicted how his political work began with the cultural battle around the monthly periodical for recent literature, *Tvar*. This magazine published every possible old and new existentialist and non-conformist text, and was consequently soon prohibited. Havel belonged to the magazine's editorial board from 1965 onward. The battle took place within the official writers' union, and concerned whether the "anti-dog-

matic" Communists in the union had enough guts to end the prohibition of *Tvar*. They didn't, and the *Tvar* prohibition boomeranged, eventually leading the writers' union to break out from the Communist Party. This was the prelude to the so-called Prague Spring.

Havel himself viewed the Prague Spring somewhat soberly. In the Communist Party, the anti-dogmatists had succeeded and with some embarrassment introduced their reforms. They basked in their sudden popularity, and hid the conflict with Moscow from the population and from themselves. Dubcek's mistake and that of his people, with whom Havel at the time had lively but critical discussions, lay in their halfheartedness and their subservient attitude toward Moscow. Havel said in *Distant Interrogation*, "Had the leadership actually behaved proudly and confidently, they would have had powerful backing and powerful support in the society." Instead of reining in the opposition, of controlling and censoring it, the Dubcek group should have fully joined this movement and should have used its energy generally for their preventive defense. "It would have been enough to emphasize that we will not knuckle under, that we will . . . allow no foreign soldiers to violate our border; a civil defense could have been organized. . . . The Kremlin leadership only undertook the invasion because they knew there was to be no military resistance."

The dark years of the 1970s followed the occupation in August 1968. In 1976, a fundamental campaign for the defense of human rights unfolded from the ultimately successful campaign to free the rock group Plastic People from unjustified imprisonment. At the end of 1976, Havel and others collected 243 signatures for the Charter 77, which was written jointly and published with a huge fanfare on Jan. 1, 1977. The experiences Havel gained during collection of the signatures, he reworked in his tragic-comic one-act play *Protest* (1979). With Jiri Hajek and Jan Patočka (who died following an interrogation in 1977), Havel was chosen to serve as spokesman for the Charter. He was promptly jailed, and a vicious slander campaign began when he was released five months later, claiming that he had resigned his office as Charter spokesman, and thus had capitulated.

After his release, Havel founded with some friends the Committee for Defense against Unjust Prosecutors (VONS), which distributed documentation on all the cases. A charge was constructed against VONS for delivery of such reports to a Parisian newspaper, and Havel along with five others was sentenced on Oct. 23, 1979 to many years in prison. In prison, Havel was placed under a strict prohibition against writing. Some exceptions were his letters to his wife. The result was the book later published, *Letters to Olga*.

Havel has written eight full-length plays, three one-act plays, many essays, articles, pamphlets, and numerous political articles, calls for action, and so forth. This is not the place to list, let alone discuss these works. His work *Notification*, about the self-destructive absurdity of bureaucracy in a totali-

'Turn words into deeds'

On Feb. 22 Vaclav Havel addressed a joint session of the U.S. Congress. Excerpts of his speech below show the promise of this poet, now President.

"We are living in very extraordinary times. The human face of the world is changing so rapidly that none of the familiar political speedometers are adequate.

"We playwrights, who have to cram a whole human life or an entire historical era in a two-hour play, can scarcely understand this rapidity ourselves. And if it gives us trouble, think of the trouble it must give to political scientists who spend their whole life studying the realm of the probable and have less experience with the realm of the improbable than us, the playwrights. . . .

"Thanks to the great support of your President Wilson, our first President Tomas Garrigue Masaryk founded our modern independent state. He founded it, as you know, on the same principles on which the United States of America had been founded, as Masaryk's manuscripts held by the Library of Congress testify.

"In the meantime, the United States made enormous strides. It became the most powerful nation on earth, and it understood the responsibility that flowed from this.

Proof of this are the hundreds of thousands of your young citizens who gave their lives for the liberation of Europe and the graves of American airmen and soldiers on Czechoslovak soil.

"But something else was happening as well. The Soviet Union appeared, grew and transformed the enormous sacrifices of its people suffering under totalitarian rule into a strength that, after World War II, made it the second most powerful nation in the world.

"It was a country that rightly gave people nightmares, because no one knew what would occur to its rulers next and what country they would decide to conquer and drag into its sphere of influence, as it is called in political language.

"All of this taught us to see the world in bipolar terms as two enormous forces—one a defender of freedom, the other a source of nightmares."

Havel urged the United States to support the Soviets in a transformation of their regime. He called for the Helsinki conference to become the equivalent of a European peace process which would "finally put a formal end to the Second World War and all its unhappy consequences."

"I will end where I began: History has accelerated. I believe that once again it will be the human mind that will notice this acceleration, give it a name and transform those words into deeds."

tarian state, made him internationally famous. The *Vanek Trilogy*, consisting of three tragic-comic one-acts, *Audienz* (1976), *Vernissage* (1976), and *Protest* (1979), is wonderful. With cabaret-style humor and simultaneously loving powers of feeling, he shows the public the psychological banality of life in an unfree society, and thus strengthens in men the inner necessity of freeing themselves from this banality.

Remarkable is reworking of the Faust theme in *Temptation* (1985). Dr. Faustus signs a pact with Satan, and pays, in contrast to Goethe's version of the story, with his own destruction. Satanism and the New Age esoterica are thus exposed as what they have always been: instruments in the hand of the powerful, the secret services, and intriguers. Whoever takes part in this game and counter-game is lost.

One characteristic of Havel's works is that they are "not avant-gardish": "Where everything is allowed, nothing is a surprise. Drama presupposed order, be it only so that, violating this order, something can still surprise." Havel sees world history not as a "disastrous superworld . . . as though it had its own course, independent of us and totally inexplicable. . . . History is not 'elsewhere'! It is here, we all make it."

When he was asked in *Distant Interrogation* whether for

example Gorbachov gave him hope, he first explained what he understood by hope, as a "condition of the spirit . . . not a condition in the world." "Either we have hope within us or not at all. . . . The measure of hope . . . is not the measure of joy at the good course of things and our will to invest in undertakings that visibly lead to quick success, but rather the measure of our ability to exert ourselves for something because it is good and not because it has a guaranteed success."

To Gorbachov, he had only this to say: "I leave for professionals the considerations about what is to be expected from Gorbachov and generally 'from above,' and thus from events in the sphere of power." He has always been more interested in events "from below," and there he sees—he said this at the end of 1985—the beginning of an awakening from a 17-year "corpse-like immobility . . . as if people gradually returned to their senses and took new courage. . . . A new generation is growing up, not traumatized by the shock of Soviet occupation."

Vaclav Havel has immeasurably contributed to the fact that the construction of political freedom in Eastern Europe has moved forward by such an important step. Czechoslovakia is to be congratulated on its new President, Vaclav Havel.

The 'Tiny' Rowland File

Part V of an EIR investigative series. Lonrho's huge private empire works on behalf of the Anglo-Soviet Trust to keep Africa enslaved.

The release of African National Congress leader Nelson Mandela on Feb. 11 and the scheduled Independence Day for the former South African colony of Namibia on March 21, have sparked a new optimism in southern Africa among large portions of both the black and white population, that the region may at long last witness a new dawn of racial justice and harmony. To the extent that the groundbreaking political developments presently under way are rooted in a great program for the development of the physical economy of the region, in infrastructure, energy supplies, water management, and educational and health facilities, of the sort specified by American economist and political prisoner Lyndon LaRouche, the great promise of the region will indeed be fulfilled.

Yet LaRouche, together with knowledgeable observers within the region, have warned that a powerful oligarchical faction spanning East and West has no intention of letting these promising developments proceed. This is the faction, known as the Anglo-Soviet Trust, which assassinated Dresdner Bank chief Jürgen Ponto and West German Employers' Association president Hanns-Martin Schleyer in 1977, and which targeted LaRouche as well, at a time when these three were leading efforts internationally to unleash the great industrial and agricultural potential of the Republic of South Africa to the benefit of Africa as a whole. As one U.S.-based source with decades of involvement in South Africa recently put it, "The society trying to destroy the sovereignty of South Africa today, comes out of that: a small, but very powerful group. Their [pro-Soviet] roots are deep, and long-covered. You would only know about them, if you knew them back a long ways."

One of the most visible representatives of this group today is Roland "Tiny" Rowland, boss of Britain's Lonrho multinational, one of the most powerful political and economic forces on the African continent. As previous articles in this series have established (*EIR*, "The 'Tiny' Rowland File," Nov. 3, Nov. 10, Nov. 24, and Dec. 8, 1989), Lonrho was built up by an oligarchical faction in Britain closely tied to the Royal Household, in the wake of British Prime Minister Harold Macmillan's 1961 "Winds of Change" speech before the South African Parliament. Their purpose was to enforce

a new and more vicious form of economic subjugation on Africa, even while granting nominal independence to African nations. Given that pedigree, Rowland and Lonrho represent today a national security threat of the gravest magnitude to the Republic of South Africa itself (despite Rowland's deep involvement in the South African arms industry), to Namibia, where Rowland is presently attempting to secure massive concessions, and to other African countries which aspire to true nationhood.

Though it is widely recognized that Lonrho is one of the foremost economic powers on the continent, the precise form of this power has been shrouded in secrecy, to the point that the British government not long ago forbade the reprinting of the book *Lonrho: Portrait of a Multinational*, by S. Cronje et al. This was despite the fact that this 1976 source, the first and only book-length overview of Lonrho's activities, was both relatively dated, and had been largely compiled from public sources, mainly newspaper clippings.

We therefore recount here some highlights of Rowland's career in Africa, a career built on butchery and slavery.

Lonrho's economic power in Africa

Lonrho employs close to 100,000 people in Africa, out of its worldwide staff of 124,000. Over the 28 years since Rowland took over the management of Lonrho, it has grown from being a secondary company in its original location of Rhodesia (Zimbabwe), to extensive influence over nations such as Zimbabwe, Malawi, Uganda, and Kenya; great power in Mozambique, Botswana, Tanzania, Ghana, and Nigeria; important footholds in Libya and Sudan; and increasing power in Angola and Namibia, with an expansion drive underway into Francophone West Africa. Not even Cecil Rhodes in his heyday succeeded in having his power straddle English, French, and Portuguese-speaking Africa.

Lonrho is the continent's leading private food producer, its leading textile manufacturer, its leading sugar producer, a dominant power in coal, platinum, and gold mining, and has ranching, farming, mining, manufacturing, and trading activities in 29 countries. It employs 25,000 in Zimbabwe, 10,000 in South Africa, runs a 100,000-acre plantation in Mozambique where it issues its own money, and dominates

key sectors of many of these 29 countries.

The economic power of Lonrho is not only far-flung, but from the early 1960s on, the company has zeroed in on the most crucial sectors of any country it targeted, whether it be that country's major agricultural crop, its main mineral wealth, or even more crucially, the main railway or pipeline to deliver these products to market, and to receive imports in return.

According to Cronje et al., already in 1962 "the conviction grew among certain sectors of the Rhodesian business community that the company was seeking to establish itself in key economic sectors of the Central African Federation," comprised of Nyasaland (Malawi), Southern Rhodesia (Zimbabwe), Northern Rhodesia (Zambia), and calls were launched in the Rhodesian parliament for an investigation of Rowland. As one of the leaders of the Central African Federation put it at the time, "This man is acquiring simply too much power. He is a danger, and something must be done about him."

In Zimbabwe, where 50% of the country's foreign exchange comes from mining, Lonrho mines 40% of its gold, and in conjunction with Anglo-American and Rio Tinto Zinc, with both of which Lonrho is allied, controls almost all the rest. In Malawi, Rowland set up the largest agricultural project in the country, a sugar plantation, which contributes heavily to the 70% of the country's foreign exchange that comes from agricultural exports. In Kenya and Uganda, Lonrho targeted coffee production by buying up the company responsible for the warehousing, sorting, and dispatching of Kenya's entire coffee crop and a large part of Uganda's as well, which supplies 95% of the latter's foreign exchange.

By the end of 1972, Lonrho had 50 subsidiaries in Kenya, with such a chokehold on commerce that a Kenyan cabinet minister declared in parliament, "I found that they have taken over very many businesses in this country. I understand that even when we are discussing this matter here today, they are negotiating to buy some African liquor businesses. Very soon, Sir, if you are not going to be careful, you will go back home to find that even the utensils which your wives are using have been bought by the Lonrho group companies."

The secret to Lonrho's dazzling expansion was its backing by such powerful forces in the British Establishment as Royal Household money manager Harley Drayton and the S.G. Warburg investment bank. In the uncertain political climate in Africa in the wake of the "Winds of Change," Lonrho snapped up hundreds of long-established companies, generally offering its own grossly overvalued stock in return for the undervalued stock of the companies acquired. The entire process depended on the willingness of the City of London—the Stock Exchange, Lonrho's auditors, and its commercial and merchant banks—to turn a blind eye to highly dubious financial accounting, as well as to outright criminal activity, as documented in the 1,000-page report issued in 1976 by the Department of Trade and Industry (DTI).

The 'Lonrho philosophy'

The 1976 DTI report charged Lonrho with paying out at least £1 million in bribes in the period up to 1973, most of which went through Rowland's personal account. "This was said to be for the purpose of making the recipients not only recipients of corrupt payments from Lonrho but also personally obliged to Tiny Rowland."

As *Sunday Telegraph* editor Peregrine Worsthorpe noted, "I have even heard it suggested by a senior Conservative minister no less—echoing what might be called the Tiny Rowland or Lonrho philosophy—that the more degraded the political and social system, the easier it will be to extract the precious oil and minerals since trade nowadays follows not the flag, but the bribes."

The case of Mozambique is perhaps the clearest illustration of other elements of the "Lonrho philosophy": targeting critical railways and oil pipelines, extracting vast concessions from a poverty-stricken government, and funding both sides of a bloody conflict, with the net strategic benefit accruing to the Soviet Union.

After the takeover of Mozambique by the Soviet-backed Frelimo movement, Lonrho pioneered the return of foreign investment to the country. In 1975 it set up a subsidiary, Lomaco, with the government as a 49% shareholder. It extracted 30-year land concessions, a complete tax exemption on its profits as well as on any imports or exports for 10 years, and a waiver on prohibitions against foreign exchange dealings.

Lonrho is now the largest cotton producer in Mozambique and grows one-third of its vegetables; but its real power is seen in its control over the country's two rail and pipeline links to the sea—two out of only five rail lines in the whole of southern Africa. Already in the early 1960s, Lonrho built the critical Beira pipeline, which runs from Beira in Mozambique on the Indian Ocean to Zimbabwe, which ever since has delivered 98% of that country's fuel oil supplies. The "Beira corridor," with its critical road, railroad, and pipelines, is crucial for the economies of both Zimbabwe and Mozambique.

Another railroad runs from Malawi, through northern Mozambique, to the port of Nacala. Largely inoperable since the Lonrho-supplied Renamo guerrillas destroyed it in 1984, the line was started up again in early 1989 with help of a £1.6 million grant from the British government, and a £3.8 million loan from Lonrho. The Lonrho funds are being used to hire what amounts to Lonrho's in-house security firm, Defence Systems Ltd., to train a 600-man elite army battalion to guard the Nacala corridor. The British government granted Mozambique permission to buy some of the most modern armaments, including the British Army's latest rifle, the Enfield L85A1. Since 1986, a British military mission in Zimbabwe has been training 60 Mozambiquean officers at a time. The railway is not only critical for Mozambique, but will deliver all of Malawi's exports to the sea, saving Malawi the

40% of its foreign exchange it now spends on a circuitous route through southern Africa.

The net effect of all this was captured in an October 25, 1986 article in the British publication the *Spectator*. After noting that Lonrho had once been called by British Prime Minister Edward Heath "the unpleasant and unacceptable face of capitalism," the *Spectator* remarked that Lonrho might also be called "the unacceptable face of communism."

By 1973, Rowland's power in Africa was such that he came within a hair's breadth of becoming the Organization of African Unity's (OAU) sole middleman to the Arab world

"I found that Lonrho has taken over very many businesses in this country. Very soon, Sir, if you are not going to be careful, you will go back home to find that even the utensils which your wives are using have been bought by the Lonrho group companies."

to secure Africa's oil supplies. In August 1973, Lonrho established a new subsidiary, Lonrho Energy Resources, which was to be "the link between Arab oil producers and Africa's coastal refineries." Among other things, this company would have coordinated the oil supplies of member-states and established a tanker fleet for transport. Based on Rowland's reputation as a "friend of Africa," OAU Secretary General Nzo Egangaki of Cameroon formally appointed Lonrho as consultant to the OAU, with an extraordinarily wide brief which would have made Lonrho the contractors, managers, bankers, and part-owners of the OAU.

When knowledge of Rowland's coup became public, a scandal broke out which forced the OAU to rip up the contract. Engagaki had to resign. But the clout which had brought him so close to securing this unprecedented arrangement was evident in the great Lonrho boardroom crisis of the same year, when a number of board members attempted to ditch Rowland from the board. Several African leaders flew to London to support Rowland. Lonrho African executive Tom Mtine told the press that he had been "authorized by the high commissioner for Zambia in London, speaking on express authority from the government, [to state] that if Mr. Rowland is removed from the office of chief executive the company's whole operation would not only be in jeopardy, but would cease." Mtine added that he understood that the government of Zaire would follow suit. Ghana, stated top Sudanese businessman Khalil Osman, would take similar action.

The 'New Yalta' policy for Africa

The Anglo-American Establishment's grand policy for the post-war period called for a phony "independence" process which would mask the continued colonial looting of Africa, by means of the Establishment's control of raw material prices and access to credit. In addition, this grand policy called for ceding to the Soviet empire a much greater share of the world's territory than had even been granted them by Churchill and Roosevelt at Yalta. For Africa, this meant the installation, in the midst of bloody "gang-countergang" warfare (the better to maximize chaos and minimize sovereignty), of pro-Soviet regimes which would continue to allow the multinationals such as Anglo-American, Rio Tinto Zinc, De Beers, Lonrho, etc. to loot their economies. Angola today exemplifies the process.

While 50,000 soldiers of Moscow's Cuban satellite fought a bloody civil war to keep the pro-Soviet regime in power, the Chevron oil company went about its business, extracting hundreds of millions of dollars worth of oil out of Angola's oil-rich Cabinda province, with troops of the regime ensuring its smooth functioning. Diamonds from Angola's rich mines continue to be dug, and are flown out on the "former" CIA proprietary airline, Southern Air Transport, for marketing by the DeBeers world diamond cartel. Rowland maintains close relations with the Angolan regime, even while he has financed the opposition to that regime, the UNITA movement of Dr. Jonas Savimbi.

But Rowland's deployment as an instrument of the "New Yalta" policy was perhaps clearest in the case of Zimbabwe, formerly Rhodesia.

As per the "Winds of Change" African subset of the overall New Yalta policy, the Anglo-Americans and the Soviets had agreed on the figure of Joshua Nkomo as the new leader of Rhodesia after majority rule. The existing white-dominated regime under Ian Smith had its own ideas about what should happen to the country, and in 1965 made a unilateral declaration of independence (UDI) from Britain and began to carve out its own future. The United Nations, at British behest, declared an economic embargo on Rhodesia, to force it into submission. The Anglo-Americans, together with the Soviets, began to build up the black independence movement. Enter Tiny Rowland.

Rowland funded all the black independence leaders, including Nkomo, Robert Mugabe, and Bishop Muzorewa. Most of his funding went to Nkomo, with whom Rowland had made the usual arrangement when his faction came into power. As one member of the Rhodesian Parliament charged, "Mr. Rowland has done a deal with Nkomo whereby in the event of majority rule, Lonrho would benefit in regard to mineral rights."

While the issue was being contested, Rowland, in typical British imperial fashion, aided both sides of the struggle, both the Smith regime and its black opposition, the better to control an exhausted nation after the conflict. While lavishly

financing Nkomo (including picking up tabs for £30,000 for the stay of Nkomo and his party in a luxury hotel, and giving them unlimited use of the Lonrho jet), Rowland also built mine-proofed vehicles for Smith's security forces and provided imported Mercedes Benz automobiles for cabinet members. He also busted the United Nations sanctions by exporting copper from Lonrho's Rhodesian mines, claiming it came from a Lonrho-owned dummy mine over the border in Mozambique. This not only provided Lonrho profits, but earned much-needed foreign exchange for the Rhodesian regime. According to reports, Lonrho was also smuggling weapons into Rhodesia. Though Rowland claimed, "I am violently anti-Smith," Smith himself said, "They [Lonrho] have performed well [for Rhodesia] in post-UDI years."

Nkomo ultimately lost out to the Chinese-aided Mugabe, and this is generally understood to have been one of the few times when Rowland unaccountably "backed the wrong horse." But Rowland rapidly made his peace with the new regime, and when his old protégé Nkomo tried to move against Mugabe from his position as interior minister, Rowland dropped him like a hot potato. Said Nkomo, "At the darkest moment of my life, the man I regarded as my friend withdrew his help and left me without either money or a place to live, at 12 hours' notice." While Zimbabwe today is run by the government of the Marxist Mugabe, its vast mineral and agricultural wealth is looted, just as before, by Anglo-American, Rio Tinto, Lonrho, et al.

The Trust's strategic minerals cartel

While Rowland's pal and frequent house-guest Chester Crocker, then U.S. assistant secretary of state, was negotiating the Brazzaville Accords of December 1988, which called for South African troops to pull out of Namibia and Cuban troops to pull out of Angola, Rowland was negotiating a parallel series of deals over control of strategic minerals. Rowland, who owns one of South Africa's largest platinum mines, met with Harry Oppenheimer, the power behind the DeBeers diamond cartel and Anglo-American Corporation, a world power in control of strategic minerals.

The *Guardian* newspaper of London leaked some of the content of the discussions:

"As a platinum producer, Lonrho has an interest in convincing the Russians that there should be some kind of marketing organization for selling platinum along the lines of Oppenheimer's Central Selling Organization, which controls the supply and price of diamonds. . . . In the past, the Soviet Union and South Africa have been reported to have had unofficial contacts in Moscow to coordinate the sales of platinum and other strategic metals, and the eventual formation of at least an unofficial cartel based in London or Frankfurt is widely regarded as likely. . . . The Oppenheimer family has previously struck a major commodity marketing deal with the Russians. In 1967, Sir Philip Oppenheimer negotiated an agreement under which the Russian sales of rough

diamonds to the West were carried out through the Central Selling Organization."

Rowland maintains his own direct ties to the Soviets, ties he prefers to keep well-hidden. Western eyewitnesses involved in the diamond business have regularly observed the Lonrho corporate jet in Moscow in recent years. And Lonrho chairman Edward DuCann announced in early 1989 that the East bloc and Soviet Union would (together with Red China) be a major area of Lonrho expansion.

The 'friend of black Africa'

Rowland pretends to be a staunch friend of black Africa, a fraud belied by his supporting both sides in various genocidal civil wars, as he did in Zimbabwe and does now in both Mozambique and Angola. In the latter he has reportedly been buying land along the strategic Benguela Railway to the Atlantic Ocean, in expectation of the line's eventual reopening.

But Rowland's cynical racism is nowhere more evident than in the manner in which Lonrho has treated its black employees. In 1987, the London-based Anti-Slavery Society published a report which blasted the working conditions for 11- to 16-year-old boys in Lonrho's Ashanti Goldmines. For pennies a day, the report said, up to 60 boys at any one time have to work almost naked in a pool of cyanide at the extractor plant of Ashanti. Because the boys are illiterate, they can not read the sign in English which explains how cyanide used in separating out the gold, can enter the body as dust, gas, liquid, or acid. Their supervisor, however, presumably can read English, since he is always protected by heavy rubber boots, thick gloves, heavy clothes, and a respirator. But the boys are forced to work almost naked, in order to "reduce theft." Even though they wear almost no clothing, the report says, "Nevertheless, they are daily subjected to the most degrading bodily examination as they leave work, including internal exploration of the rectum and the most intimate examination of their private parts." Few of the boys were able to work more than a month at a stretch because of nausea, headaches, dizziness, and other symptoms produced by the cyanide.

A *Sunday Telegraph* article of a couple of years ago captured the essence of a typical Lonrho operation elsewhere. "The spirit of 19th-century colonialism has returned to a war-torn corner of Mozambique following an extraordinary deal between Mr. Tiny Rowland, chief executive of Lonrho, and the country's rulers." The "extraordinary deal" gave Lonrho a 100,000-acre estate some 75 miles from the Beira corridor. There, hemmed in by a 10-foot-high barbed wire fence and a Frelimo security force of 100 armed militiamen, some 1,500 to 2,000 laborers cultivate cotton and food for a little over a dollar a day, half of which is not paid in cash, but in plastic tokens usable only at the company store. There, a pair of trousers, for instance, costs 24 days of work.

Economy is key issue in Australian vote

by Allen Douglas

Australian Prime Minister Bob Hawke has set the date for Australia's next federal election as March 24, well before his Labour Party's term in office ends in late 1990. Since Labour has done much to destroy Australia's economy, Prime Minister Hawke thinks that if his party is to have any chance of being reelected, it must hold the election sooner rather than later, before the Australian economic crisis breaks out in full force.

Australia's economy is in a shambles. Home mortgage rates are over 17%; bank loans for most favored customers begin at 22% and rise from there; credit card interest rates run at 30-35%. The Australian Small Businessmen's Association's New South Wales branch just issued a 200-page report predicting a dramatic further round of bankruptcies in the immediate future. The rural sector has been hit perhaps hardest of all, as the number of independent family farmers has plummeted from 186,000 to 126,000 over Labour's term in office; every five hours, one more family farm goes under. The production of wheat, one of Australia's chief crops, collapsed by over 50% in the past year.

Nowhere is the crisis more evident than in the country's foreign debt, which now stands at over \$100 billion. With a population of only 18 million, this makes Australia one of the most highly indebted nations in the world, with greater debt per capita than Mexico or Brazil.

'Opposition' offers no alternative

Though the rate of collapse has accelerated dramatically during Labour's present term in office beginning in 1983, Labour and its chief opposition in the Liberal-National coalition have shared virtually identical policies of "free trade," deregulation, high interest rates, astronomical tax levels, and related anti-industrial policies, since the Labour government of Goff Whitlam initiated the present process of destruction in 1972.

That the two parties have merely alternated terms in office while the country as a whole has collapsed, is no secret to many Australians. A recent national poll showed that 30% of all Australians want neither of the major parties in office. In parliamentary elections early last year in Canberra, the

nation's capital, independent candidates received more votes than Labour and the Liberal-National coalition combined. In the December 1989 parliamentary elections in the state of Queensland, the two major parties became so hysterical about the prospect of victories by independents, that they swapped preferences, that is, despite their ostensible bitter rivalry, they recommended that their supporters cast their second ("preference") votes for each other, to freeze out independents.

Australia's political and financial establishment is employing a range of dirty tricks, including vote fraud, slander, frameups, and worse against independent candidates, and against the anti-malthusian and anti-Fabian "freedom movement" from which those candidates are drawn. Recent targets of harassment include Brian Wilshire, host of one of Australia's most popular radio talk shows on Radio 2GB in Sydney, who has reportedly had a government agent assigned to him to monitor his exposés of vote fraud. Another target is investigative journalist Ross W. Bensted, editor of the 50,000 monthly circulation newspaper *The Citizen*. Bensted has published articles on vote fraud, and has investigated Australia's extensive drug traffic, a spinoff of the country's role as a transshipment center for drugs coming via Southeast Asia's Golden Triangle into the United States. Freemasonic elements in the Queensland police force are presently trying to frame up Bensted on assault charges, charges filed by a convicted burglar to whom the police have offered a deal.

Ultimately, the success of Australia's "freedom movement" will turn upon its ability to develop a program for national economic recovery, and to mobilize the citizenry around that program. Two leaders of the Citizens' Electoral Councils (CEC), a key component of that movement, with 150 local branches spread across Australia, spent much of February in discussions with the economics staff of *EIR* toward that end. Queensland farmers John Koehler and Maurice Hetherington recounted the industrial and technological capabilities which Australia once possessed, which have been either downgraded or destroyed, but which must be resurrected in an even more advanced form: an expansive auto industry, a shipbuilding industry, an aircraft industry which built the highly regarded Canberra fighter plane, a highly developed machine tool sector, a nuclear research program among the most advanced in the world in the 1960s, which worked on high temperature gas-cooled reactors, among other technologies.

As John Koehler, a co-founder of the CEC movement, commented, "The employment figures pretty much tell it all, how we have slid from a high-technology manufacturing economy to a Third World-style raw materials exporter, with the collapse in standard of living, literacy, etc. which one would expect. In 1970, we had 1,320,000 employed in manufacturing. By 1988, this had fallen to only 1,119,000, despite the fact that the labor force grew from 5.4 million to 7.3 million over the same period."

Israeli high court to reopen Demjanjuk case

by Joseph Brewda

Israel's Supreme Court has agreed to hear new evidence in the case of John Demjanjuk, his attorneys reported on Feb. 21. Demjanjuk is a retired Cleveland auto worker who was framed up on Nazi war crimes charges, stripped of his naturalized American citizenship, extradited to Israel, and there convicted on the phony charges. At present, Demjanjuk is sitting in a death cell, waiting to hang for crimes that even his accusers do not believe he committed. The frameup was directed at every stage of the process by the U.S. Justice Department's Office of Special Investigations (OSI), whose assigned function has been to collaborate with the Soviet Union against shared political targets.

The formal, legal reason that the case is being reopened now, is that Demjanjuk's Israeli attorneys, led by Yoram Sheftel, have found new witnesses whose testimony could place Demjanjuk as having been far away from the Nazi concentration camp Treblinka, at the time when, according to the phony charges, he was supposedly a Treblinka guard known as "Ivan the Terrible." A former Ukrainian national, Demjanjuk has insisted throughout that he is a victim of a case of mistaken identity. One witness has been located who can testify that Demjanjuk in fact was at a German prisoner-of-war camp at the time that the prosecution claims he was terrorizing and murdering inmates of Treblinka. Another, the former mistress of the real "Ivan," has also been found, and states that Demjanjuk is not the man.

Yet, since the Israeli government has always known that there never was a basis even for indicting Demjanjuk, let alone convicting him, the reasons for the Supreme Court's abrupt, apparent, change of course must be sought outside of the legal proceedings themselves—perhaps in the complex negotiations now going on among Jerusalem, Moscow, and Washington.

Demjanjuk was sent to Israel for trial back in 1985, after having been stripped of his American citizenship. His first accuser had been an editor of a newspaper of the Communist Party U.S.A., who based his charges solely on purported "Soviet military archives" which had been handed to him by Soviet military intelligence officials in Kiev.

A cynical game

From the beginning, Demjanjuk was the victim of a cynical U.S.-Soviet-Israeli game to depict all Eastern European

anti-communists as fascists—a political targeting operation overseen by the OSI. The OSI was formally created in 1979, as a result of discussions first held between former Secretary of State Henry Kissinger and Soviet Foreign Minister Andrei Gromyko back in 1971, whose aim was to create joint mechanisms to enforce "détente." It is the only U.S. government agency with the formal mandate not only to cooperate with the Soviet state prosecutor's office, but also Soviet intelligence agencies, under the pretext of "Nazi hunting."

Demjanjuk was chosen as a victim precisely because he was a normal immigrant auto worker: a clear message to tens of thousands of other anti-communist immigrants who also had lived in Europe during the war. Another victim was Karl Linnas, an Estonian emigré from Long Island, New York. In 1987, Linnas was illegally deported to Estonia on request from the Soviet Union to stand trial as a Nazi war criminal. He died, just days after he entered a Soviet prison, of "illness."

Other OSI victims have been chosen because they had personal "geo-political" significance. For instance, SDI and rocket scientist Arthur Rudolph, who was driven out of the United States in 1985 after having helped direct the U.S. space program for 30 years. West German investigators have since concluded that the accusations against Rudolph were a hoax. Then there is the case of Austrian President Kurt Waldheim, who has been excluded from the United States based on OSI lies. The OSI charges against Waldheim are partially motivated by the fact that Austria has given fleeing Soviet Jews international refugee status, which allows them to emigrate to the United States. Israel and the U.S. would both prefer forcing these Jews to emigrate to Israel.

An obvious fraud

That the charges against Demjanjuk were always a contemptible fraud is shown by the fact that the prosecution's chief witness had testified, shortly after the war, that he had murdered the guard "Ivan the Terrible" at Treblinka; yet that is the very man he now claims Demjanjuk to be! Of course, even if the witnesses against Demjanjuk were honest, the reliability of 45-year-old memories of events that took place during a cataclysmic war is open to question, especially in the climate of media-induced hysteria which surrounded the trial. The only other government "evidence" against Demjanjuk is a Soviet-produced ID card, which has been repeatedly denounced as a forgery by experts. The ID card was brought to Israel by pro-Soviet businessman Armand Hammer.

Defense attorney Sheftel reports that the Israeli Supreme Court agreed Feb. 21 to hear Demjanjuk's mandatory appeal on May 14, but that the date could be postponed while attorneys gather evidence from the new witness. If his lawyers' efforts fail, Demjanjuk will eventually be hanged, the first such execution since that of Adolf Eichmann in 1962. The difference is, that Eichmann was guilty.

Bush gives green light to cartels

The real purpose of the invasion was to make Panama safe for the drug traffickers.

Against the lies retailed by the Establishment's liberal media and the Bush administration, *EIR* has been insisting that the Dec. 20 invasion of Panama was not really to fight drugs, but to make Panama safe for drug traffickers. Once again *EIR* has been proven right.

The *Miami Herald* of Feb. 22 ran the headline, "U.S. quits war with Panama bankers; Drug money can hide out with ease." According to the article, "American negotiators have given up efforts to change bank secrecy laws that have made Panama the most notorious drug money-laundering center in the hemisphere.

"The move dismays U.S. drug enforcement officials and some lawmakers who had hoped the costly invasion of Panama last December would open wide the doors of Panama's banks" to drug investigators. A State Department official told the *Herald*: "We don't want to alienate the Panamanians. . . . Rather than tell them whether their laws are sufficient, we'll let them decide."

Who is he kidding? Panamanian officials of the narco-government installed by the U.S. invasion are not allowed to decide anything. As *EIR* reported March 2, official U.S. documents show that every single government agency in Panama, from the presidency on down, is under the control of American officials who are in charge of the day-to-day administration of the country.

The *Miami Herald* admits that "under Gen. Manuel Noriega, [drug] deposits sometimes were seized by Panamanian officials." But adds, "U.S. investigators received so little

cooperation that the Drug Enforcement Administration withdrew its unit from Panama City in 1988."

The last is typical of the lies fed to the gullible American public by the liberal media. The truth is that the DEA fought tooth and nail against the administration's decision to shut down its operations in Panama and to end its collaboration with Noriega. More than once, DEA officials said publicly that Panama under Noriega was the one place in the hemisphere that gave its unquestioned collaboration to U.S. anti-drug efforts.

In fact, Washington decided to go all out against Noriega when he and the DEA moved against the drug-laundering banks in 1987 with "Operation Pisces." The destabilization operations against Noriega were launched exactly one month after "Pisces" seized \$10 million from 54 accounts in 18 banks, and resulted in the arrests of 58 American and Colombian drug dealers

At the time, in an unusual development, the *New York Times* reported the truth about the reasons for the operations against Noriega. "The political crisis follows closely what bankers here saw as a serious breach of bank secrecy regulations," wrote the *Times*, in an article published on Aug. 10, 1987.

It is those drug bankers that Bush installed as the government of Panama. As U.S. officials know, Guillermo Endara, whom Bush named President, is a director of Banco Interoceánico, a favorite of the Medellín Cartel. Most other senior officials of the U.S.-installed government are also involved in drug banking, including

First Vice President Ricardo Arias Calderón, who has family ties to the money-laundering Banco Continental and to the Cali Cartel's First Interamericas bank; and Second Vice President Guillermo "Billy" Ford, who was a director of Dadeland National Bank of Florida at the time that bank was being used by convicted drug-trafficker Antonio Fernández as a drug money laundromat.

Since the drug ties of the puppet government have been heavily publicized, it was expected that the Bush administration would at least make some cosmetic changes. But Panama's economy has been destroyed by the invasion and the more than two years of economic warfare which preceded it, and promised U.S. aid has not materialized. Nor will it. "I assure you that [the \$500 million aid package for Panama] will not be approved," Sen. Patrick Leahy said in an interview published by *La Estrella de Panamá* on March 1.

Unable and unwilling to provide the money to rebuild the economy, the Bush administration has determined that even cosmetic changes would be too costly to Panama's drug banks. "Only foreign depositors freshly assured of confidentiality are likely to return to Panama," according to the *Miami Herald*.

The economic crisis has increased the fragility of the government, which is facing growing resistance. Residents of El Chorrillo who were left homeless by the U.S. bombing, closed down the Panamerican highway on March 1 for more than four hours to demand compensation for their losses. Even Endara, whom the Mexican press has taken to calling "Porky the Pig" because of his corpulence, in a demagogic move designed to win popular support, announced on March 1 that he was going on a hunger strike to protest the lack of U.S. assistance.

Narcos want a deal

The "Extraditables" are laying out the conditions for their "unconditional" surrender to President Barco.

Speaking out of both sides of their mouths, the Colombian "Extraditables"—the group of drug traffickers headed by Medellín Cartel chieftain Pablo Escobar—is demanding that the government of President Virgilio Barco create either a commission or an "appropriate mechanism" for facilitating the drug cartel's promised surrender. The demand, transmitted through a letter sent to the "Notables"—a private group of would-be drug legalizers headed by former President Alfonso López Michelsen—also threatens that, should the government fail to do so, a new outbreak of violence will follow.

The Feb. 25 letter calls on López and company to intervene so that the government, "through one or more persons or through an appropriate mechanism, implements the process of our surrender." The Extraditables promise that if such a "mechanism" is created, they will hand over "the complete inventory of materials used in our activities" and will accept "the findings of Colombian justice, because we are subject to its Constitution and to its laws."

The same letter, however, warns the press and the government against placing "too much importance on use of words such as dialogue, negotiations, pact, when what is at stake is the opportunity to resolve a problem without violence, without repression, without hatred." Reading between the lines, the Extraditables are threatening, "Play by our rules, or pay the consequences."

The government has stood firm against the blackmail threats. Re-

sponded Government Minister Carlos Lemos Simonds, "There will be no negotiations because the state cannot negotiate its laws, nor the norms that have been dictated to protect society. If they are prepared to face justice, let them do so, because until now all we have heard are offers without substance."

In a Feb. 24 interview with the anti-drug daily *El Espectador*, the minister honed in on the real problem facing his country. The drug trade has grown to such magnitude, he said, because the country is "morally devalued. . . . Unlike what is happening with the rest of Latin America, our fight is not against galloping inflation, but against galloping immorality. The cause of our sufferings is not the foreign debt, but the debt we owe to our own consciences. The country has a deficit, but of probity. Thus Colombia needs a great moral bonanza more than a coffee bonanza.

"Our youth are trained to derive maximum personal benefit from their work, without realizing that that demands a high degree of social indifference. We zealously guard the soundness of our currency, but we disregard the soundness of our customs. We economically revalue ourselves but we morally devalue ourselves. And, without realizing it, we've ended up establishing a stock exchange of ethics, where betting down has become the most lucrative operation."

Lemos concluded that Colombia will not enter into a deal with the drug pushers, as former President López is demanding, "just so the traffickers will release people they have auda-

ciously kidnaped to demonstrate their criminal power."

The government may not be buying the cartel's offers, but the media both at home and abroad insist on presenting the Extraditables' letter as the same offer of *unconditional* surrender pending since Jan. 17. On that date, the Extraditables tried to curry public favor by promising to release its kidnap victims, and hand over explosives, arms, cocaine labs. Now, the narcos are presenting the *conditions* for that "unconditional" surrender.

Following an exchange of letters with López, the Extraditables began to release hostages one by one, while announcing the location of a handful of abandoned laboratories and some explosives caches. However, the security forces during that same period were raiding labs much more sophisticated than those supposedly surrendered, and found more weapons and explosives than those handed over as "good faith" symbols.

On Feb. 17, National Police director General Gómez Padilla revealed that a gigantic laboratory in the eastern plains of Yari had been discovered, and more than 60,000 gallons of refining chemicals and 700 kilos of pure cocaine confiscated. In another raid, they found an arsenal which included surface-to-air and air-to-air missiles. "I see no reason to applaud a few criminals who now appear to want peace after committing such crimes. The only offer I understand is their surrender to authorities and their immediate submission to Colombian law," he said.

A recent combined army-police raid uncovered \$37 million in cash and gold hidden on an estate belonging to the slain trafficker Gonzalo Rodríguez Gacha. That sum equalled the Colombian defense budget for an entire year!

International Intelligence

U.S.S.R. creates new presidential dictatorship

The Supreme Soviet of the Soviet Union voted on Feb. 27 to approve strengthened powers for the presidency, in a move that U.S. political prisoner Lyndon H. LaRouche characterized as giving Gorbachov "personal powers over the Soviet Empire [that] will be greater than those of Adolf Hitler at the height of his dictatorship. This is a very interesting form of democracy, I must say."

The law will give the President the right to issue emergency decrees, and other extraordinary powers.

According to intelligence sources in Europe, the key element in the draft law was its provision for creating a Presidential Council, an executive body replacing the current presidium of the Supreme Soviet. Parliamentary opponents of the law declared in the debates preceding its adoption, that the new Presidential Council will be in reality a "Presidential Politburo," transferring the traditional party-based rule to an executive organ of the state.

While no details have been released on who will be on the new body, it is taken for granted that it will be a mix of civilian, military, and KGB personnel. In short, the form for dictatorial rule will be presidential, but its substance will be an executive dictatorship of the civilian/military Presidential Council.

The law will now be debated and voted on by the Congress of People's Deputies, which will begin an extraordinary session on March 12.

Andean Labor Party leader gets death threat

Colombian political activist Maximiliano Londoño, the secretary general of the Andean Labor Party (PLAN) and candidate for Senate on his party's electoral slate, announced on Feb. 28 that he and his associ-

ates have been threatened with death. "Today, at 5:25 p.m., an anonymous phone call was made to our office, and a female voice warned, 'you have 24 hours left to live, watch yourselves,'" Londoño reported.

The Andean Labor Party has for many years been campaigning against the drug mafias and their "liberal" supporters, and has called for a serious war on drugs by the government. It has firmly backed the policy of waging such a war on narco-terrorism that is now being promoted by President Virgilio Barco.

Londoño added, "We are opposed to ex-President Alfonso López Michelsen's proposal to conduct a dialogue with the drug traffickers; and similarly, we oppose drug lobby favorite Ernesto Samper Pizano's idea of legalizing drugs.

"We have informed the authorities of this new threat to the members of the Andean Labor Party, and we are confident that the government will act appropriately to guarantee the safety of our members as well as our movement's participation in the upcoming elections," Londoño said.

Romanian opposition complains of harassment

"Two of our members were killed last month. We are working under enormous difficulty," declared Corneliu Coposu, president of the biggest opposition group in Romania, the National Peasants Party, on Feb. 22. Coposu said two party workers were beaten to death in the Moldavian city of Bacau on Jan. 29, during a nationwide day of demonstrations to support the ruling National Salvation Front.

The biggest opposition parties say several new parties are mere covers for the National Salvation Front, which took power after the violent December revolution. "There are constant threats and aggression. The day before yesterday gangs of organized hooligans attacked some of our provincial headquarters," said Radu Campeanu, president of the Liberal Party.

The opposition parties have repeated

their accusation that the Front behaves like former dictator Nicolae Ceausescu, who was thrown out and executed in the revolution. "We have strong fears that the elections will not be fair," said Campeanu, one of the interim government's five vice presidents. He added that his party planned to appeal to the Council of Europe in Strasbourg, France to send "a few hundred" observers to the May elections.

Chinese Army officers under investigation

Between 1,500 and 3,000 People's Liberation Army officers are under investigation for involvement in the Tiananmen Square demonstrations of May-June 1989, China commentator Jonathan Mirsky reported in the *Observer* newspaper of London on Feb. 18.

Gen. Xu Qinxian of the 38th Army, who feigned illness rather than send troops against the demonstrators, is now reportedly serving a long sentence in Qinchen prison. More than 200 high-ranking officers from the Central Military Commission, the General Military and General Logistics Departments, and the Beijing Military Region all advised against using force in Tiananmen Square, along with seven top retired Army officials and China's only two living marshals.

To counter the trouble in the Army, the Communist regime is ordering that military training be 70% political and only 30% military.

A commentary in the *Liberation Army Daily* reported that the developments in Eastern Europe and the Soviet Union have shaken the Army. "Success or failure of socialism has become a question of universal concern. . . . Some comrades are still quite confused on such questions as the future of the socialist system." There are problems in the Army's support for the party, the paper said.

President Yang Shangkun, whose 27th Army led the Tiananmen assault, is clearly

Briefly

● **LITHUANIANS** voted up a non-communist majority in the national parliament on Feb. 25. The pro-independence Sajudis candidates won 72 out of 90 seats contested, giving them the majority; the Communist Party won only 29 seats. The election was the first free election in the 70-year history of the Soviet Union, to which Lithuania was forcibly annexed in 1940.

● **THE SOVIETS** are moving more sophisticated weapons into Vietnam's Cam Ranh Bay Naval Base, the *Bangkok Nation* reports. Although the Soviet Union has removed its air forces from the base, it has replaced them with ships carrying greater numbers of missiles. Also, the Soviet air forces found in the Far East Military District are now equipped with the latest aircraft with the most sophisticated weapons available.

● **THE BRITISH** Foreign Office has suppressed a 50-year-old memorandum which proposed a campaign of MI-6-inspired destabilization of Soviet republics, including Armenia, Azerbaijan, Uzbekistan, and Tadjikistan, reports the *Independent* newspaper. The author of the memorandum was Anglo-Soviet double agent Sir Fitzroy Maclean. The issue is said to be "causing a lot of embarrassment" in Great Britain.

● **INDIA** has been offered by the Soviet Union the latest air defense fighter, the SU-27. Soviet Minister of Aviation Industry, A.S. Systov made the offer during a visit to New Delhi at the end of February.

● **CAMBODIAN** peace talks in Jakarta, Indonesia, ended in an impasse at the end of February, after two and a half days of trying to involve the United Nations in a settlement. Diplomats said the next move would be a meeting in the second week of March of the five permanent members of the U.N. Security Council.

under pressure in the Army. Mirsky reports that Yang had minimal combat experience, and his career has been political. Army leaders are saying privately that their troops either did not open fire during the Tiananmen crackdown, or the tanks went in with guns covered.

Recruiters for the Beijing garrison this spring were warned not to induct "lawless" elements, those who participated in the demonstrations, or who "nurse grievances" against the socialist system. The leadership of the People's Armed Police, which was founded a few years ago to deal with civil unrest, has been purged and reinforced with 20,000 regular soldiers, after martial law was "lifted" in Beijing.

Lafontaine rejects goal of German unification

Oskar Lafontaine, the ecologist Social Democrat and governor of the Saarland who wants to be chancellor of Germany, pushed the same "go slow" line on German reunification that Britain's Margaret Thatcher and George Bush are peddling, in a speech in Leipzig, East Germany on Feb. 23.

Lafontaine was speaking at a conference of East German Social Democrats (SPD). His address is likely to adversely affect the SPD's chances in the March 18 election, because his views go against those of the overwhelming majority of the East German electorate.

Lafontaine stressed:

- The Social Democrats only support German unity as a subject of an undefined "European unification"; to call for Germany now, rules out progress on European integration;

- The nation-state as an idea is out anyway, because the "global challenges to mankind"—ecology, the ozone hole, the arms race—have rendered the nation obsolete;

- The revolution in the East, was not caused by the belief in the nation-state, but rather, by the fact that there is a "world communication society" that was brought into

being by the Social Democrats, originally;

- A German economic and currency union would be an obstacle to the monetary and economic integration of Europe;

- The German reunification issue should not be discussed at the "two plus four" (the two Germans plus the Four Powers) level, as currently planned, but at a panel involving "all neighbors and concerned parties in Europe."

Soviet military scores 'fascist' detractors

The strongest warning by the Soviet military leadership to date that things in the Soviet Union have gone too far, occurred as a composite of items in the Feb. 17 issue of the Defense Ministry daily *Krasnaya Zvezda*. Leading the charge was a statement signed by retired marshals and generals, including Marshal Nikolai Ogarkov, blasting a new film called "Strafniki" ("Shooters"), whose theme is to attack the World War II Soviet military for brutal treatment and murder of Army defectors, deserters and military code offenders.

The statement signed by "We veterans of the Great Patriotic War," condemns director Lev Danilov's "falsification" of the war period: "Even fascist propaganda couldn't have come to such a point. . . . This even exceeds Goebbels." The statement warns that "we are not going to give in to the Vlasovites deserters" (the army of Red Army defectors commanded by General Vlasov), and declares categorically, "Such films have no right to be put on the screen."

The same issue of *Krasnaya Zvezda* contains a lengthy article filled with outrage over the fact that, as result of internal disorders and bloody incidents within the Armed Forces, 59 officers have died in the last year. The paper also publishes a letter attacking liberal media outlets for never saying anything about "fascist thugs" who are trampling on the graves of Soviet soldiers.

Never before have attacks on the liberals or cosmopolitans labeled them as fascists.

U.S. Supreme Court upholds lawless 'Thornburgh Doctrine'

by Molly Kronberg

On Feb. 28, the U.S. Supreme Court tossed out all the protections the Constitution gives against unreasonable search and seizure—if that search and seizure happens to occur on foreign soil, conducted by U.S. agents who are seeking evidence against foreigners. That endorsement of the so-called "Thornburgh Doctrine"—namely, that the United States has the right to investigate and seize (the proper word is kidnap) foreign nationals on foreign soil if it can claim that those foreigners broke U.S. law—marks a terrifying step in the destruction of the Constitution, and the transformation of this country into a police state, and a danger to its allies and neighbors.

Named after U.S. Attorney General Richard Thornburgh, whose Justice Department represents already the core of what political prisoner Lyndon LaRouche has identified as "administrative fascism" in the government of the United States (see *EIR* March 2, 1990), the "Thornburgh Doctrine" was applied in December, when the United States invaded the small country of Panama, and killed many thousands of noncombatants and civilians there, in order to snatch Gen. Manuel Noriega and bring him to this country for trial.

Just before the invasion, CIA chief William Webster had told the American press that in fact, the United States should also legalize the practice of assassination of recalcitrant foreign leaders.

With the help of this Supreme Court, the administrative fascists in Washington are making of the United States an outlaw nation, reminiscent of Great Britain in the first part of the 19th century, when this country fought the War of 1812 to block Britain from seizing ("impressing") American seamen on the high seas to force them to serve the British Navy. The Americans said at the time that the British practice was piracy—and it still is, when the United States claims the

right to do something similar today.

Immediately at issue in the Supreme Court's majority opinion, which was signed by Chief Justice William Rehnquist, was a ruling by the U.S. Court of Appeals in California that U.S. drug agents needed a warrant before they could search the home, in Mexico, of a reputed drug dealer who was alleged to have been linked to the 1985 murder of U.S. Drug Enforcement Administration agent Enrique Camarena. The Supreme Court overturned the Appeals Court, by finding that U.S. agents do not need warrants before they go to foreign nations to seize evidence.

Over the border? Break the law

According to Rehnquist's opinion, "The Fourth Amendment's drafting history shows that its purpose was to protect the people of the United States against arbitrary action by their own government, and not to restrain the federal government's actions against aliens outside U.S. territory." Apparently, legality doesn't enter in to what the American government does to aliens.

"Nor," Rehnquist wrote, "is there any indication that the Amendment was understood . . . to apply to United States activities in foreign territory or in international waters."

The Supreme Court argued, absurdly, that foreigners wanted in the United States on criminal charges do not enjoy the same constitutional protections as do Americans, until those foreigners land on U.S. soil—having been kidnaped and brought here. "Any restrictions on searches and seizures incident to American action abroad must be imposed by the political branches through diplomatic understanding, treaty or legislation," Rehnquist wrote. The opinion asserted that Fourth Amendment restrictions would hamper not only U.S. law enforcement, but also other foreign operations by U.S.

armed forces that result in searches and seizures of evidence—as in Panama, where invading U.S. forces seized evidence for use at Noriega’s trial.

The opinion drew a dissent from Justice William Brennan. “When we tell the world that we expect all people, wherever they may be, to abide by our laws, we cannot in the same breath tell the world that our law enforcement officers need not do the same,” he wrote.

Too, Noriega’s American lawyers reacted strongly: “The decision is very distressing,” said Sam Burstyn, a member of the defense team. “The U.S. Supreme Court has taken another step in eroding the protection from U.S. agents overseas. It is a part of a trend away from Fourth Amendment rights. . . . The U.S. Supreme Court is sending a signal to the entire judicial system that it doesn’t matter how evidence is obtained overseas.” Burstyn added that this immeasurably helps Noriega’s prosecutors, who now have virtually no worries about introduction of evidence, no matter how it was gotten, nor what its provenance.

International outrage

The international reaction was as swift, and as sharp. On March 1, the *Guardian* of London worried about “The prospect of U.S. agents roaming uninvited” through Ibero-American countries like Peru, Colombia, and Bolivia, “arresting citizens, seizing their property, and removing them to the U.S.” Reporter Simon Tisdall, writing from Washington, added that that prospect “is not likely to please governments already nervous about U.S. extra-territorial activities. . . . It was unclear yesterday how the British government, or the Metropolitan Police, might react to an armed FBI raid on a London bank suspected of drug money laundering.”

Certainly, in Ibero-American countries, many of whose leaders are still outraged at the utter disregard for the sovereignty of a small and independent country which the Panama invasion showed, the Supreme Court ruling is a powerful provocation.

The Mexican government is already angered at the insinuations and smears that have appeared in the American press, implying Mexican coverup of supposed links between Mexican police officials and the 1985 murder of Camarena. In Colombia, where President Virgilio Barco has led a determined war on the drug cartels, there is already tremendous anxiety, and anger, over an attempt earlier this year by the United States to blockade Colombia’s coastal waters, and to violate her sovereignty and territorial integrity, on the pretext of seizing drug shipments and drug traffickers.

That this Supreme Court should have delivered such an ominous and dangerous opinion, is entirely in character for a high court which last June ruled that capital punishment for minors and the retarded is perfectly constitutional, and in no way constitutes cruel and unusual punishment.

This same Supreme Court not long ago permitted (by refusing to hear the relevant case), the application of the

federal RICO (Racketeering Influenced Criminal Organizations) laws to anti-abortion protesters. Now, such protesters may find themselves sued under civil RICO, or charged under criminal RICO, as part of a racketeering conspiracy.

On Feb. 27, the Supreme Court handed down another troubling opinion, when it ruled that prisons may administer to inmates who are judged to be mentally ill, anti-psychotic drugs against their will. Previously, a judicial hearing was required before a prison could treat a prisoner with anti-psychotic drugs against his or her will.

Justice John Paul Stevens dissented, asserting that the due process guarantees of the Constitution require a judicial hearing before medication. He argued that “The liberty of citizens to resist the administration of mind-altering drugs arises from our nation’s most basic values. Serving institutional convenience eviscerates the inmate’s substantive liberty interest in the integrity of his body and mind.” At first reading, the majority opinion seems to raise the spectre of a kind of “psychiatric” imprisonment without due process which has become familiar as the practice of the Soviet Union.

Absurd, but not funny

A recent article in the *San Francisco Chronicle*, by columnist Charles Burrell, drew out the vicious absurdities the Thornburgh Doctrine leads to. Burrell imagined a situation in which President Bush was imprisoned in Nicaragua, First Lady Barbara Bush was kidnaped by an invading Iranian army for failing to wear the veil—and thereby breaking Iranian law; Daniel Ortega was in jail in Beijing for “being a bleeding-heart running puppy” in allowing elections in Nicaragua; and the Vatican had seized Secretary of State James Baker for lying about secret diplomatic missions to China.

It sounds funny—and Burrell’s column was. But in fact, the Thornburgh Doctrine is anything but. It is a carte blanche to the Justice Department and the judiciary to conduct judicial terror abroad as well as at home. When LaRouche warned of “administrative fascism,” he was speaking from personal experience. The 15-year federal prison sentence he is now serving, like the shorter sentences of his six co-defendants from their fall 1988 “railroad” trial in Alexandria, Virginia, is the result of precisely such lawlessness on the part of the Justice Department and federal courts.

On Feb. 20, LaRouche learned that the federal Appeals Court in the Fourth Circuit (Virginia) had denied his motion for a rehearing *en banc* of his appeal. At the time, LaRouche said: “Now we shall see whether the Supreme Court remedies this or not. We shall see, thus, whether there is any justice in principle left in the United States. We shall have to wait and find out.”

The Feb. 28 “Thornburgh Doctrine” ruling seems to imply that—as so many observers already sense—the notions of justice and constitutional government are alien ones to the Rehnquist Court.

Du Pont heir airs LaRouche forecasts

The blanket of media of silence over Lyndon LaRouche's warnings of a new round of financial collapse was suddenly lifted last month, when Lewis du Pont Smith, the chemical industry heir who has been ruled mentally incompetent because of his political and financial support for LaRouche, hit the nationwide television talk-show circuit, following articles in the *New York Times*, *USA Today*, and elsewhere.

On Feb. 28, Smith and his wife Andrea Diano-Smith appeared on the popular Larry King show on Cable Network News. In the half-hour interview, Smith described how he had lost more than \$3 million in the October 1987 stock market crash, because Wilmington Trust, the court-appointed guardian over his \$12 million inheritance, had refused to follow Smith's advice to pull funds out of the stock market on the basis of LaRouche's May 1987 forecast of the crash. King, who had earlier attempted to bait Smith and his wife with out-of-context quotes about LaRouche, confessed at the end of the interview, that Smith's situation is "bewildering" to him, and promised "more to come."

The Smiths have also made appearances on both the Gerardo Rivera and Sonia Friedman television talk shows, and is slated for a story to appear soon in *People* magazine. Meanwhile, the press in Great Britain has also covered the case.

LaRouche to testify

Smith's claim that it is his family and the guardians of his fortune who are incompetent—and not Smith himself or his friend LaRouche—is at the heart of a court case in the Orphans' Court in Chester County, Pennsylvania, in which Smith is demanding Judge Lawrence E. Wood reverse his 1986 decision that Smith be forbidden to manage his personal affairs—a decision which also deprived him of the right to vote and to marry. (His marriage to Andrea Diano, performed in Rome, Italy with the blessings of the Vatican, was only validated in the United States after another court battle before Judge Wood last year.) Lyndon LaRouche is expected to give videotaped testimony as part of the court hearings, which are expected to continue through May.

EIR has already extensively reported on this unprecedented case of an American being deprived of his human rights solely because of his political beliefs. (See, e.g., *EIR*, Jan.

5, 1990, "Du Pont heir puts 'Get LaRouche' mob on trial"; Jan. 12, "Pa. paper defends rights of Lewis du Pont Smith"; and Feb. 9, "New York Times covers du Pont Smith Case.") What follows is a sampling of how the rest of the media have belatedly picked up on it—conveying some realities despite repeated references to the media myth of the "LaRouche organization."

Times of London, Jan. 30: "The scion of one of America's wealthiest families, declared legally insane after his parents feared he would squander his inheritance on the maverick right-wing politician Mr. Lyndon LaRouche, is suing to get back his sanity and his money. . . . [Smith] continued to work for the LaRouche organization, running on the party ticket for a congressional seat in New Hampshire in 1988. His platform, calling for universal testing for AIDS and the colonization of the Moon and Mars, proved unpopular with the voters [Smith received 8.5% of the vote—ed.]."

USA Today, Feb. 13: "Lewis du Pont Smith might be crazy about Lyndon LaRouche's politics, but he's saying in court that it doesn't mean he's mentally ill. . . . 'They want to keep the family money in the family, and anyone who stands up against the politics of the Main Line, blue-blood Establishment is no longer considered a member of the family,' he says. 'The bottom line is that I am not mentally ill, nor have I ever been.' . . . Smith says he never imagined his political beliefs would result in a humiliating declaration of mental illness. . . . [He] says he's sure he'll prevail this time. And he says his family needn't worry: 'Lyndon LaRouche is not a designing person and I'm not enamored by him. I am not going to empty my wallet for Lyndon LaRouche.' . . . He and his wife plan to have children if 'the stigma of mental incompetence hanging over me' is removed. He also plans another run for Congress."

Philadelphia Inquirer, Feb. 16 [reporting on a court hearing the previous day]: "Diano-Smith and the couple's friends also testified that far from being a mental pushover, as his family have portrayed him in court documents, Smith is a stubborn intellectual who doggedly sticks to his point of view. As a result there have been frequent arguments between Diano-Smith and Smith, they testified. 'They're a romantic couple, but they fight over ideas,' said Dennis Speed, who works for the LaRouche organization in New Jersey. 'But the friction gets resolved humorously.'

"Diano-Smith said the du Pont family had questioned the validity of her marriage to Smith because they did not think she was good enough. She is of Italian descent. . . . 'The du Pont family rejects me because I'm Italian,' said Diano-Smith. 'His mother said I had no culture in South Philadelphia. In the court papers, they said I'm a seductress for Lyndon LaRouche.' . . .

"Victor Girauta y Armada, a lawyer from Barcelona, Spain, testified that he found Smith's mental abilities normal. After the hearing, Girauta said that the case was a violation of Smith's human rights."

Conservative 'moles' cheer on Gorbachov

by Herbert Quinde

Two erstwhile anti-Soviet conservatives, the putative co-authors of the so-called "Reagan Doctrine," Joshua Muravchik, based at the American Enterprise Institute (AEI) and Jeane Kirkpatrick, the Reagan administration ambassador to the United Nations, are now characterizing Soviet leader Mikhail Gorbachov as a disillusioned communist who has had a Damascus Road conversion to become a "social democrat." This cheerleading of their philosophical counterparts in the East by these two right-wing social democrats, albeit for the first time publicly, provides added insight into why President Reagan dropped the thesis that the Soviet Union is the "Evil Empire," and why President Bush and British Prime Minister Margaret Thatcher have been carrying on such a shameless love affair with Gorbachov.

Muravchik sparked a controversy, at least inside the Washington Beltway, when an article entitled "Gorbachov's Intellectual Odyssey: Not Another Dubcek, But a Djilas of sorts?" which he had written for *The American Enterprise*, the journal of the AEI, was published in the March 5, 1990 issue of *New Republic*.

Muravchik compared Gorbachov's transformation to that of Milovan Djilas, who, at the end of World War II, was a top Yugoslavian Communist Party operative considered to be Tito's heir-apparent. He later broke with Tito, was jailed as a dissident, and, over the course of several decades, published harsh critiques of Leninism and Stalinism, and ended up advocating a "humanist" sort of Marxism. Muravchik concluded his article, "We should . . . do everything in our power that is not reckless to support and deepen glasnost and perestroika. In addition, we should continue to seek dialogue with Gorbachov not merely about trade and missiles but about values and principles, in the hope of furthering his evolution . . . to the logical conclusion of his 'new thinking.'"

Kirkpatrick lauds Gorbachov

For those not so naive about the Reagan era "New Right," it was no surprise to find "conservative" ideologue Jeane Kirkpatrick hyping Muravchik's praise of Gorbachov. In a Feb. 13 *Washington Post* commentary, Kirkpatrick wrote, "Joshua Muravchik offers the most plausible explanation yet

of Gorbachov's own ideological evolution. . . . I think Muravchik is right. His explanation fits the facts and removes the mysteries of how Gorbachov, who seemed a conventional Marxist-Leninist, has moved so far away from dictatorship and toward institutions and relations based on consent."

But in the 1989/90 issue of *Foreign Affairs*, the journal of the New York Council on Foreign Relations, in an article entitled "Beyond the Cold War," Kirkpatrick wrote, "Gorbachov's sweeping program of political, cultural, and economic reform marks the end of totalitarianism in the Soviet Union." Ironically, these comments come just at the moment that Gorbachov is assuming dictatorial powers greater than those held by Adolf Hitler.

What Kirkpatrick and Muravchik are doing is exemplary of the "fifth-column" role played by social democrat and so-called neo-conservative "moles" who operated within the "Reagan Revolution." In the slimy and confused "intellectual" world of conservative political theory, devoid of an understanding of history or physical economy, and dominated by neo-liberals, libertarian free marketeers, and unrepentant Bukharinites and Trotskyites, keeping one's right-wing credentials while helping give Gorbachov's brand of communism a "human face" is not a difficult task. Muravchik justifies his "disinformation" using the empiricist trick of quoting Gorbachov's numerous platitudes about "freedom" and "democracy," reflective of the flawed analytical methodology which presently has currency in the White House.

Sol Sanders, an international political affairs writer and also a former socialist turned conservative, commented on Muravchik's piece, "I was shaken to hear that Gorbachov was compared to Djilas. Gorbachov is an anti-Semitic maneuvering . . . new dictator . . . more akin to [former Hungarian Prime Minister] Horthy . . . and corporatist economics." Does Muravchik's and Kirkpatrick's political genealogy account for their crush on Gorbachov?

Sanders once claimed that he personally recruited Kirkpatrick to the Young Peoples Socialist League while she was a college student. Muravchik is a second generation "social democrat." His father "Manny" Muravchik was a leading figure in the Jewish Labor Committee (JLC), an outgrowth of the splintering of the Communist Party U.S.A. (CPUSA) during the 1930s. David Dubinsky founded the JLC and later collaborated with Jay Lovestone, the former secretary general of the CPUSA and ally of Bolshevik Party founder Nikolai Bukharin who led the "Right Opposition" to Stalin. When Stalin purged Bukharin and Lovestone, he and his fellow-travelers traded on their anti-Stalinism to become the CIA and FBI's top "anti-communists," hence the term "right-winger."

The godfather of these "red" conservatives is Leo Cherne, the vice-chairman of the President's Foreign Intelligence Advisory Board. (See *EIR* Special Report, "The Kalmanowitch Report: Moscow's Moles in the Reagan-Bush Administration," March 17, 1988).

The Moynihan proposal and the politics of unreality

by Andrew Rotstein

Some years back, as chief domestic policy adviser to the Nixon White House, Sen. Daniel Patrick Moynihan (D-N.Y.) issued a report on the crisis of the black family. It was in this document that the bombastic Harvard professor broached the soon-notorious idea of “benign neglect” toward the impoverished victims of racism in America. The ensuing firestorm in governmental and academic circles became the subject of a book, *The Moynihan Report and the Politics of Controversy*.

The senator’s current proposal to roll back the recent increase in Social Security payroll taxes has touched off another uproar. This time, the debate shows the utter small-mindedness of most principal political factions concerned, the kind of small-mindedness that allows an emperor to blithely fiddle away while his kingdom goes up in smoke.

The background

In 1983, a Presidential Commission on Social Security was convened to provide for the actuarial soundness of the national retirement income system, especially as the 76 million Americans born between 1946 and 1964 begin to retire around the year 2010. Due to greater longevity, lower population growth rates, the resulting increase in the ratio of retirees to active workers, and the stagnation of productivity and living standards since the early 1970s, the Social Security system was headed for trouble. Given a continuation of prevailing trends, the retirement funds for the baby boom generation simply wouldn’t be there when needed.

The commission recommended, and Congress legislated, substantial increases in the payroll taxes that fund the system, known to most Americans as the FICA (Federal Insurance Contributions Act) line on their pay stub. These hefty increases easily absorbed any break which Americans may have received from the much-vaunted Kemp-Roth income tax cuts of 1981. In fact, the fiscal history of the 1980s could be summarized as a massive tradeoff between slashed income taxes and higher Social Security taxes.

But the reforms of 1983 also took effect as the toll accumulated from past sins of economic policy, especially the “post-industrial society” fiasco and the early-1980s regime of Paul Volcker’s high interest rates. The United States sank

deeper into a fiscal crisis unprecedented in peacetime history, as the papier-mâché prosperity of the 1980s was fueled by a spree of debt-financing, public as well as private.

Congress, facing deficit reduction targets mandated by the Gramm-Rudman amendment, siphoned off the bulging surpluses in the Social Security Trust Fund to lessen the operating deficit, creating the public-relations appearance for the credulous that the deficit was actually coming down. The Trust Fund in return received special, non-marketable Treasury notes due in the next century, notes which must be redeemed out of federal tax revenues, or more federal borrowing.

If Moynihan—as in fact he has directly admitted—is simply trying to expose the massive accounting hoax behind the claims ballyhooed by Reagan and Bush of lowered federal deficits, he’s chosen an easy target indeed. Without \$60 billion or so in payroll taxes in the current fiscal year funneled into the Treasury, the federal deficit, fraudulently reported at \$120 billion, would be over \$180 billion. Add to that figure smaller amounts retained in the Aviation Trust Fund and the Highway Trust Fund, which are earmarked for but not spent on sorely needed infrastructure improvements, and the present federal deficit is easily roughly \$200 billion a year—essentially unchanged from its mid-1980s peak.

The problem, of course, is that Moynihan’s plan would expunge the ledger fraud, but would leave the underlying reality of economic stagnation unchanged. It would, however, unmask a yawning hole in the federal budget. It would also leave the retirement income of future Americans to be paid on an “as you go” basis, necessitating a level of taxes on the next generation of American workers so burdensome that they could spark ugly intergenerational strife, and accelerate the ghastly trends toward rationed medical care and the “right to die.”

At best, returning the huge Social Security tax increases to working Americans could provide a pool of investible funds to fund modernization of our agro-industrial base and renovation of our dilapidated infrastructure. But in the current environment of industrial collapse, deregulation of banking and other industries, and wildly speculative financial markets, such a fond hope would be like expecting a chicken

to lay a duck's egg. Any salutary result from such a rebate to American taxpayers would depend on a fundamental shift in federal economic policy—a shift neither Moynihan nor any other prominent official is seriously proposing. And therein lies the utter unreality of the whole business.

Political free-for-all

Instead, the Moynihan proposal has become a field-day for partisan jockeying and intrigue. Hapless Democrats see it as a way to seize the political benefits of the tax-cutting issue from the Republicans, and to reclaim some of their erstwhile blue-collar and middle-class base. To do so with a populist attack on Republican programs that have benefited the wealthy—a charge with good statistical evidence behind it—could give the party a desperately needed boost, especially in the context of a pre-1992 financial blowout. They also see it as a bargaining chip in the administration's renewed attempt to pass a capital gains tax break.

The White House publicly charges that the Moynihan measure would “mess around with Social Security”—a phrase known to strike terror in the hearts of millions of Americans. As a fig-leaf, the White House has proposed a “Social Security Integrity and Debt Reduction Fund,” which would earmark Trust Fund surpluses for buying back (i.e., retiring) federal debt in circulation. It conveniently proposes that this scheme take effect in 1993, allowing the present hoax to carry the administration through its present term.

Democratic congressional leaders have a sharply ambivalent stand on the matter. They praise elements of Moynihan's approach, undoubtedly (at least in part) because they gain a partisan advantage from Bush's embarrassment. Yet on balance, they oppose his idea, probably because such aforementioned embarrassment is one in which they would generously share. Put otherwise, if congressional leaders break profile, take an uncompromising stand for fiscal truthfulness, and let the deficit cat out of the bag, they leave themselves the job of raising taxes by other means and/or effectively scrapping the deficit reduction targets of the Gramm-Rudman bill (although “stretching out” would be the preferred term).

In the petty world of Washington, where momentous questions like national economic viability only rarely overtake considerations of institutional stability and political safety, the Moynihan proposal is like a firecracker at a crowded party: you can liven things up with it easily enough, and maybe succeed in terrorizing your intended target; but you also stand an awfully good chance of getting yourself trampled in the ensuing mad rush for the door.

The folly of this spectacle is only magnified by the growing instability in the financial markets, where some semblance of “confidence” in governing circles often keep things teetering along for a while. It is not hard to see a situation in which intense rancor between the executive and legislative branches, or between the parties, could make the Moynihan bill into the centerpiece of a high-stakes game of “chicken.”

The hidden agenda: austerity

One side-effect of this controversy is that it has fueled a useful debate on the real issues of U.S. economic decay, productivity stagnation, and the fiscal crisis. The willingness of commentators to address these issues seriously, seems to vary inversely with the degree of their partisan stake in the federal budget process.

Unfortunately, even most of those willing to address these matters converge on the following litany: Economic renewal depends on increasing the private savings available for investment in new plant, new equipment, and research and development; increasing America's paltry savings rate depends, above all, on lowering the financing requirements of the federal budget, which currently absorb up to half those savings; and this, in turn, boils down to tax increases and/or spending cuts—in a word, austerity.

In fact, before his Social Security gambit, Senator Moynihan was campaigning for a drastic increase in the federal gasoline tax. Sen. Fritz Hollings (D-S.C.), the often unmentioned third culprit in the Gramm-Rudman-Hollings Amendment mess, has proposed a national sales tax as a way of “restraining consumption”—the economists' parlance for gouging living standards.

The strategy of lowering consumption is the emerging motif among economists and policymakers, as recognition spreads that the “go-go” speculative fever of the 1980s is rapidly dissipating. Countless press commentaries in recent months have touted the need to “increase national savings,” and academic scribblers of various camps have held forth on the issue, although they vary as to their bluntness about the need for lowering living standards.

MIT's Lester Thurow, a neo-liberal with considerable influence in certain Democratic Party circles, advocated in a Feb. 11 *Washington Post* commentary that real incomes must fall relative to output, a policy generally known as “forced savings.” Harvard's Jeffrey Sachs, whose infamous “shock treatment” economics have curbed inflation by letting blood in Bolivia and now Poland, offers similar counsel for industrial nations.

Among Republicans, Paul McCracken, who served as chairman of the Council of Economic Advisers in the Ford administration, bluntly says in the Feb. 5 *Wall Street Journal* that Social Security recipients “are really on the public dole.” This is the kind of talk that makes old age benefits into just another discretionary spending program that may face the axe in the tough times ahead.

And while Bush ceremoniously proclaimed in his recent State of the Union address that the system must be protected, his own CEA chairman, Michael J. Boskin, is on record calling for a fundamental restructuring of the entire program. In a 1986 volume ominously entitled *Too Many Promises*, Boskin says that Social Security should be revamped into a two-tier program to allow benefits to the non-poor elderly to be cut.

Bush pushing Japan over the brink

The growing rift between United States and Japan is due to the U.S. "superpower condominium" policy.

Relieved by the victory of the ruling Liberal Democratic Party in the recent Japanese lower house elections, the Bush administration was at pains to play down the growing friction between the U.S. and Japan as the President was preparing to meet Prime Minister Toshiko Kaifu in Palm Springs, California on March 2-3.

Journalists are notorious for conjuring up hostilities where they don't exist, and there has been no dearth of articles weighted with foreboding about the future of relations between the two nations. The *Washington Post* headlined a recent three-part series, "U.S.-Japanese Ties Seen at Lowest Point Since War."

Some Washington pundits say it is a lot of smoke and mirrors designed to rev up the stagnant U.S. economy. Gorbachov having robbed the U.S. of a formidable enemy against which to maintain vigilance, the Japanese are being ushered in to take the place of the Soviets. But all in good fun, these pundits say, because economic competition is the name of the new game, rather than thermonuclear "chicken," and its object is more to stimulate economic reform than really to bash the Japanese.

Reality, however, militates against such a pedestrian view of the very real problems that loom on the near-term horizon of U.S.-Japanese relations, and if measures are not taken to change the current course, a shipwreck is almost certain.

Because the governments of both sides hope to avoid this shipwreck, neither has been willing to make too much of the deadlocked "Structural Impediments Initiative" (SII) trade

talks, which are mandated to produce an interim report in early April and a final report over the summer.

It is well known that the U.S. is pushing hard to correct the \$49 billion deficit it has in trade with Japan by demanding Japan move to break up monopolies, open up its distribution system, and stimulate its economy by reversing the recent trend of raising interest rates.

It is also known that the Japanese are much more vocal about demanding the U.S. clean house if it wants to correct the trade imbalance. They point to the low levels of U.S. reinvestment in long-term research and development and the low U.S. savings rate, for example.

Not so well known is the sea-change occurring, most significantly in the people of Japan, which could send any peaceful resolution of these trade talks up in smoke. Senior U.S. officials are saying on background that their most important concerns center on the Japanese perception that the U.S. is no longer a reliable ally. This, senior U.S. officials say, was the real reason for Defense Secretary Richard Cheney's trip to Japan, and the swift invitation to the U.S. that Kaifu received from Bush right after the Japanese election.

"We have to convince the Japanese that we still consider ourselves a Pacific power, and that our strategic alliance with them is as important to us as it has ever been," one official said. Japanese trust in these propositions was shaken, of course, by the U.S. decisions to cut back its military forces in the Pacific, and by the apparent willingness, voiced by Cheney, to

let the leases lapse on the U.S. bases in the Philippines if that government is unwilling.

The Japanese have been most concerned about Bush's policy toward Communist China since last summer. Against the backdrop of a long history of acrimony toward China, many Japanese view Bush's "kowtow" approach to the Beijing regime with alarm. Bush made one off-hand remark during a press conference recently that sent Japanese worries to new heights, suggesting that the U.S.-P.R.C. relationship might be the linchpin of U.S.-Asian relations. Administration officials have said that Bush has deemed it urgent to allay the fears that the comment raised in Japan.

Japanese concern has also been fueled by exaggerated reports in Japanese newspapers about plans for the U.S. to completely withdraw militarily from Okinawa, for example. Bush called Kaifu over to Palm Springs to assure him on that. But the fact remains that the primary foreign policy goal of the U.S. administration is to fashion a new global condominium among the superpowers, which ranks all other relations second behind U.S.-Soviet and U.S.-P.R.C. relations.

So, what Japan is being told to do by the U.S. is not to play by new rules of the U.S.-Japanese alliance, but by the new rules of the U.S.-Soviet and U.S.-China global pact. As the Japanese catch on to what this means for them, their rift with the U.S. will widen. One area where the Japanese will put the U.S. to the test has to do with the Japanese-Soviet dispute over the islands just north of Japan. Now that the Soviets admit there is a "legitimate dispute" over who owns the islands, the U.S. must give more than only lip service to the Japanese claim, Japanese analysts contend.

Polygraphing PFIAB: the Bloch affair

A well-informed source formerly associated with State Department intelligence reports that another reason for Henry Kissinger's sudden resignation in late January from the President's Foreign Intelligence Advisory Board (PFIAB) was that Fat Henry faced a polygraph test for potential links with Felix Bloch, an alleged Soviet mole in the State Department. Another former member of U.S. intelligence reports that this would have been the first time Kissinger was "black boxed" and that he had never even undergone the standard background investigation most people do, but had received his security clearance by presidential waiver, when the tubby Harvard professor became national security adviser in the Nixon administration.

Said this second source, "If Kissinger were polygraphed, all sorts of scandals would come out, from sex scandals to espionage. Remember, Col. [Michael] Goliniewski who defected from Polish intelligence said Kissinger was codenamed 'Bor,' when he was a member of a Soviet espionage ring in his youth, that recruited by homosexual blackmail and that operated out of the U.S. Army Intelligence training center in Oberammergau, Germany, where Henry was a civilian instructor."

Readers of *EIR* will know that an alleged link between Henry Kissinger with Felix Bloch is not so far-fetched. When Bloch joined the State Department in 1958, his first assignment was in the intelligence section (INR), where he became a protégé of Henry's old Army buddy from Oberammergau and earlier, Helmut Sonnenfeldt.

State Department security and intelligence sources blocked Sonnenfeldt's later appointment by Kissinger to be deputy secretary of the Treasury, where Henry wanted Sonnenfeldt to oversee all aspects of the economic deals that were part of his détente package. Even earlier, State Department security had caught Sonnenfeldt leaking classified information to the Israelis, and it was suspected, though not proved, that he was passing information to the Soviets via Henry Kissinger, then at Harvard.

Is Kiss. Ass. involved in East Europe scam?

Another Kissinger associate, Larry Eagleburger, who was president of Kissinger Associates, Inc. until his appointment by George Bush to be deputy secretary of state, is also believed to have strong ties to Felix Bloch. These ties are believed to go back at least to 1981-82, when Eagleburger was Assistant Secretary of State for European Affairs and Bloch was the economic counselor in Vienna.

Former Reagan National Security Council staff sources state that Bloch had been a tremendous influence as well upon one of Eagleburger's successors in that post, his close friend Rozanne Ridgway, whom Bloch got to promote East-West trade deals as part of what Ridgway has publicly termed "the emerging condominium between the U.S. and Soviet Union." During the Reagan and Bush administrations Felix Bloch was known as "Mr. East-West Trade," and he even helped write NSO-4, the economic portion of President Bush's much-vaunted East-West policy review, which Eagleburger had a hand in drafting.

Felix Bloch is also alleged by sev-

eral former U.S. intelligence sources to be close to Kissinger protégé R. Mark Palmer, the former U.S. ambassador to Hungary, who is right now ducking conflict of interest charges, because while serving as ambassador he accepted the post of chief executive officer of the Central European Development Corporation (CEDC) that plans major investments in Hungary and other Eastern European countries. The chairman of the CEDC is Ronald S. Lauder, the former U.S. ambassador to Austria and heir to the Estée Lauder makeup fortune, under whom Bloch served as deputy chief of mission. U.S. intelligence sources charge that Lauder's supposed differences with Bloch, which Lauder trumpeted when the Bloch spy scandal broke during Lauder's unsuccessful bid to be mayor of New York, were merely cosmetic.

It is also notable that as the National Democratic Policy Committee testified in Eagleburger's confirmation hearings last March, several of his former clients at Kissinger Associates, Inc. are in the forefront of East-West trade, including technology transfer of items that Pentagon sources believed would significantly augment Soviet chemical warfare capabilities. Well-informed former U.S. intelligence sources allege that Kissinger Associates is secretly involved in the Ronald Lauder/Mark Palmer CEDC scandal in Hungary.

The *New York Times* reports that Larry Eagleburger, who just finished a tour of Eastern Europe (Feb. 20-27) in his new added post of Presidential Coordinator for Eastern European Assistance, had been the principal State Department official who gave R. Mark Palmer the green light to join Lauder's firm while remaining a U.S. ambassador to the country it would operate in, despite the major appearance of impropriety.

Committee wants Social Security 'off budget'

On Feb. 27, the House Ways and Means Committee endorsed the proposal of Sen. Daniel Moynihan (D-N.Y.) to remove the Social Security trust fund from calculations used to determine the size of the federal budget deficit.

The Moynihan proposal, which would create enormous difficulties for the budget-balancing act of the Bush administration, was officially shunned by leading Democrats, who were afraid the move could backfire significantly in this, a congressional election year. The growing surplus of the Social Security fund has been used to offset the federal deficit. If it were removed from the calculations, the deficit this year would be some \$74 billion larger, and would encourage a new round of severe spending cuts.

The endorsement of the Ways and Means Committee is the first official congressional support for the Moynihan proposal. Voice-vote approval of the motion, submitted by Rep. Byron Dorgan (D-N.D.), occurred over the objections of many of the committee's Republicans and chairman Dan Rostenkowski (D-Ill.). Dorgan has also collected 100 co-sponsors on separate legislation to remove the trust fund from the deficit calculations.

Greenspan flip-flops on economic prognosis

Within two days, Federal Reserve chairman Alan Greenspan did a 180-degree turn in his analysis of the U.S. economic situation.

In testimony before the House Banking Committee on Feb. 20, Greenspan pointed to inflation as the biggest danger to the U.S. economy,

saying that "the risks of acceleration from here are larger than we should be willing to tolerate." Three days later, in testimony before the Senate Banking Committee, Greenspan claimed that "there is no evidence that inflation is accelerating," and predicted that it might even drop.

Greenspan's latest remarks indicate rising concern over the crumbling financial picture and the negative domestic effects of higher interest rates. In the aftermath of the Drexel Burnham Lambert blowout, the Fed and the Treasury have been pumping in credit and cash in an effort to prevent a chain reaction. With rising rates in West Germany and Japan, Greenspan noted, it will be difficult to keep the spigot open in the United States without forcing a massive flight from the dollar.

CIA refuses to testify on involvement in S&Ls

The CIA brusquely refused to testify before a congressional committee investigating the Agency's involvement in certain S&L bankruptcies with connections to the channeling of money to the Nicaraguan Contras. In a letter written on Feb. 14 to Rep. Frank Annunzio (D-Ill.), chairman of the House Subcommittee on Financial Institutions, the CIA said it was not "appropriate" for Director of Central Intelligence William Webster or other agency officials to appear before the subcommittee to discuss the allegations.

The letter, signed by the CIA's Director of Congressional Relations, said that, "as a matter of principle, we do not believe it appropriate to dignify with formal congressional testimony scurrilous and unsubstantiated allegations such as those made by the *Houston Post*."

The allegations, first documented in a series of articles in the *Houston Post*, reported that the prosecutor's office was investigating Robert Corson, an S&L executive who had CIA ties, and that a related investigation in Kansas was blocked by the CIA in the mid-1980s. Garrett said that the accusations are being raised by Richard Brenneke, a key figure in the Iran-Contra affair, who has been hung out to dry by the Agency, and that Brenneke's statements were not considered reliable.

Pell leads Dems against German unity

Senate Foreign Relations Committee chairman Claiborne Pell (D-R.I.) is leading a pack of Senate Democrats in attacking West German Chancellor Helmut Kohl for allegedly balking on the issue of the German borders with Poland in a reunified Germany. Appalled at the quick pace of developments toward German reunification, a development which would jeopardize the power of the U.S. Establishment of which the Senator is a member, Pell and his colleagues are raising the red herring about the German-Polish borders in an attempt to slow the pace of developments in Europe.

Chancellor Kohl, in Washington on Feb. 25 for a hastily called summit with President Bush, said that "nobody has any intentions of linking the question of national unity with changes of existing borders," but further indicated that only the parliament of a united and sovereign Germany could make a definitive statement recognizing the borders. As the present borders were established without any involvement of a duly elected German government, the issue of recognizing those borders would be constitutional-

ly in the hands of a duly elected government in East Germany or a duly elected government of a united Germany.

On Feb. 27 at a White House meeting, Pell told Bush that Kohl's alleged refusal to declare that a unified Germany would respect the inviolability of its border with Poland should be a matter of great concern to the United States. Senate Armed Services Committee chairman Sam Nunn (D-Ga.) said that he was "personally disappointed" that Kohl had not "put to rest" the border issue.

Dole withdraws Armenian resolution

Under pressure from the White House and not-so subtle threats by the Turkish government to withdraw from the Turkish-U.S. defense agreement, Sen. Robert Dole (R-Kan.) withdrew on Feb. 27 his resolution designating April 24 as a national day of remembrance for the "Armenian genocide of 1915-1923."

This occurred after the Senate refused for a second time to break a filibuster, led by Sen. Robert Byrd (D-W.Va.), against the measure. The Dole resolution set off an uproar in Turkey, and the Turkish ambassador to the United States, Nuzhet Kandemir, warned that passage of the resolution would be regarded as "an unwarranted and deeply offensive insult."

During the course of the debate, Dole had started out with 61 co-sponsors, enough to force closure on any filibuster. But concern over Turkey's reaction—conveyed in part by defense contractors that do business in Turkey, as well as in certain Senators' home states—gradually eroded support for Dole's resolution. The initial vote on Feb. 21 was 49 to 49, leaving

Dole 11 votes short of the 60 he needs, and this was whittled down during the course of the week. Dole said he would explore other possibilities, including an initiative in the House.

Insurance industry could follow S&Ls

A report issued by the Oversight and Investigations Subcommittee of the House Energy and Commerce Committee warned that the insurance industry could face a solvency crisis rivaling that of the savings and loan institutions, if state regulators don't get tougher.

The subcommittee studied the failures of four insurance companies, including the three biggest to date, and found what it charged was fraud reminiscent of some of the more spectacular S&L failures, the report said. Among the problems cited were reckless management, fraudulent activity, self-dealing, and greed, reported the *Wall Street Journal* on Feb. 26.

Baucus prepares Jap-bashing bill

In the wake of an impasse at trade talks in February between the U.S. and Japan, Sen. Max Baucus (D-Mt.), chairman of the Finance Subcommittee on International Trade, said on Feb. 26 that the talks were "deadlocked on all fronts," and that he was drafting legislation directing the administration to retaliate against Japan if it does not open its markets to U.S. exports of forest products, supercomputers, and satellites by June 17.

Spokesmen for the U.S. wood products industry insist that after five rounds of talks since last June, Japan has made virtually no concessions.

Baucus claimed that the barriers to forest products alone was costing the U.S. \$1-2 billion in lost exports each year. Baucus is also drafting another bill to mandate retaliation if no progress is made in the current Structural Impediments Initiative talks, which target anti-competitive Japanese practices. The U.S. Semiconductor Industry Association is pushing another bill targeting nations for retaliation for violating bilateral trade agreements, such as one that promised the U.S. a larger share of the Japanese semiconductor market.

CIA chief says Soviets not a threat

On March 1, CIA head William Webster assured the House Armed Services Committee that the Soviets were no longer a threat to the U.S. While mooted the possibility of a forcible removal of Gorbachov by hard-liners and a possible return to Stalinist-style government, Webster insisted that such a regime "would have little incentive to engage in major confrontations with the United States," and "would be unlikely to indulge in a major military buildup."

Webster's testimony, approved by Secretary of State James A. Baker III, according to sources, contradicted testimony given the same day to a different committee by Defense Secretary Richard Cheney, who warned that a possible reversal of Soviet liberalization could lead to a resurgent Soviet military.

Committee Chairman Rep. Les Aspin (D-Wisc.), overjoyed at the Webster testimony, characterized it as "ground-breaking," and said that Webster was almost saying the United States was in "a win-win situation" with regard to the Soviets.

National News

Bush whitewashes Soviet treaty adherence

The Bush administration has given the Soviet Union little more than a slap on the wrist in its annual report on Soviet "noncompliance" with arms control treaties. The report, released to Congress on Feb. 26, maintains the Soviets committed only minor violations of the INF treaty, and claims that the Soviets may be preparing to dismantle the illegal phased array radar at Krasnoyarsk.

"The Soviet Union has now committed to complete elimination of the radar" at Krasnoyarsk, the study asserts, but concedes that "the Soviets have not yet begun dismantlement of this radar," although preparations for doing so "may have begun."

According to the *Washington Times*, the study reports that the U.S. is concerned about several ABM-related Soviet activities, including its development and testing of components for mobile ABM systems and development of advanced defenses with ABM capabilities. These and related activities "suggest that the U.S.S.R. may be preparing a defense of its national territory."

Reich says U.S. already in a recession

"We are already in a quiet recession," Robert Reich, professor of economics at Harvard University who achieved notoriety with his early 1970s book *The Greening of America*, said on the Feb. 25 ABC News program "This Week with David Brinkley," refuting Federal Reserve chairman Alan Greenspan's rosy prognostications earlier in the week.

Explaining the basis for his pessimism, Reich warned, "Don't count on there being any economic growth in the U.S. economy anytime soon. We have an enormous build up of debt—15% of the federal budget is now just for interest on the national debt.

"We have a problem with education, training, infrastructure: We've been disinvesting in these areas for 15 years," he said.

"Our problems are not because of Japan. You have to look here for our problems. Even in trade—the impediments to trade in Japan account for only 5 or 10% of our trade deficit with Japan. . . .

"There's a lot of talk now, that since we have a shortage of skilled labor, let's open up to skilled immigrants. Why don't we invest in the unskilled American workers right here?"

Supreme Court hears free speech case

The U.S. Supreme Court heard oral arguments in *U.S.A. v. Kokinda* on Feb. 26, a test of the right to organize and First Amendment rights on federal postal property.

The action was brought by the Solicitor General as an appeal of the U.S. Fourth Circuit Court of Appeals decision, which upheld in strong terms the right to distribute literature and solicit funds on federal postal property, holding that these areas constituted a public forum. In other U.S. Circuit Courts, including the 11th, free speech activities have been severely limited on postal property.

The issue of Lyndon LaRouche was raised by Justice Blackmun who asked the Deputy Solicitor General John Roberts, "Did you knock these people off because they were associated with LaRouche? I know you wouldn't knock off the Red Cross." Later Justice Kennedy echoed the same theme in his query, "Is this viewpoint discrimination?"

The case stems from the 1986 arrest of Marsha Kokinda and Kevin Pearl at a Maryland post office. Kokinda was given a ten day jail sentence, Pearl was given a suspended sentence, and both were fined.

The Baltimore *Evening Sun* entitled its Feb. 26 front page coverage, "Freedom of Speech Case to Top Court." "Bush administration lawyers want all postal property declared off-limits to those who pass out literature or solicit contributions," the article reported.

Justice Antonin Scalia reacted sharply when Roberts referred to a public sidewalk near a post office as a "concrete apron." In questioning defendants' counsel Atlanta

attorney Jay Sekulow, the Justices focused on free speech cases and their relationship to the current case. No decision is expected until June.

EIR issues special report on Satanism

A new *EIR* special report on Satanism, entitled "Satanism: Crime Wave of the '90s," and selling for \$100, will be released shortly, editors said.

The report, written by Carol White with Jeffrey Steinberg, and researched by an *EIR* staff, includes a foreword by Lyndon LaRouche on the Satanist personality. The report contains nine chapters, a bibliography, and five appendices, among them a document by Satanist Michael Aquino on his "Working" at Wewelsburg Castle in West Germany (formerly a cult center for Heinrich Himmler's SS), and FBI agent Kenneth Lanning's apologia for Satanists.

The report examines a series of crime waves and crime rings, to document the assertion that there has developed in this country a kind of "Satanic Murder, Inc.," intimately tied to international drug rings and the counterculture.

The report seeks to analyze the evolution of the "Satanic International," by tracing its roots back to the *deliberate* creation, after World War II, of the "drug culture"—the Age of Aquarius, or New Age. Thus, names from the 1960s, like Timothy Leary and Ken Kesey, appear as part of the story—as do notables like Aldous Huxley, the author of *Brave New World*.

Catholic weekly calls Buckley 'immoral'

The *National Catholic Register*, the principal national Catholic weekly, denounced William F. Buckley, Jr. as "a libertarian yahoo" with "the moral conscience of a cockroach," for campaigning for decriminalization of drugs in its Feb. 18 issue.

"The basic facts remain: Dope is poison and those who push it have the moral conscience of a cockroach. Still, there's a capricious horde of libertarian yahoos, who insist we could mitigate this reality by 'legalizing' drugs," the Register writes.

"Recent converts to this miscreant cult include former Secretary of State George Shultz, columnist William F. Buckley, Jr. and that ebullient guru of 'value free' economics, Milton Friedman. . . . If you do dope, you not only hurt yourself. Ultimately, you've lined the pockets of people who'll murder anybody who gets in their way.

"And if you think 'legalizing drugs' will change this fact, making enforcement easier or addiction less of a problem, you're indulging a hallucinogenic fantasy, the political equivalent of a 'bum trip.' "

Animal rights crazies target veterinary schools

The Virginia Polytechnic University at Blacksburg stated that it is heeding police warnings that animal rights activists may be targeting veterinary school deans for death.

The warning comes after the murder of Dr. Hiram Kitchen, dean of the University of Tennessee College of Veterinary Medicine, who was murdered Feb. 8. Police and FBI agents have stated that while no precise groups have been identified, there is information that extremist animal rights activists may be targeting deans to protest laboratory research on animals. Threatening mail has been received by the University of Tennessee. Threats have warned of an intent to kill "one dean a month for the next 12 months."

Bundy: End military tradition of 'victory'

McGeorge Bundy, the so-called dean of the Eastern Establishment, writes that the traditional military conception "that what you must do in war is win," must be eradicated from all U. S. military doctrine, in the Council on Foreign Relations journal, *Foreign Affairs*.

Bundy also attacked the Strategic Defense Initiative. "No one now claims that there can be a leakproof shield, and those who proclaim the value of enormously expensive partial protection are each year less persuasive in Washington," Bundy said.

Backing the doctrine of Mutually Assured Destruction, Bundy argued, "Because nuclear war is unwinnable, only weapons (such as better submarines and single-warhead mobile missiles) that add significantly to overall survivability are worth buying, and even then not too many of them." Bundy called for deep cuts in a strategic arms treaty, adding, "The stalemate of today would be a stalemate even if one side were to go on building while the other cut back by half its many survivable warheads. The band of parity, in Robert McNamara's phrase, is very wide."

Bundy said the main source of global instability today is the Third World, and backed the U.S. invasion of Panama.

Seabrook nuclear plant gets OK to operate

The Nuclear Regulatory Commission finally ruled on March 1 that the Seabrook, New Hampshire nuclear plant will be allowed to run at full capacity. "We see nothing that persuades us that Seabrook cannot be operated safely," stated NRC chairman Kenneth Carr.

Ten years have passed since Lyndon LaRouche, in his 1980 campaign for the Democratic presidential nomination, strongly backed bringing the plant on line, and exposed the terrorist links of anti-nuclear forces deployed against it, during the New Hampshire primary.

Although Harold B. Finger, president of the U.S. Council for Energy Awareness, said that the NRC decision would help restore public confidence in nuclear energy, the more than two-decade-long fight over Seabrook and other major plants has devastated the U. S. nuclear industry.

Seabrook will be powerful enough to provide electricity to about 1 million homes and will displace some 11 million barrels of oil per year, in a region that has been hard put to meet energy demand.

Briefly

● **PRESIDENT BUSH** has invited the Soviet Union and 19 other nations to an international meeting on global climate change to be held in Washington in April, and to be chaired by Council of Economic Advisers head Michael Boskin and Bush's science adviser D. Allan Bromley.

● **GEN. JOHN MEDARIS** (ret.), who supervised the building of the Redstone rocket by Wernher von Braun's team, fought to launch the first U.S. satellite into orbit in 1958, and is an adviser to the SDI program, has been recommended as a fellow of the International Aerospace Hall of Fame in San Diego, California.

● **WILLIAM J. BENNETT**, the Bush administration Director of National Drug Control Policy, is planning to leave the administration, columnists Evans and Novak reported Feb. 24. Bennett reportedly plans to eventually run for public office.

● **ILLINOIS GOVERNOR** Jim Thompson was named chairman of the Intelligence Oversight Board, a three-man panel whose purpose is to ensure that U.S. intelligence agencies stay within the law, by President Bush. The IOB has been involved in the administration of Executive Order 12333, which set up the "secret government" operations exposed in the Iran-Contra affair.

● **RICHARD NIXON** and Henry Kissinger hosted the new Red Chinese ambassador to the U.S. Zhu Qizhen in New York in mid-February. In his toast, Kissinger said that although Sino-U.S. relations are currently in a period of difficulty, the two countries have no conflicts of fundamental interests.

● **TWENTY PERCENT** of the U.S. population of blacks and other minorities has been eliminated, through abortion, since 1972. In the same period, 1972-89, eight percent of the white population was triaged through abortion.

Editorial

The condominium crumbles

There is presently a true historical irony unfolding. Mikhail Gorbachov has now been given more dictatorial power than even Adolf Hitler had in his heyday, as a state of emergency exists virtually throughout the Soviet Union. So much for irreversible democratization, despite the platitudes of CIA chief Judge Webster! Despite the wishful delusions of the strange bedfellows Jeane Kirkpatrick and McGeorge Bundy, that Mikhail Gorbachov is a democrat.

The political changes now taking place in the Soviet Union, are revolutionary, in that they are shaking up the institutions of the Soviet state; but they are not reforms intended to lead that nation to become a parliamentary or constitutional democracy. To the contrary: The Soviet head of state is in process of becoming a czar.

There is a broad-based, bipartisan coalition in the United States which agrees on a set of delusions about the present trend line of development in the Soviet Union, delusions which have formed the basis for the policy-decisions of the Anglo-American side of what is frequently called the Trust. The Soviet side of the Trust is however, working on a completely different axiomatic basis.

Mikhail Gorbachov first assumed power as the representative of a group of would-be modernizers whose aim was to get the Soviet Union in shape to fight and win a war against the West. That, as LaRouche has warned time and again, was and is the basis for perestroika. Glasnost is merely a political shakeout intended to allow streamlined administration of such a war machine.

Now events have not followed the course which Gorbachov laid out for them, because, like his Anglo-American bedfellows—particularly his would-be mistress, the starry-eyed Maggie Thatcher—he does not understand economics. Again, precisely as LaRouche predicted, the Soviet economy has been unable to sustain the rate of military buildup, and is therefore in a state of collapse. Their problems have been compounded precisely to the extent that they sacrificed *dirigistic planning* for free-market ideology and the chaos that lawfully followed.

Life, as opposed to the wishful thinking of stupid ideologues, does not unfold in a linear manner, and so a new element has entered the picture—also predicted by LaRouche. Man, created in the image of the Lord, naturally rejects tyranny.

Under conditions of worldwide economic breakdown, we have also seen the reemergence of the fight for freedom. For cultural as well as economic reasons, the impending reunification of Germany is at the heart of this process.

The irony is, that while the Anglo-American side of the Trust has looked askance at the moves toward reunification, with Maggie Thatcher most egregious in this regard, the Soviets are tantalized at the openings which a reunited Germany offers them. Since their economy depends heavily upon both Czechoslovakia and the German Democratic Republic, any economic disruption of these countries will further destabilize them.

Conversely, improvements in the productivities of these countries, providing that trade is maintained between them and the U.S.S.R., can be highly beneficial to the Gorbachov crowd, who are looking to the long-term survival of their empire.

What after all, has George Bush left to offer the Soviets—*miniaturization*? To take just one example, the Soviets are eager to get the benefits of German nuclear technology following the disaster of Chernobyl, which was due to the backwardness of the nuclear technology employed, and their failure to invest in adequate containment.

Imagine just how unattractive the United States will look to the cool-blooded Soviet dictator, after the next phase of the financial-economic collapse!

George Bush and Margaret Thatcher are willing to make any sacrifice to shore up Mikhail Gorbachov in power, just at the time when *he* is poised to desert them, in favor of an alliance with France and Germany based upon the policies embodied in LaRouche's proposal for an intensive, high-technology, infrastructural development program radiating out from the triangular region of Germany, France, and Austria. That is the basic irony of the situation.

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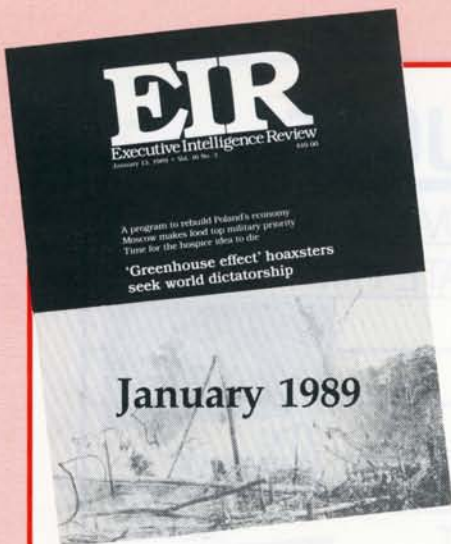
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